

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2004

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ to _____

COMMISSION FILE NUMBER: 000-50129

HUDSON HIGHLAND GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

59-3547281
(IRS Employer Identification No.)

622 Third Avenue, New York, New York 10017
(Address of principal executive offices) (Zip code)

(212) 351-7300
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding on July 31, 2004</u>
Common Stock	10,218,240

HUDSON HIGHLAND GROUP, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUDSON HIGHLAND GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue	\$ 307,431	\$ 269,283	\$ 597,235	\$ 528,472
Direct costs (Note 4)	188,942	165,565	372,355	327,222
Gross margin	118,489	103,718	224,880	201,250
Selling, general and administrative expenses	117,733	120,920	240,408	245,338
Business reorganization expenses (recoveries)	76	(500)	136	7,461
Merger and integration expenses (recoveries)	—	3	(37)	978
Operating income (loss)	680	(16,705)	(15,627)	(52,527)
Other income (expense):				
Other income (expense), net	(290)	1,566	(1,887)	(181)
Interest income (expense), net	145	38	(256)	(255)
Income (loss) before provision for (benefit of) income taxes	535	(15,101)	(17,770)	(52,963)
Provision for (benefit of) income taxes	318	(11)	721	6,138
Net income (loss)	\$ 217	\$ (15,090)	\$ (18,491)	\$ (59,101)
Income (loss) per share:				
Basic earnings (loss)	\$.02	\$ (1.80)	\$ (1.99)	\$ (7.06)
Diluted earnings (loss)	\$.02	\$ (1.80)	\$ (1.99)	\$ (7.06)
Weighted average shares outstanding:				
Basic	9,951	8,382	9,283	8,371
Diluted	10,436	8,382	9,283	8,371

See accompanying notes to consolidated condensed financial statements.

HUDSON HIGHLAND GROUP, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands, except per share amounts)

	June 30, 2004	December 31, 2003
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,952	\$ 26,137
Accounts receivable, net	175,591	149,042
Other current assets	12,969	17,719
Due from Monster	—	5,518
	<u>216,512</u>	<u>198,416</u>
Property and equipment, net	36,758	38,625
Other assets	8,561	11,703
Intangibles, net	6,428	2,180
	<u>\$ 268,259</u>	<u>\$ 250,924</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 29,461	\$ 26,495
Accrued expenses and other current liabilities	124,909	118,548
Accrued business reorganization expenses	10,552	11,543
Accrued merger and integration expenses	2,246	2,960
	<u>167,168</u>	<u>159,546</u>
Accrued business reorganization expenses, non-current	6,339	14,840
Accrued merger and integration expenses, non-current	2,683	3,484
Other non-current liabilities	5,352	3,693
	<u>181,542</u>	<u>181,563</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, 10,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.001 par value, 100,000 shares authorized; issued 10,216 and 8,573 shares, respectively	10	9
Additional paid-in capital	351,628	315,130
Retained deficit	(303,292)	(284,801)
Accumulated other comprehensive income - translation adjustments	38,589	39,023
Treasury stock, 7 shares	(218)	—
	<u>86,717</u>	<u>69,361</u>
	<u>\$ 268,259</u>	<u>\$ 250,924</u>

See accompanying notes to consolidated condensed financial statements.

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HUDSON HIGHLAND GROUP, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net loss	\$ (18,491)	\$ (59,101)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	9,994	10,301
(Recovery of) provision for doubtful accounts	(1,138)	8,113
Net loss on disposal of assets	1,182	1,784
Deferred income taxes	(17)	6,819
Restricted stock amortization	486	—
Changes in assets and liabilities:		
(Increase) in accounts receivable	(26,345)	(269)
Decrease (increase) in other assets	5,376	(227)
Increase in accounts payable, accrued expenses and other liabilities	11,701	20,397
(Decrease) in accrued merger and integration expenses	(1,296)	(2,140)
(Decrease) in accrued business reorganization expenses	(8,972)	(11,341)
Total adjustments	(9,029)	33,437
Net cash used in operating activities	(27,520)	(25,664)
Cash flows from investing activities:		
Capital expenditures	(4,693)	(5,362)
Payments related to purchased businesses (net of cash acquired)	(43)	(330)
Net cash used in investing activities	(4,736)	(5,692)
Cash flows from financing activities:		
Proceeds from issuance of common stock	27,919	—
Borrowings under credit facility	13,550	—
Repayments under credit facility	(13,550)	—
Proceeds from receivable from Monster	5,518	2,109
Issuance of common stock – Long Term Incentive Plan option exercises	1,105	—
Issuance of common stock – Employee Stock Purchase Plan	1,000	—
Payments on short and long-term debt	(570)	(1,298)
Purchase of restricted stock from employees	(218)	—
Net cash transfers received from Monster prior to Distribution	—	41,317
Net cash provided by financing activities	34,754	42,128
Effect of exchange rate changes on cash and cash equivalents	(683)	2,941
Net increase in cash and cash equivalents	1,815	13,713
Cash and cash equivalents, beginning of period	26,137	25,908
Cash and cash equivalents, end of period	\$ 27,952	\$ 39,621
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 1,039	\$ 1,974

See accompanying notes to consolidated condensed financial statements.

HUDSON HIGHLAND GROUP, INC.
CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Common stock	Additional paid-in capital	Retained deficit	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balance January 1, 2004	\$ 9	\$ 315,130	\$ (284,801)	\$ —	\$ 39,023	\$ 69,361
Net loss	—	—	(18,491)	—	—	(18,491)
Other comprehensive loss, translation adjustments	—	—	—	—	(434)	(434)
Issuance of shares for 401(k) plan	—	1,058	—	—	—	1,058
Exercise of stock options	—	1,105	—	—	—	1,105
Issuance of shares for employee stock purchase plan	—	1,000	—	—	—	1,000
Issuance of shares for acquisition, net of \$317 due from seller	—	4,931	—	—	—	4,931
Purchase of restricted stock from employees	—	—	—	(218)	—	(218)
Issuance of shares	1	27,918	—	—	—	27,919
Compensation on restricted stock issuance	—	486	—	—	—	486
Balance June 30, 2004	\$ 10	\$ 351,628	\$ (303,292)	\$ (218)	\$ 38,589	\$ 86,717

See accompanying notes to consolidated condensed financial statements.

HUDSON HIGHLAND GROUP, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

NOTE 1 - INTERIM CONSOLIDATED CONDENSED QUARTERLY FINANCIAL STATEMENTS

These interim consolidated condensed quarterly financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the consolidated audited financial statements and related notes of Hudson Highland Group, Inc. (the "Company") in its Annual Report on Form 10-K filed with the SEC on March 10, 2004 (the "Form 10-K"). The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

NOTE 2 – BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Basis of Presentation

The Company was historically the combination of 67 acquisitions made between 1999 and 2002, which became the eResourcing and Executive Search divisions ("HH Group") of Monster Worldwide, Inc. ("Monster"), formerly TMP Worldwide, Inc. Some of the Company's constituent businesses have operated for more than 20 years. On March 31, 2003 (the "Distribution Date"), Monster distributed all of the outstanding shares of the newly named HH Group to its stockholders of record on March 14, 2003 on a basis of one share of HH Group common stock for each thirteen and one-third shares of Monster common stock so held. Since the Distribution Date, the Company has operated as an independent publicly held company, has added two small acquisitions, and reorganized a number of smaller business units after determining that those businesses were not viable profit centers.

For all periods through the Distribution Date, the consolidated financial statements have been derived from the financial statements and accounting records of Monster, using the historical results of operations and historical basis of the assets and liabilities of the Company's business. In connection with the Distribution, the inter-company balances due to Monster were contributed by Monster to equity; accordingly, such balances are reflected as divisional equity for periods prior to the Distribution Date, at which time the amount was reclassified to common stock and additional paid-in capital. Earnings and losses are accumulated in retained earnings (deficit) starting April 1, 2003. The terms of the distribution agreement with Monster did not require repayment or distribution of any portion of the divisional equity back to Monster. HH Group's costs and expenses in the accompanying consolidated condensed financial statements for periods prior to the Distribution Date include allocations from Monster for executive, legal, accounting, treasury, real estate, information technology and other Monster corporate services and infrastructure costs because specific identification of the expenses is not practicable. The total corporate services allocation to HH Group from Monster was \$5,123 for the period ending the Distribution Date. The expense allocations were determined on the basis that Monster and HH Group considered to be reasonable reflections of the utilization of services provided or the benefit received by HH Group using ratios that are primarily based on the Company's revenue, net of direct costs of temporary contractors, compared to Monster as a whole. Monster also allocated to HH Group's corporate expense certain business reorganization expenses of \$137 for the period ending March 31, 2003. The financial information included herein prior to the Distribution Date may not necessarily reflect the financial position and results of operations of the Company in the future or what these amounts would have been had the Company been a separate, stand-alone entity during the periods presented prior to the Distribution.

Income (Loss) Per Share

To determine the shares outstanding for the Company for the period prior to the Distribution, Monster's weighted average number of shares is multiplied by the distribution ratio of one share of HH Group common stock for every thirteen and one-third shares of Monster common stock. Basic income (loss) per share is computed by dividing the Company's income (loss) by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share reflect the potential dilution from the assumed exercise of all dilutive potential common shares, primarily stock options. The dilutive impact of stock options is determined by applying the "treasury stock" method. For the six-month period ended June 30, 2004, the effect of approximately 485,000 outstanding stock options and other common stock equivalents was excluded from the calculation of diluted loss per share because the effect was anti-dilutive. For the three- and six-month periods ended June 30, 2003, the effect of approximately 286,000 outstanding stock options and other common stock equivalents was excluded from the calculation of diluted loss per share because the effect was anti-dilutive.

NOTE 2 – BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS (Continued)

Description of Business Segments

The Company is one of the world's largest specialized staffing and executive search firms. The Company provides professional staffing services on a permanent, contract and temporary basis, as well as executive search and a range of human capital services to businesses operating in a wide variety of industries. The Company is organized into two business segments, Hudson Global Resources ("Hudson") and Highland Partners ("Highland"), which constituted approximately 87% and 13% of the Company's gross margin, respectively, for the six months ended June 30, 2004.

Hudson. Hudson primarily provides temporary and contract personnel and permanent recruitment services to a wide range of clients. With respect to temporary and contract personnel, Hudson focuses on providing candidates with professional qualifications, including accounting and finance, legal and technology. The length of temporary assignment can vary widely, but assignments in the professional sectors tend to be longer than those in the general clerical or industrial sectors. With respect to permanent recruitment, Hudson focuses on mid-level professionals typically earning between \$50,000 and \$150,000 annually and possessing the professional skills and/or profile required by clients. Hudson provides permanent recruitment services on both a retained and contingent basis. In larger markets, Hudson's sales strategy focuses on both clients operating in particular business segments, such as financial services, healthcare, or technology, and candidates possessing particular professional qualifications, such as accounting and finance, information technology and communications, legal and healthcare. Hudson uses both traditional and interactive methods to select potential candidates for its clients, employing a suite of products that assesses talent and helps predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services through its Human Capital Solutions and Hudson Inclusion Solutions units that encompass services including, among others, customized interactive recruiting and human resource solutions, executive assessment and coaching, diversity assessment and consulting, organizational effectiveness, and career transition. Through the Hudson Highland Center for High Performance, Hudson also offers leadership solutions designed to assist senior management in enhancing the operating performance of large organizations. These services enable Hudson to offer clients a comprehensive set of human capital management services, ranging from providing temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent executives and professionals, to outplacement.

Hudson operates on a global basis in 21 countries and approximately 100 offices with its revenue generated approximately evenly among North America, Europe (including the United Kingdom), and the Asia Pacific region (primarily Australia and New Zealand).

Highland. Highland offers a comprehensive range of executive search services on a retained basis aimed at recruiting senior level executives or professionals. Highland also has an active practice in assisting clients desiring to augment their boards of directors.

Highland approaches the market through industry sectors, such as financial services, life sciences, retail and consumer products, industrial and technology. This industry sector sales approach is designed to enable Highland to better understand the market conditions and strategic management issues faced by clients within their specific business sectors. Highland also recruits candidates through functional specialist groups, including board of directors, chief financial officer, chief information officer, human resources and legal. These functional expertise groups are comprised of consultants who have extensive backgrounds in placing executives in certain specialist positions within a business.

Highland operates as a global boutique with 16 practice offices in five countries. For the six months ended June 30, 2004, approximately 69% of revenue in the Highland business was derived in North America.

Corporate expenses are reported separately from the two operating segments and consist primarily of compensation, marketing and lease expense, and professional fees.

Reclassifications

Certain prior period amounts have been reclassified to conform to the Company's 2004 financial statement presentation; these reclassifications do not change total revenues, total expenses, net loss, total assets, total liabilities or stockholders' equity.

NOTE 3 – STOCK BASED COMPENSATION

The Company accounts for employee stock-based compensation in accordance with APB No. 25 “Accounting for Stock Issued to Employees” (“APB No. 25”). Under APB No. 25, no compensation expense is recognized in connection with the awarding of stock option grants to employees provided that, as of the grant date, all terms associated with the award are fixed and the quoted market price of the stock is equal to or less than the amount an employee must pay to acquire the stock. Because the Company issues only fixed term stock option grants at or above the quoted market price on the date of the grant, there is no related compensation expense recognized in the accompanying financial statements. The Company adopted the disclosure only provisions of SFAS 123, “Accounting for Stock-Based Compensation” (“SFAS 123”) and SFAS 148 “Accounting for Stock-Based Compensation – Transition and Disclosure” (“SFAS 148”), which require certain financial statement disclosures, including pro forma operating results as if the Company had prepared its consolidated financial statements in accordance with the fair value based method of accounting for stock-based compensation.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. Black-Scholes does not consider the employment, transfer or vesting restrictions that are inherent in the Company’s employee options. Use of an option valuation model, as required by SFAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant. Because the Company’s employee options have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect the Company’s estimate of the fair value of those options, in the Company’s opinion the existing valuation models, including Black-Scholes, are not reliable single measures and may misstate the fair value of the Company’s employee options.

As required under SFAS 123 and SFAS 148, the pro forma effects of stock-based compensation on the Company’s operating results and per share data have been estimated at the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Six Months Ended June 30,	
	2004	2003
Risk free interest rate	4.0%	4.0%
Volatility	55.0%	65.0%
Expected life (years)	5.0	5.0
Dividends	0.0%	0.0%
Weighted average fair value of options granted during the period	\$ 14.30	\$ 7.62

For purposes of pro forma disclosures, the options’ estimated fair value is assumed to be amortized to expense over the options’ vesting periods. The pro forma effects of stock-based compensation expense for the six months ended June 30, 2003 does not include expenses from the period prior to the Distribution Date, as no options related to the Company’s stock were outstanding during that period and no expense was required for Monster stock options granted to the Company’s employees prior to the Distribution Date. As a result of the Company’s inability to recognize current tax benefits on reported net losses, total stock-based compensation expense is shown without tax benefits for all periods presented. The pro forma effects of recognizing compensation expense under the fair value method on the Company’s operating results and per share data are as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Reported net income (loss)	\$ 217	\$ (15,090)	\$ (18,491)	\$ (59,101)
Less: Total stock-based employee compensation expense determined under fair value based method for all awards	(683)	(1,172)	(1,969)	(1,172)
Pro forma net loss	\$ (466)	\$ (16,262)	\$ (20,460)	\$ (60,273)
Basic and diluted earnings per share:				
As reported net income (loss)	\$.02	\$ (1.80)	\$ (1.99)	\$ (7.06)
Pro forma net loss	\$ (.05)	\$ (1.94)	\$ (2.20)	\$ (7.20)

NOTE 4 - REVENUES, DIRECT COSTS AND GROSS MARGIN

The Company's revenue and direct costs, classified by temporary and permanent placement business, are as follows:

	Quarter Ended June 30, 2004			Quarter Ended June 30, 2003		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Revenue	\$ 213,317	\$ 94,114	\$ 307,431	\$ 188,467	\$ 80,816	\$ 269,283
Direct costs ⁽¹⁾	175,735	13,207	188,942	155,678	9,887	165,565
Gross margin	\$ 37,582	\$ 80,907	\$ 118,489	\$ 32,789	\$ 70,929	\$ 103,718

	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Revenue	\$ 418,087	\$ 179,148	\$ 597,235	\$ 374,709	\$ 153,763	\$ 528,472
Direct costs ⁽¹⁾	347,217	25,138	372,355	309,322	17,900	327,222
Gross margin	\$ 70,870	\$ 154,010	\$ 224,880	\$ 65,387	\$ 135,863	\$ 201,250

⁽¹⁾ Direct costs include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses and insurance costs for the Company's temporary contractors and reimbursed out-of-pocket expense and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the search and permanent placement revenues. The commissions, salaries, payroll taxes and employee benefits related to recruitment professionals are included in selling, general and administrative expenses.

NOTE 5 - BUSINESS REORGANIZATION EXPENSES

In 2002, the Company, as part of Monster, announced reorganization initiatives to streamline operations, lower its cost structure, integrate businesses previously acquired and improve return on capital. These reorganization programs included a workforce reduction, consolidation of excess facilities, restructuring of certain business functions and other special charges, primarily for exiting activities that were no longer part of the Company's strategic plan. The Company also initiated reorganization efforts related to its separation from Monster, which consisted primarily of workforce reduction, office consolidation costs and related write-offs, professional fees and other special charges.

In 2003, the Company recorded additional charges and credits, as a result of changes in estimates related to the prior actions, and as a result of further actions in 2003 to close offices and business units that did not have the size or market capacity to provide future income growth.

Amounts in the "Change in estimate" column of the following tables represent amounts charged to business reorganization expenses in the Company's statement of operations for the six months ended June 30, 2004. Costs and (recoveries) under these plans are charged (credited) to expense as estimates are finalized and events become accruable and represent modifications to previously accrued amounts that were initially established under each plan. The "Utilization" caption of the following tables is primarily the cash payments associated with the plans.

A summary of activity of the business reorganization expenses for the six months ended June 30, 2004 is as follows:

	Balance December 31, 2003	Change in estimate	Utilization	Balance June 30, 2004
Workforce reductions	\$ 5,337	\$ 184	\$ (4,338)	\$ 1,183
Consolidation of excess facilities	18,340	(39)	(4,026)	14,275
Professional fees and other	2,706	(9)	(1,264)	1,433
Total	\$ 26,383	\$ 136	\$ (9,628)	\$ 16,891

A summary of plan activity related to business reorganization expenses for the six months ended June 30, 2004 is as follows:

	Balance December 31, 2003	Change in estimate	Utilization	Balance June 30, 2004
Second Quarter 2002 Plan	\$ 4,717	\$ (135)	\$ (1,407)	\$ 3,175
Fourth Quarter 2002 Plan	8,523	(57)	(1,858)	6,608
Fourth Quarter 2003 Plan	13,143	328	(6,363)	7,108
Total	\$ 26,383	\$ 136	\$ (9,628)	\$ 16,891

NOTE 6 - BUSINESS COMBINATIONS

Acquisitions Accounted for Using the Purchase Method

In June 2004, the Company purchased one business through the issuance of 183,587 shares of common stock, with a fair value of \$5,248. The Company recorded the preliminary allocation of the purchase price to the estimated fair value of the net assets acquired (\$964 in assets, \$562 in liabilities and \$317 as a reduction of equity, which relates to a receivable due from sellers) with the excess of \$4,529 allocated to goodwill. The purchase agreement provides for contingent payouts to the sellers over the next three years, based upon future minimum annual and cumulative earnings thresholds. If and when such payments come due, the amounts will be added to the recorded value of goodwill. There were no acquisitions during the six months ended June 30, 2003.

Accrued Merger and Integration Expenses

Pursuant to the conclusions stated in EITF 94-3 and EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*, and in connection with the acquisitions and mergers made in 2001 and 2000, the Company formulated plans to integrate the operations of such companies. These plans involve the closure of certain offices of the acquired and merged companies and the termination of certain management and employees. The objectives of the plans are to eliminate redundant facilities and personnel and to create a single brand in the related markets in which the Company operates.

In connection with plans relating to pooled entities, the Company recovered \$37 and expensed \$978 in the first six months of 2004 and 2003, respectively, relating to integration activities included as a component of merger and integration expenses. Amounts recorded relating to business combinations accounted for as purchases were charged to goodwill. The \$37 in recoveries for the first six months of 2004 was entirely related to lease obligations on closed facilities.

Amounts reflected in the "Change in estimate" column represent modifications to plans subsequent to finalization and have been (recovered) expensed in the current period. The "Utilization" caption of the following tables is primarily the cash payments associated with the plans.

A summary of activity of the merger and integration expenses for the six months ended June 30, 2004 is as follows:

	<u>Balance December 31, 2003</u>	<u>Change in Estimate</u>	<u>Utilization</u>	<u>Balance June 30, 2004</u>
Assumed lease obligations on closed facilities	\$ 5,984	\$ (37)	\$ (1,226)	\$ 4,721
Consolidation of acquired facilities	460	—	(252)	208
Total	\$ 6,444	\$ (37)	\$ (1,478)	\$ 4,929

A summary of plan activity related to merger and integration expenses for the six months ended June 30, 2004 is as follows:

	<u>Balance December 31, 2003</u>	<u>Change in Estimate</u>	<u>Utilization</u>	<u>Balance June 30, 2004</u>
2000 Plans	\$ 1,728	\$ (37)	\$ (312)	\$ 1,379
2001 Plans	2,293	—	(614)	1,679
2002 Plans	2,423	—	(552)	1,871
Total	\$ 6,444	\$ (37)	\$ (1,478)	\$ 4,929

NOTE 7 - TAXES

The provision for income taxes for the six months ended June 30, 2004 was \$721 on a pretax loss of \$17,770, compared with a provision of \$6,138 on a pretax loss of \$52,963 for the same period of 2003. The higher tax provision in the first six months of 2003 relates primarily to the increase in valuation allowances on certain foreign tax losses, which may not be realizable. In each period, the effective tax rate differs from the U.S. Federal statutory rate of 35% due primarily to valuation allowances on deferred tax assets, net operating losses retained or utilized by Monster, certain non-deductible expenses such as amortization, business restructuring and spin off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions. The Company records a valuation allowance against deferred tax assets to the extent that it is more likely than not that some portion, or all of, the deferred tax assets will not be realized.

NOTE 8 – RELATED PARTY TRANSACTIONS

Distribution Business Agreements

In connection with the Distribution, the Company and Monster entered into agreements covering employee benefit plans, real estate, transition services and tax separation.

The Company entered into a distribution agreement with Monster effective as of the Distribution Date, pursuant to which the Company, among other things, agreed to maintain independent employee benefit plans and programs (other than equity compensation) that are substantially similar to Monster's existing employee benefit plans and programs. Following the Distribution, Monster generally ceased to have any liability to the Company's current and former employees and their beneficiaries including liability under any of Monster's benefit plans or programs.

The Company and Monster entered into various lease and sublease arrangements for the sharing of certain facilities for a transitional period on commercial terms. In the case of subleases or sub-subleases of property, the lease terms and conditions generally coincide with the remaining terms and conditions of the primary lease or sublease, respectively.

The Company entered into a transition services agreement with Monster effective as of the Distribution Date. Under the agreement, Monster provides to the Company, and the Company provides to Monster, certain insurance, tax, legal, facilities, human resources, information technology and other services that are required for a limited time (generally for one year following the Distribution Date, except as otherwise agreed).

After the Distribution Date, the Company was no longer included in Monster's consolidated group for United States federal income tax purposes. The Company and Monster entered into a tax separation agreement to reflect the Company's separation from Monster with respect to tax matters. The primary purpose of the tax separation agreement is to reflect each party's rights and obligations relating to payments and refunds of taxes that are attributable to periods beginning before and including the date of the distribution and any taxes resulting from transactions effected in connection with the distribution.

Monster Funding of HH Group Obligations

Monster agreed at the Distribution Date to reimburse the Company for \$13,530 of cash payments related to the Company's accrued integration, restructuring and business reorganization obligations and other expenses during the first year following the spin-off. The Company received payments of \$13,530 since the Distribution. Legal obligation for settlement of such liabilities will remain with the Company.

Other Commercial Arrangements

The Company and Monster have entered into a three-year commercial contract involving the utilization of Monster.com services for targeting, sourcing, screening and tracking prospective job candidates around the world. The Company and Monster may from time to time also negotiate and purchase other services from the other, pursuant to customary terms and conditions. There is no contractual commitment that requires the Company to use Monster services in preference to other competitors.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Risks and Uncertainties

The Company has a history of operating losses and has only operated as an independent company since the Distribution Date. Prior to the Distribution Date, the Company's operations were historically financed by Monster as separate segments of Monster's broader corporate organization rather than as a separate stand-alone company. Monster assisted the Company by providing financing, particularly for acquisitions, as well as providing corporate functions such as identifying and negotiating acquisitions, legal and tax functions. Following the Distribution, Monster has no obligation to provide assistance to the Company other than the interim and transitional services, that will be provided by Monster pursuant to the transition services agreement described in Note 8. Because the Company's businesses have operated as an independent company only since the Distribution Date, the Company cannot provide assurance that it will be able to successfully implement the changes necessary to operate as a profitable stand-alone business, or to secure additional debt or equity financing on terms that are acceptable to the Company.

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NOTE 10 - FINANCIAL INSTRUMENTS

The Company received \$27,919 in net proceeds from the issuance of 1,273,885 shares of its common stock in a registered public offering on March 23, 2004.

Credit Facility

The Company has a senior secured credit facility for \$50,000 with Wells Fargo Foothill, Inc., as agent, and certain lenders (the "Foothill Credit Facility"). The maturity date of the Foothill Credit Facility is March 31, 2007. Outstanding loans will bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit will be based on a percentage of the accounts receivable of the Company. The Company expects to use such credit, if and when required, to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. As of June 30, 2004 the credit limit on the Foothill Credit Facility was \$30,000, pending Wells Fargo Foothill's syndication of a portion of the facility. Effective July 27, 2004, the Foothill Credit Facility was increased by \$20,000 as a result of a successful syndication. During the six months ended June 30, 2004, the Company borrowed and repaid a total of \$13,550 under this credit facility. As of June 30, 2004, no borrowings were outstanding and the Company had letters of credit issued and outstanding of \$9,262, leaving \$20,738 of the credit facility available for use.

The Foothill Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends and repurchases of the Company's stock; (2) requirements that the Company maintain its Adjusted EBITDA and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness. These restrictions and covenants could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions. On July 27, 2004, the Company entered into an amendment to the Foothill Credit Facility that approved the Company's updated plan for consolidation of certain of its subsidiaries, clarified the basis for establishing the Company's Adjusted EBITDA covenant for the Company's fiscal year 2005 and thereafter, joined certain subsidiaries of the Company as parties to the Foothill Credit Facility, and made certain other changes.

Derivatives Held for Purposes Other Than Trading

The Company periodically enters into forward contracts in order to reduce exposure to exchange rate risk related to short-term intercompany loans denominated in currencies other than the functional currency. The fair values for all derivatives are recorded in other assets or other liabilities in the consolidated balance sheets. The Company had no outstanding derivatives as of June 30, 2004.

NOTE 11 - COMPREHENSIVE INCOME

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income (loss)	\$ 217	\$ (15,090)	\$ (18,491)	\$ (59,101)
Other comprehensive income (loss) - translation adjustments	(1,342)	5,386	(434)	8,605
Total comprehensive loss	\$ (1,125)	\$ (9,704)	\$ (18,925)	\$ (50,496)

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION

During the six month period ended June 30, 2004, the Company issued 183,587 shares of common stock, with a fair value of \$5,248 to purchase a business in its Hudson segment. The Company also issued 46,083 shares of its common stock with a value of \$1,058 to satisfy the 2003 contribution liability to the 401(k) Savings Plan. The Company entered into capital lease obligations for furniture and fixtures and telecommunications equipment with a fair value of \$3,920, of which \$3,767 was related to a renegotiation of an existing operating lease that upon initiation of the new lease was converted to a capital lease.

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NOTE 13 - SEGMENT AND GEOGRAPHIC DATA

The Company operates in two business segments: Hudson and Highland. The Company conducts operations in the following geographic regions: North America, the Asia/Pacific Region (primarily Australia), the United Kingdom and Continental Europe.

Segment information is presented in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. This standard is based on a management approach that requires segmentation based upon the Company's internal organization and disclosure of revenue and operating income based upon internal accounting methods. The Company's financial reporting systems present various data for management to run the business, including internal profit and loss statements prepared on a basis not consistent with generally accepted accounting principles. Assets are not allocated to segments for internal reporting purposes.

Information by business segment	Quarter Ended June 30,		As of and for the Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue				
Hudson	\$ 290,441	\$ 252,610	\$ 565,716	\$ 496,575
Highland	16,990	16,673	31,519	31,897
	<u>\$ 307,431</u>	<u>\$ 269,283</u>	<u>\$ 597,235</u>	<u>\$ 528,472</u>
Gross Margin				
Hudson	\$ 102,592	\$ 88,312	\$ 195,357	\$ 170,962
Highland	15,897	15,406	29,523	30,288
	<u>\$ 118,489</u>	<u>\$ 103,718</u>	<u>\$ 224,880</u>	<u>\$ 201,250</u>
Business reorganization expenses (recoveries)^(a)				
Hudson	\$ 201	\$ (299)	\$ 185	\$ 6,540
Highland	(125)	(202)	(49)	784
	<u>\$ 76</u>	<u>\$ (501)</u>	<u>\$ 136</u>	<u>\$ 7,324</u>
Operating income (loss)				
Hudson	\$ 7,842	\$ (3,824)	\$ 1,035	\$ (26,823)
Highland	1,108	(3,693)	665	(11,256)
	<u>8,950</u>	<u>(7,517)</u>	<u>1,700</u>	<u>(38,079)</u>
Corporate expenses ^(a)	(8,270)	(9,188)	(17,327)	(14,448)
Interest and other income (expense), net	(145)	1,604	(2,143)	(436)
	<u>\$ 535</u>	<u>\$ (15,101)</u>	<u>\$ (17,770)</u>	<u>\$ (52,963)</u>
Accounts receivable, net				
Hudson			\$ 167,921	\$ 149,618
Highland			7,670	12,270
			<u>\$ 175,591</u>	<u>\$ 161,888</u>
Long-lived assets, net of accumulated amortization				
Hudson			\$ 34,614	\$ 227,167
Highland			3,151	11,877
Corporate			5,421	7,091
			<u>\$ 43,186</u>	<u>\$ 246,135</u>

^(a) Corporate expenses include \$137 and \$1 of business reorganization expenses in the first six months and second quarter of 2003, respectively.

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<u>Information by geographic region</u>	<u>United States</u>	<u>Australia</u>	<u>United Kingdom</u>	<u>Continental Europe</u>	<u>Other ^(b)</u>	<u>Total</u>
For the Quarter Ended June 30, 2004						
Revenue	\$ 91,406	\$ 81,076	\$ 86,134	\$ 25,224	\$ 23,591	\$ 307,431
Long-lived assets	\$ 20,478	\$ 10,887	\$ 6,239	\$ 3,486	\$ 2,096	\$ 43,186
For the Quarter Ended June 30, 2003						
Revenue	\$ 80,768	\$ 73,287	\$ 69,098	\$ 25,378	\$ 20,752	\$ 269,283
Long-lived assets	\$ 74,945	\$ 16,893	\$ 67,295	\$ 73,358	\$ 13,644	\$ 246,135
For the Six Months Ended June 30, 2004						
Revenue	\$ 171,854	\$ 165,071	\$ 164,824	\$ 51,597	\$ 43,889	\$ 597,235
For the Six Months Ended June 30, 2003						
Revenue	\$ 166,983	\$ 140,620	\$ 133,992	\$ 49,415	\$ 37,462	\$ 528,472

^(b) Includes the Americas other than the United States and Asia Pacific other than Australia.

NOTE 14 - SUBSEQUENT EVENT

On July 20, 2004, the Company finalized arrangements to relocate its Highland Partners' Toronto office. In connection with this relocation, the Company will recognize a loss of approximately \$2,800 on the sub-lease of its former facility in the third quarter of 2004.

Report of Independent Registered Public Accounting Firm

Board of Directors
Hudson Highland Group, Inc.
New York, New York

We have reviewed the consolidated condensed balance sheet of Hudson Highland Group, Inc. as of June 30, 2004, the related consolidated condensed statements of operations for the three-month and six month periods ended June 30, 2004 and 2003, the related consolidated condensed statements of cash flows for the six month periods ended June 30, 2004 and 2003 and the consolidated condensed statement of changes in stockholders' equity for the six month period ended June 30, 2004 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended June 30, 2004. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated condensed financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Hudson Highland Group, Inc. as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 5, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2003 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ BDO Seidman, LLP
BDO Seidman, LLP

New York, New York
July 28, 2004

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands, except per share data)

The following discussion should be read in conjunction with the consolidated condensed financial statements and the notes thereto, included in Item 1 of this Form 10-Q. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements

Hudson Highland Group, Inc. (the "Company") provides professional staffing services on a permanent, contract and temporary basis, as well as executive search and a range of human capital services to businesses operating in a wide variety of industries. The Company is organized into two principal business segments, Hudson Global Resources ("Hudson") and Highland Partners ("Highland"), which constituted approximately 87% percent and 13% of gross margin, respectively, for the six months ended June 30, 2004.

The Company's management is focused primarily on returning the Company to profitability, after five years of losses. The Company has operated independently from Monster since April 1, 2003.

Since the Company's spin-off from Monster, additional reorganization charges were recorded primarily as a result of actions designed to rationalize various aspects of the Company's cost structure. These charges included costs related to rationalization of real estate, integration of financial and management information systems, reductions in headcount, the write-off of redundant assets and impairment charges related to the goodwill recorded for the acquisitions. The Company also closed or sold a number of its smaller business units in Europe and North America after determining that these businesses were not viable profit centers in the near term. In the first quarter of 2004 the Company abandoned its investment in its German subsidiary and recognized a loss on disposition of assets of \$1,182 for the six months ended June 30, 2004. The operation has filed for insolvency and is currently operated under an administrator in Germany. The ultimate financial outcome cannot be determined at this time. Within individual geographic regions, the Company has integrated the systems, management structures and compensation plans of its business units. Globally, the businesses operate under common financial policies and timetables, they report through a single consolidation system, and cash management is coordinated centrally from the corporate headquarters in New York.

Hudson. Hudson primarily provides temporary and contract personnel and permanent recruitment services to a wide range of clients. With respect to temporary and contract personnel, Hudson focuses on providing candidates with professional qualifications, including accounting and finance, legal and technology. The length of temporary assignment can vary widely, but assignments in the professional sectors tend to be longer than those in the general clerical or industrial sectors. With respect to permanent recruitment, Hudson focuses on mid-level professionals typically earning between \$50,000 and \$150,000 annually, and possessing professional skills and/or profile required by clients. Hudson provides permanent recruitment services on both a retained and contingent basis. In larger markets, the sales strategy focuses on both clients operating in particular business segments, such as financial services, healthcare, or technology, and candidates possessing particular professional qualifications, such as accounting and finance, information technology and communications, legal and healthcare. Hudson uses both traditional and interactive methods to select potential candidates for its clients, employing a suite of products that assess talent and help predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services through its Human Capital Solutions and Hudson Inclusion Solutions units that encompass services including, among others, customized interactive recruiting and human resource solutions, executive assessment and coaching, diversity assessment and consulting, organizational effectiveness, and career transition. Through the Hudson Highland Center for High Performance, Hudson also offers leadership solutions designed to assist senior management in enhancing the operating performance of large organizations. These services enable Hudson to offer clients a comprehensive set of human capital management services, ranging from providing temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent executives and professionals, to outplacement.

Hudson operates on a global basis in 21 countries and approximately 100 offices with its revenue generated approximately evenly among North America, Europe (including the United Kingdom), and the Asia Pacific region (primarily Australia and New Zealand).

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Highland. Highland offers a comprehensive range of executive search services on a retained basis aimed at recruiting senior level executives or professionals. Highland also has an active practice in assisting clients desiring to augment their boards of directors.

Highland approaches the market through industry sectors, such as financial services, life sciences, retail and consumer products, industrial and technology. This industry sector sales approach is designed to enable Highland to better understand the market conditions and strategic management issues faced by clients within their specific business sectors. Highland also recruits candidates through functional specialist groups, including board of directors, chief financial officer, chief information officer, human resources and legal. These functional expertise groups are comprised of consultants who have extensive backgrounds in placing executives in certain specialist positions within a business.

Highland operates as a global boutique with 16 practice offices in five countries. For the six months ended June 30, 2004, approximately 69% of revenue in the Highland business was derived in North America.

Corporate expenses are reported separately from the two operating segments and consist primarily of compensation, marketing and lease expense, and professional fees.

For all of the periods presented in this Form 10-Q, prior to the Distribution (as defined below), HH Group operated as part of Monster. Immediately prior to the Distribution, Monster transferred the assets and liabilities of its Hudson and Highland business segments to HH Group at Monster's historical cost. On March 31, 2003 (the "Distribution Date"), Monster distributed to all of its stockholders of record one share of the Company's Common Stock for each thirteen and one third shares of Monster Common Stock so held (the "Distribution"). Following the Distribution, the Company became an independent public company and Monster has no continuing stock ownership interest in the Company. Prior to the Distribution, HH Group entered into several agreements with Monster in connection with, among other things, employee matters, income taxes, leased real property and transitional services. See Note 8 of the Notes to Consolidated Condensed Financial Statements for a description of the agreements.

The Company's consolidated condensed financial statements reflect the historical financial position, results of operations and cash flows of the businesses transferred to HH Group from Monster as part of the Distribution. Additionally, net intercompany balances due to Monster were contributed to HH Group and are reflected as equity in the accompanying consolidated condensed financial statements. The financial information included herein, however, may not necessarily reflect HH Group's financial position, results of operations and cash flows in the future or what its financial position, results of operations and cash flows would have been had HH Group been a stand-alone company during the periods presented.

The Company's costs and expenses in the accompanying consolidated condensed financial statements include allocations from Monster for executive, legal, accounting, treasury, real estate, information technology, merger and integration costs and other Monster corporate services and infrastructure costs because specific identification of the expenses is not practicable. The total corporate services allocation to the Company from Monster was \$5,260 for the three months ended March 31, 2003. The expense allocations were determined on the basis that Monster and HH Group considered to be reasonable reflections of the utilization of services provided or the benefit received by HH Group using ratios that are primarily based on its revenue, net of costs of temporary contractors compared to Monster as a whole. Except as discussed above, interest charges from Monster have been allocated to HH Group only for that portion of third-party debt attributed to HH Group.

The Company recorded business reorganization and merger and integration expenses of \$99 and \$8,439 for the six months ended June 30, 2004 and 2003, respectively. The merger and integration expenses were recorded in connection with its pooling of interest transactions and consist of costs to integrate and/or exit certain aspects of the operations of its pooled entities, particularly in areas where duplicate functions and facilities existed. The business reorganization expenses were related to the reorganization of operations announced in 2002 and 2003 and the Distribution in the first quarter of 2003.

Prior to the Distribution, HH Group was not a separate taxable entity for federal, state or local income tax purposes and its operating results were included in Monster's tax return. Income taxes have been calculated as if HH Group filed separate tax returns. However, Monster was managing its tax position for the benefit of its entire portfolio of businesses, and its tax strategies are not necessarily reflective of the tax strategies that HH Group would have followed or will follow as a stand-alone company.

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Results of Operations

The following table sets forth selected financial results for the Company.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Revenue	\$ 307,431	\$ 269,283	\$ 597,235	\$ 528,472
Gross margin ⁽¹⁾	\$ 118,489	\$ 103,718	\$ 224,880	\$ 201,250
Gross margin as a percentage of revenue	38.5%	38.5%	37.7%	38.1%
Operating income (loss)	\$ 680	\$ (16,705)	\$ (15,627)	\$ (52,527)
Net income (loss)	\$ 217	\$ (15,090)	\$ (18,491)	\$ (59,101)
Temporary Contracting Data ⁽²⁾:				
Temporary contracting revenue	\$ 213,317	\$ 188,467	\$ 418,087	\$ 374,709
Direct costs of temporary contracting	175,735	155,678	347,217	309,322
Temporary contracting gross margin	\$ 37,582	\$ 32,789	\$ 70,870	\$ 65,387
Gross margin as a percentage of revenue	17.6%	17.4%	17.0%	17.5%

⁽¹⁾ Gross margin consists of permanent recruitment and search fees less their associated direct costs (which tend to only be a small percentage of the associated fees) and temporary contracting gross margin as derived by deducting the direct costs of temporary contractors from temporary contracting revenue. The Company's calculation of gross margin may differ from those of other companies. Accordingly, the mix of temporary and permanent services, as well as the mix of temporary contracting services and geographic markets, affects the Company's gross margin as a percentage of revenue.

⁽²⁾ Temporary contracting revenues are a component of Hudson revenues. Temporary contracting gross margin and gross margin as a percentage of revenue are shown to provide additional information on the Company's ability to manage its cost structure and provide further comparability relative to the Company's peers.

Constant Currencies

The Company defines the term "constant currencies" to mean that financial data for a period are translated into U.S. Dollars using the same foreign currency exchange rates that were used to translate financial data for the previously reported period. Changes in revenues, direct costs, gross margin and selling, general and administrative expenses include the effect of changes in foreign currency exchange rates. Variance analysis usually describes period-to-period variances that are calculated using constant currency as a percentage. The Company's management reviews and analyzes business results in constant currencies and believes these results better represent the Company's underlying business trends.

The Company believes that these calculations are a useful measure, indicating the actual change in operations. Earnings from subsidiaries are rarely repatriated to the United States, and there are not significant gains or losses on foreign currency transactions between subsidiaries. Changes in foreign currency exchange rates therefore generally impact only reported earnings and not the Company's economic condition.

	Quarter Ended June 30,			
	2004		2003	
	As reported	Currency Translation	Constant Currencies	As reported
Hudson revenue	\$ 290,441	\$ (20,157)	\$ 270,284	\$ 252,610
Highland revenue	16,990	(516)	16,474	16,673
Total revenue	307,431	(20,673)	286,758	269,283
Direct costs	188,942	(13,080)	175,862	165,565
Gross margin	\$ 118,489	\$ (7,593)	\$ 110,896	\$ 103,718
Selling, general and administrative expenses	\$ 117,733	\$ (7,401)	\$ 110,332	\$ 120,920

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	Six Months Ended June 30,			
	2004			2003
	As reported	Currency Translation	Constant Currencies	As reported
Hudson revenue	\$ 565,716	\$ (54,087)	\$ 511,629	\$ 496,575
Highland revenue	31,519	(1,548)	29,971	31,897
Total revenue	597,235	(55,635)	541,600	528,472
Direct costs	372,355	(35,201)	337,154	327,222
Gross margin	\$ 224,880	\$ (20,434)	\$ 204,446	\$ 201,250
Selling, general and administrative expenses	\$ 240,408	\$ (20,573)	\$ 219,835	\$ 245,338

Quarter Ended June 30, 2004 Compared to Quarter Ended June 30, 2003

Revenue for the three months ended June 30, 2004 was \$307,431, an increase of \$38,148, or 14.2%, as compared to revenue of \$269,283 in the second quarter of 2003. On a constant currencies basis revenue would have increased approximately 6.5% comparing the second quarter 2004 with the second quarter 2003. This increase was essentially from the Hudson North American and U.K. businesses.

Hudson revenue was \$290,441 for the three months ended June 30, 2004, up 15.0% from \$252,610 for the same period of 2003. On a constant currencies basis Hudson revenue increased approximately 7% comparing the second quarter 2004 with the second quarter 2003. The increase in revenue on a constant currencies basis reflected growth in almost all North American practice groups (+13.6%), particularly in legal, information technology ("IT") and accounting and finance, in the U.K. (+12.4%) primarily the temporary and permanent placement businesses, and in the Asian region (+26.1%) primarily permanent placement revenue. These increases were partially offset by lower Australian revenue (-1.8%) from temporary staffing and permanent placement. Continental Europe was essentially unchanged comparing the second quarter of 2004 and 2003, resulting primarily from increases in the Netherlands and Belgium (+21%), offset by the abandonment of the German business at the end of the first quarter of 2004.

Highland revenue of \$16,990 for the three months ended June 30, 2004 was up 1.9% from \$16,673 in the same period of 2003 despite a 35% reduction in the number of revenue producing partners in 2004 compared to 2003. On a constant currencies basis, Highland revenue would have decreased approximately 1.2% comparing the second quarter 2004 with the second quarter 2003. The decrease, on a constant currencies basis, was primarily the result of lower revenues from continental Europe (-81.6%), where Highland closed most of its operations at the end of 2003, and the U.K. (-21.5%), partially offset by improved results in Asia (+83.6%) and North America (+7.0%).

Direct costs for the three months ended June 30, 2004 were \$188,942, compared to \$165,565 for the same period of 2003. Direct costs related to temporary contracting, as a percentage of revenue was 82.4%, a slight decrease from the prior year's 82.6%. On a constant currencies basis, direct costs would have increased in the second quarter of 2004 in comparison to the prior year by approximately 6%.

Gross margin, defined as revenue less direct costs, for the three months ended June 30, 2004 was \$118,489, higher by \$14,771 or 14.2% from \$103,718 reported in the three months ended June 30, 2003. Gross margin as a percentage of revenue was unchanged at 38.5% for the second quarter of 2004 and 2003. On a constant currencies basis the second quarter 2004 gross margin would have increased by approximately 7% compared to the second quarter 2003. Hudson permanent placement and other services gross margin increases accounted for approximately 65% of the increase in the second quarter of 2004, and Hudson temporary contracting the remaining 35%. Hudson's second quarter 2004 temporary gross margin percentage increased to 17.6% from 17.4% in the same period of 2003, primarily as a result of improved margins in the North American (+1.4%) and Australian and New Zealand business (+.8%), partially offset by declines in the U.K. (-1.4%). Highland's second quarter 2004 gross margin on a constant currencies basis was essentially unchanged from the second quarter 2003.

Selling, general and administrative expenses for the three months ended June 30, 2004 were \$117,733 compared with \$120,920 for the same period of 2003. Selling, general and administrative expenses were 38.3% and 44.9% as a percentage of revenue for the second quarter of 2004 and 2003, respectively. The lower 2004 expenses were the result of many factors including stringent controls over receivables and reduced reserve needs, primarily in Hudson North America. This resulted in recoveries of doubtful accounts and net reductions in accounts receivable reserves totaling \$1,156 in 2004 versus provisions for doubtful accounts in 2003 totaling \$4,196. In addition marketing, administrative and overhead expenses were reduced as a result of cost control measures. These decreases were partially offset by higher compensation costs for sales and delivery staff. On a constant currencies basis, the second quarter 2004 selling, general and administrative expenses would have decreased by approximately 9% compared to the second quarter 2003.

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Business reorganization expenses (recoveries) for the three months ended June 30, 2004 totaled \$76 compared to \$(500) in the same period of 2003. The expenses for the second quarter of 2004 were primarily related to modifications in severance expense for the 2003 Plan. The 2003 recoveries were primarily related to the finalization at a lower than expected cost of the consolidation of certain facilities and leases.

Merger and integration expenses reflect costs incurred as a result of pooling-of-interests transactions and the integration of such companies. For the three months ended June 30, 2004, merger and integration costs were \$0, compared to \$3 from the same period in the prior year.

As a result of the above, operating income (loss) for the three months ended June 30, 2004 was \$680, an increase of \$17,385 when compared to an operating loss of \$16,705 for the comparable period in 2003. Hudson operating income in the second quarter of 2004 was \$7,842 compared to a loss of \$3,824 in 2003. All three regions in the Hudson segment reported operating income in the second quarter of 2004. The Highland segment operating income was \$1,108 in the second quarter of 2004 compared to a loss of \$3,693 in 2003. Corporate expenses in the second quarter of 2004 were \$8,270, lower by \$918 when compared to the same period in 2003.

Other non-operating income (expense), including net interest income (expense), was \$(145) in the second quarter of 2004 and \$1,604 for the same period of 2003. Other income in 2003 included a \$1,200 gain related to the receipt of payment from the settlement of a claim.

The provision for income taxes for the three months ended June 30, 2004 was \$318 on a pretax income of \$535 compared with a benefit of \$11 on a pretax loss of \$15,101 for the same period of 2003. In each period, the effective tax rate differs from the U.S. Federal statutory rate of 35% due to valuation allowances on deferred tax assets, utilization of net operating losses retained or utilized by Monster, certain non-deductible expenses such as amortization, business restructuring and spin off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

Net income was \$217 for the three months ended June 30, 2004, compared with a loss of \$15,090 for the same period in 2003.

Basic and diluted earnings per share for the second quarter of 2004 was \$.02 per share, compared to a loss of \$1.80 per share in the second quarter of 2003. For the second quarter of 2003, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Six Months Ended June 30, 2004 Compared to the Six Months Ended June 30, 2003

Revenue for the six months ended June 30, 2004 was \$597,235, an increase of \$68,763, or 13.0%, as compared to revenue of \$528,472 in the first six months of 2003. On a constant currencies basis revenue would have increased approximately 2.4% comparing the first six months of 2004 to the same period in 2003. This increase was primarily due to the higher constant currencies revenue in Hudson (+3%), partially offset by decreases in Highland (-6%).

Hudson revenue was \$565,716 for the six months ended June 30, 2004, up 13.9% from \$496,575 for the same period of 2003. On a constant currencies basis, Hudson revenue would have increased approximately 3% comparing the first six months of 2004 to the same period in 2003. This increase reflected the higher revenue in the Hudson U.K. temporary contracting (+7%) and permanent placement (+21%) businesses, Hudson North America's improved revenue in permanent placement (+26%) and temporary contracting (+2%) and Hudson Asia's improved permanent placement business (+36%), offset by decreases in Hudson Australia (-3%) and slower growth in Hudson Europe due to the abandonment of its German subsidiary (+2%).

Highland revenue of \$31,519 for the six months ended June 30, 2004 was down 1.2% from \$31,897 in the same period of 2003, reflecting closure of a significant portion of its European operations and flat revenue in its North American unit. On a constant currencies basis, Highland revenue would have decreased approximately 6% when compared with the same period in 2003.

Direct costs for the six months ended June 30, 2004 were \$372,355 compared to \$327,222 for the same period of 2003. Direct costs related to temporary contracting as a percentage of revenue rose slightly to 83.0% as compared to 82.5% in the prior year. On a constant currencies basis, direct costs would have increased in the first six months of 2004 period in comparison to the prior year by approximately 3%.

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Gross margin for the six months ended June 30, 2004 was \$224,880, higher by \$23,630 or 11.7% from \$201,250 reported in the six months ended June 30, 2003. Gross margin as a percentage of revenue declined to 37.7% for the first half of 2004 from 38.1% in the first half of 2003. On a constant currencies basis the first six months of 2004 gross margin would have increased by approximately 2% compared to the same period of 2003. The increase was entirely the result of increases from the permanent placement and other services of Hudson. Hudson's temporary contracting services were essentially unchanged and Highland's gross margin decreased approximately 8%.

Selling, general and administrative expenses for the six months ended June 30, 2004 were \$240,408, a decrease of 4,930 or 2.0% as compared with \$245,338 for the same period of 2003. Selling general and administrative expenses were 40.3% and 46.4%, as a percentage of revenue for the first half of 2004 and 2003, respectively. The 2003 expense included provisions for doubtful accounts of \$8,113 compared to a net recovery in 2004 of \$1,138. On a constant currencies basis the first six months of 2004 selling, general and administrative expenses would have decreased by approximately 10% compared to the same period of 2003. A lower provision for doubtful accounts and the implementation of cost controls throughout the Company were the primary factors contributing to reduced expenses for the 2004 six month period compared to the same period in 2003.

Business reorganization expenses for the six months ended June 30, 2004 totaled \$136, as compared to \$7,461 in the same period of 2003. The 2004 expenses related to small modifications in programs announced in prior years and were significantly lower than 2003 expenses, which included program expenses related to the Distribution of the Company in the first quarter of 2003.

Merger and integration recoveries for the six months ended June 30, 2004 were \$37. Merger and integration expenses for the six months ended June 30, 2003 were \$978. The decrease in expense for the first six months of 2004 for the same period in 2003 was a result of the finalization of the exit strategies related to the pooled businesses.

As a result of the above, operating loss for the six months ended June 30, 2004 was \$15,627, compared to an operating loss of \$52,527 for the comparable period in 2003. The Hudson segment operating income in the first six months of 2004 was \$1,035, compared to a loss of \$26,823 in 2003. All three regions in the Hudson segment reported positive operating results for the six months ended June 30, 2004, as compared to 2003. Highland operating income was \$665 in the first six months of 2004, compared to a loss of \$11,256 in 2003. Corporate expenses in the first six months of 2004 were \$17,327, higher by \$2,879 when compared to 2003.

Other non-operating expense, including net interest expense, was \$2,143 in the first six months of 2004 and \$436 for the same period of 2003. The six month 2004 expenses include a \$1,192 loss on disposition of certain non-U.S. operations.

The provision for income taxes for the six months ended June 30, 2004 was \$721 on a pretax loss of \$17,770 compared with a provision of \$6,138 on a pretax loss of \$52,963 for the same period of 2003. The change in the Company's tax provision for the six months ended June 30 was primarily due to establishment of a valuation allowance on certain foreign tax losses, which may not be realizable and the inability of the Company to realize benefits from its current losses in businesses where the future earnings ability to utilize those losses is not certain. In each period, the effective tax rate differs from the U.S. Federal statutory rate of 35% due to valuation allowance on deferred tax assets, net operating losses retained or utilized by Monster, certain non-deductible expenses such as amortization, business restructuring and spin off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

Net loss was \$18,491 for the six months ended June 30, 2004, compared with a loss of \$59,101 for the same period in 2003.

Basic and diluted loss per share on loss for the first six months of 2004 was a loss of \$1.99 per share, compared to a loss of \$7.06 per share in the first six months of 2003. For the 2004 and 2003 periods, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Liquidity and Capital Resources

The Company received \$27,919 in net proceeds from the issuance of 1,273,885 shares of its common stock in a registered public offering on March 23, 2004. The Company issued 183,587 shares of common stock, with a fair value of \$5,248 to purchase a business in the Hudson segment on June 2, 2004.

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The Company's liquidity needs arise primarily from funding working capital requirements, as well as capital investment in information technology and reorganization costs. Prior to the Distribution, HH Group historically relied upon Monster's centralized cash management function and Monster's line of credit facility. Legal obligation for settlement of such liabilities remained with the Company. In connection with the Distribution, Monster provided HH Group with a cash balance of \$40,000 upon completion of the Distribution on March 31, 2003, and agreed to reimburse the Company \$13,530 of cash payments due under its accrued integration restructuring and business reorganization plans. The Company has received full payment of this reimbursement as of June 30, 2004.

The Company has a senior secured credit facility for \$50,000 with Wells Fargo Foothill, Inc., as agent, and certain lenders (the "Foothill Credit Facility"). The maturity date of the Foothill Credit Facility is March 31, 2007. Outstanding loans will bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit will be based on a percentage of the accounts receivable of the Company. The Company expects to use such credit, if and when required, to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. As of June 30, 2004 the credit limit on the Foothill Credit Facility was \$30,000, pending Wells Fargo Foothill's syndication of a portion of the facility. Effective July 27, 2004, the Foothill Credit Facility was increased by \$20,000 as a result of a successful syndication. During the six months ended June 30, 2004, the Company borrowed and repaid a total of \$13,550 under this credit facility. As of June 30, 2004, no borrowings were outstanding and the Company had letters of credit issued and outstanding of \$9,262, leaving \$20,738 of the credit facility available for use.

The Foothill Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends and repurchases of the Company's stock; (2) requirements that the Company maintain its Adjusted EBITDA and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness. The Adjusted EBITDA covenant generally provides that the Company's Adjusted EBITDA (as defined in the Foothill Credit Facility) loss for the trailing twelve-month periods ending March 31, June 30, September 30 and December 31, 2004 may not exceed \$48,500, \$35,500, \$25,500 and \$8,000, respectively. The capital expenditure covenant provides that the Company's capital expenditures for 2004 may not exceed \$11,000. These restrictions and covenants could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions. On July 27, 2004, the Company entered into an amendment to the Foothill Credit Facility that approved the Company's updated plan for consolidation of certain of its subsidiaries, clarified the basis for establishing the Company's Adjusted EBITDA covenant for the Company's fiscal year 2005 and thereafter, joined certain subsidiaries of the Company as parties to the Foothill Credit Facility, and made certain other changes.

On April 22, 2004, the Company filed a registration statement on Form S-4 with the SEC, to offer up to 350,000 shares of the Company's common stock from time to time in connection with acquisitions of businesses, assets or securities of other companies whether by purchase, merger or any other form of acquisition or business combination. On June 2, 2004, the Company issued 183,587 shares of common stock, registered on the Form S-4, with a fair value of \$5,248 to purchase a business in its Hudson segment.

During the six months ended June 30, 2004 and 2003, the Company used cash in operating activities of \$27,520 and \$25,664, respectively. Cash usage increased in 2004 from 2003 as a result of increased working capital requirements, particularly for accounts receivable, and changes in provisions for doubtful accounts, offset by significantly reduced losses.

During the six months ended June 30, 2004 and 2003, the Company used cash in investing activities of \$4,736 and \$5,692, respectively. This use of cash was primarily related to capital expenditures in the normal course of operations. The decreased use of cash in the first six months of 2004 was the result of lower capital expenditures.

During the six months ended June 30, 2004 and 2003, the Company generated cash from financing activities of \$34,754 and \$42,128, respectively. The cash provided from financing was lower in 2004 as a result of the absence of Monster cash transfers, partially offset by the proceeds from the issuance of common stock, proceeds from the exercise of options and employee stock purchases. Third-party debt and capital leases at June 30, 2004 were \$4,105, an increase of \$3,349 as a result of a new capital lease in Hudson Australia.

The Company believes that the cash and cash equivalents on hand at June 30, 2004, supplemented by the Foothill Credit Facility, will provide it with sufficient liquidity to satisfy its working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months. Cash generated from operating activities is subject to fluctuations in the global economy and unemployment rates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand the future prospects of a company and make informed investment decisions. This Form 10-Q contains these types of statements, which the Company believes to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

All statements other than statements of historical fact included in this Form 10-Q, including statements regarding the Company’s future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “predict,” “believe” and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions, that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) the impact of global economic fluctuations on the Company’s temporary contracting operations, (2) the cyclical nature of the Company’s executive search and mid-market professional staffing businesses, (3) the Company’s ability to manage its growth, (4) risks associated with expansion, (5) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (6) competition in the Company’s markets, (7) fluctuations in the Company’s operating results from quarter to quarter, (8) risks relating to the Company’s foreign operations, including foreign currency fluctuations, (9) the Company’s dependence on its highly skilled professionals and key management personnel, (10) the impact of employees departing with existing executive search clients, (11) risks maintaining the Company’s professional reputation and brand name, (12) restrictions imposed by blocking arrangements, (13) the Company’s exposure to employment-related claims from both clients and employers and limits on related insurance coverage, (14) the impact of government regulations, (15) the Company’s ability to successfully operate as an independent company and the level of costs associated therewith, and (16) restrictions on the Company’s operating flexibility due to the terms of its credit facility. Please see “Risk Factors” in the Company’s Annual Report on Form 10-K filed with the SEC on March 10, 2004 for more information.

The Company cautions that undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this Form 10-Q. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The majority of the Company's borrowings are in fixed rate leases and seller financed notes. The carrying amounts of long-term debt approximate fair value, generally due to the short-term nature of the underlying instruments. During the six months ended June 30, 2004, the Company borrowed and repaid a total of \$13,550 under its credit facility, which bears interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Company does not trade derivative financial instruments for speculative purposes.

The Company also conducts operations in various foreign countries, including Australia, Belgium, Canada, France, the Netherlands, New Zealand and the United Kingdom. For the six months ended June 30, 2004, approximately 75% of gross margin was earned outside the United States and collected in local currency, and related operating expenses also were paid in such corresponding local currency. Accordingly, the Company is subject to increased risk for exchange rate fluctuations between such local currencies and the U.S. dollar.

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with translation gains or losses included in the cumulative translation adjustment account, a component of stockholders' equity. During the six months ended June 30, 2004, the Company had a translation loss of \$434, primarily attributable to the slight strengthening of the U.S. dollar against the Australian dollar, partially offset by a weakening of the U.S. dollar against the British pound.

The Company's objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes. Accordingly, the Company enters into foreign currency forward contracts to minimize the impact of foreign exchange movements on intercompany loan balances. At June 30, 2004, the Company had no outstanding foreign currency forward contracts.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, with the participation of the Company's Chairman of the Board and Chief Executive Officer and Executive Vice President and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the quarter ended June 30, 2004. Based upon their evaluation of these disclosure controls and procedures, the Chairman of the Board and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the quarter ended June 30, 2004 to ensure that material information relating to the Company, including the Company's consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

(b) Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Annual Meeting of Stockholders of Hudson Highland Group, Inc. was held on April 30, 2004. At the meeting, the following matters were submitted to a vote of the stockholders of Hudson Highland Group, Inc.:

- (1) To elect three directors to hold office until the 2007 annual meeting of stockholders and until their successors are duly elected and qualified. The vote with respect to each nominee was as follows:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
Jon F. Chait	7,612,982	32,854
Jennifer Laing	7,544,324	101,512
Nicholas G. Moore	7,529,801	116,035

The individuals continuing in the office of director after the annual meeting were Richard W. Pehlke, René Schuster, John J. Haley and David G. Offensend.

- (2) To approve an amendment to the Hudson Highland Group, Inc. Long Term Incentive Plan:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non Vote</u>
5,140,245	730,487	10,541	1,764,563

- (3) To approve an amendment to the Hudson Highland Group, Inc. Employee Stock Purchase Plan:

<u>For</u>	<u>Against</u>	<u>Abstain</u>	<u>Broker Non Vote</u>
5,683,814	187,026	10,433	1,764,563

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits: The following Exhibits are filed herewith.

- 3 Amended and Restated By-Laws
- 4 Amendment Number 4, Consent and Joinder to Amended and Restated Loan and Security Agreement, dated as of July 27, 2004, among Hudson Highland Group, Inc., the Borrowers (as defined therein), the Joining Guarantors (as defined therein), Wells Fargo Foothill, Inc. and the lenders identified therein. (File No. 0-50129)
- 10 Hudson Highland Group, Inc. Long Term Incentive Plan, as amended February 18, 2004 and approved by shareholders April 30, 2004 (incorporated by reference to Annex B to Hudson Highland Group, Inc.'s proxy statement for its 2004 annual meeting of stockholders filed with the SEC on March 22, 2004 (File No. 0-50129)).
- 15 Letter from BDO Seidman, LLP regarding unaudited interim financial information.
- 31.1 Certification by Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 31.2 Certification by the Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
- 32.1 Certification of the Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of the Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

- (b) Reports on Form 8-K during the quarter ended June 30, 2004.

A Form 8-K was filed on April 29, 2004, under Item 12, including the Company's April 29, 2004 press release announcing the Company's financial results for the quarter ended March 31, 2004.

SIGNATURES

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

HUDSON HIGHLAND GROUP, INC.
(Registrant)

By: /s/ JON F. CHAIT

Jon F. Chait
Chairman and
Chief Executive Officer
(Principal Executive Officer)

Dated: August 4, 2004

By: /s/ RICHARD W. PEHLKE

Richard W. Pehlke
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: August 4, 2004

**HUDSON HIGHLAND GROUP, INC.
FORM 10-Q**

EXHIBIT INDEX

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AMENDED AND RESTATED
B Y - L A W S
OF
HUDSON HIGHLAND GROUP, INC.
(a Delaware corporation)

ARTICLE I
OFFICES

Section 1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in such place, either within or without the State of Delaware, at such place as may be fixed from time to time by the board of directors and as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting.

Section 2. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the board of directors and stated in the notice of the meeting, at which they shall elect by a plurality vote a board of directors, and transact such other business as may properly be brought before the meeting.

Section 3. Notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting.

Section 4. Nominations of persons for election to the board of directors and the proposal of business to be transacted by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the board of directors or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such business must be a proper matter for stockholder action under the Delaware General Corporation Law. To be timely, a stockholder's notice shall be delivered to the secretary not less than 45 or more than 75 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of (i) the 90th day prior to such annual meeting or (ii) the 10th day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the election of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner and (iii) a representation that such stockholder intends to appear in person or by proxy at the meeting to bring such business before the meeting.

In the event that the number of directors to be elected to the board of directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased board of directors made by the Corporation at least 55 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders, a stockholder's notice required by this section shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

Only persons nominated in accordance with the procedures set forth in this section shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in this section and in Section 8 of this Article and, if any proposed

nomination or business is not in compliance with such procedures, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

Notwithstanding the foregoing provisions of this section or of Section 8 of this Article, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to matters set forth herein. Nothing in such provisions shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under such Act.

Section 5. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at the principal place of business of the Corporation.

Section 6. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the chairman of the board and shall be called by the chairman of the board or secretary at the request in writing of a majority of the entire board of directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 7. Notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 8. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the board of directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the board of directors or (b) by any stockholder of record of the Corporation who is a stockholder of record at the time of giving of notice provided for in this paragraph, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in Section 4 of this Article. Nominations by stockholders of persons for election to the board of directors may be made at such a special meeting of stockholders if the stockholder's notice required by the second paragraph of Section 4 of this Article shall be delivered to the secretary of the Corporation not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting.

Section 9. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to the chairman in order. The chairman shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

Section 10. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 11. When a quorum is present at any meeting, and except as provided in Section 2 of Article II of these by-laws, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 12. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on or after three years from its date, unless the proxy provides for a longer period.

Section 13. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation

Section 14. At all meetings of stockholders, the chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the chairman.

Section 15. If the object of a stockholders meeting is to elect directors or to take a vote of the stockholders on any proposition, then the chairman of the meeting shall appoint a person, who is not a director, as inspector to receive and canvass the votes given at such meeting and certify the result to the chairman.

Section 16. Attendance of a stockholder, in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where the stockholder, in person or by proxy, attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE III
DIRECTORS

Section 1. The number of directors constituting the entire board of directors shall be fixed, and may be increased or decreased from time to time, exclusively by resolutions of the board of directors, and such number shall never be more than eleven nor less than five.

The board of directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire board of directors. The initial division of the board of directors into classes shall be made by the decision of the affirmative vote of a majority of the board of directors. The term of the initial Class I directors shall terminate on the date of the 2004 annual meeting of stockholders; the term of the initial Class II directors shall terminate on the date of the 2005 annual meeting of stockholders; and the term of the initial Class III directors shall terminate on the date of the 2006 annual meeting of stockholders. At each succeeding annual meeting of stockholders beginning in 2004, successors to the class of directors whose term expires at that annual meeting of stockholders shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. The term "entire board of directors" means the total number of directors which the Corporation would have if there were no vacancies.

A director shall hold office until the annual meeting of stockholders for the year in which his or her term expires and until his or her successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Section 2. Subject to the rights of the holders of any series of Preferred Stock, any vacancy on the board of directors that results from an increase in the number of directors may be filled by a majority of the board of directors then in office, provided that a quorum is present, and any other vacancy occurring on the board of directors may be filled by a majority of the board of directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors of such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy

not resulting from an increase in the number of directors shall have the same remaining term as that of his or her predecessor.

Section 3. The property and business of the Corporation shall be managed by or under the director of its board of directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 4. Directors must be nominated in accordance with the procedure set forth in Section 4 of Article II hereof. No person shall be qualified to be elected and to hold office as a director if such person is determined by the affirmative vote of a majority of the entire board of directors to have violated either Federal or state law, in a manner contrary to the best interests of the Corporation, to have interests not properly authorized in conflict with the interests of the Corporation, or to have breached any agreement between such director and the Corporation relating to such director's services as a director or employee of the Corporation.

MEETINGS OF THE BOARD OF DIRECTORS

Section 5. The board of directors of the Corporation, or any committee thereof, may hold meetings, both regular and special, either within or without the State of Delaware.

Section 6. Regular meetings of the board of directors may be held upon such notice, or without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the full board may be called by the chairman of the board or any director by mailing seven days' written notice to each director or by telephone or by telegraph, telex, facsimile or electronic transmission not less than 24 hours before the meeting.

Section 8. Notice of a meeting need not be given to any director who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in the notice or a waiver of notice of such meeting.

Section 9. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 10. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board or committee. Such filing shall be in paper form if minutes are maintained in paper form and shall be in electronic form if minutes are maintained in electronic form.

Section 11. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES

Section 12. There shall be the following committees of the board of directors which shall have and may exercise the authority specified in these bylaws: a Compensation Committee, an Audit Committee, a Nominating and Governance Committee and an Executive Committee, each of which shall (i) consist of the number of directors with the requisite qualifications and (ii) have the responsibilities as set forth in their respective charters. The board of directors may also, by resolution passed by a majority of the whole board, designate one or more other committees, each committee to consist of one or more directors of the Corporation. The Executive Committee shall have and may exercise all the powers and authority of the board of directors in the management of the business, properties and affairs of the Corporation, including authority to take all action provided by law and in the by-laws to be taken by the board of directors, except as such powers are limited by Section 12 of this Article III. All acts done and powers conferred by the Executive Committee shall be deemed to be, and may be certified as being, done or conferred under authority of the board of directors. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors, or by these by-laws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any by-law of the Corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to

authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 13. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS

Section 14. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. The directors may also be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors and/or a stated salary as director. The directors may also be granted stock options at the discretion of the board of directors. No such payment or compensation shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 15. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office only for cause and only by the affirmative vote of the holders of at least seventy percent (70%) of the voting power of the Corporation's then outstanding capital stock entitled to vote generally in the election of directors.

ARTICLE IV **NOTICES**

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Without limiting the manner by which notice otherwise may be given to stockholders, any notice to stockholders may also be given by electronic transmission in the manner provided in the Delaware General Corporation Law. Notice to directors may also be given by courier, telephone, telegram, telex, facsimile or electronic transmission or personally.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, or waiver by electronic transmission by such person or persons, whether before or after the time stated therein,

shall be deemed equivalent thereto. A person entitled to notice of any meeting of the board of directors or stockholders, as the case may be, waives such notice if he or she appears in person or, in the case of a stockholder, by proxy at such meeting, except when the person attends a meeting for the express purposes of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE V
OFFICERS

Section 1. The officers of the Corporation shall be chosen by the board of directors and shall be a chairman of the board, a secretary and a treasurer. The board of directors may also choose, a chief executive officer, controller, one or more vice presidents, one or more assistant secretaries and assistant treasurers. Any such officers shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders shall choose a chairman of the board of directors, a secretary and a treasurer.

Section 3. The board of directors may appoint such other officers and agents, as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

Section 4. The salaries of all officers and agents of the Corporation shall be fixed by the board of directors.

Section 5. The officers of the Corporation shall hold office until their successors are chosen and qualify or until their earlier resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time with or without cause by the affirmative vote of a majority of the board of directors. Any vacancy occurring in any office of the Corporation shall be filled by the board of directors.

CHAIRMAN OF THE BOARD

Section 6. The Chairman of the Board shall be the chief executive officer and shall preside at all meetings of the board of directors or of the stockholders of the Corporation. The Chairman shall have such other powers and perform such other duties as are provided in these by-laws and, in addition thereto, as the board of directors may from time to time determine.

Section 7. The Chairman shall have general direction and supervision over day-to-day matters relating to the business and affairs of the Corporation, shall implement or supervise the implementation of corporate policies as established by the board of directors and shall be in charge of stockholder relations. He or she shall have such other powers and perform such other duties as the board of directors may from time to time prescribe.

Section 8. He or she shall have the authority to execute bonds, mortgages and other contracts and, except as otherwise provided by law or the board of directors, he or she may authorize any vice president or other officer or agent of the Corporation to execute such documents in his or her place and stead.

THE VICE PRESIDENTS

Section 9. The vice president, if any, or, if there shall be more than one, the vice presidents in the order determined by the board of directors (or, in the absence of any designation, then in the order of their election) shall, in the absence or disability of the Chairman, perform the duties and exercise the powers of the Chairman and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE SECRETARY AND ASSISTANT SECRETARY

Section 10. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He or she shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or person serving as chairman of the board of directors, under whose supervision he or she shall be.

Section 11. The assistant secretary or, if there be more than one, the assistant secretaries in the order determined by the board of directors (or, in the absence of any designation, then in the order of their election), shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

THE TREASURER AND ASSISTANT TREASURERS

Section 12. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the board of directors.

Section 13. He or she shall disburse the funds of the Corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the person serving as Chairman and to the board of directors at its regular meetings, or when the board of directors so requires, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

Section 14. If required by the board of directors, he or she shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his or her control belonging to the Corporation.

Section 15. The assistant treasurer, or, if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or, in the absence of any designation, then in the order of their election), shall, in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by the chairman of the board of directors, or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by that holder in the Corporation.

Section 2. Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if that person or entity were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or the owner's legal representative, to advertise the same in such manner as it shall require

and/or to give the Corporation a bond or payment of applicable insurance premium in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFERS OF STOCK

Section 4. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 5. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII **INDEMNIFICATION**

Section 1. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably

believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article VII or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 4. Any indemnification under Sections 1 or 2 of this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 1 or 2 of this Article VII. Such determination shall be made, with respect to a person which is a director or officer at the time of such determination, (a) by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum, or (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders. To the extent, however, that a director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim,

issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 5. For purposes of any determination under Section 4 of this Article VII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his or her conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 5 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 5 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article VII, as the case may be.

Section 6. Notwithstanding any contrary determination in the specific case under Section 4 of this Article VII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware or any other court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 1 or 2 of this Article VII, as the case may be. Neither a contrary determination in the specific case under Section 4 of this Article VII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 6 shall be given to the Corporation promptly upon the filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 7. Expenses (including attorneys' fees) incurred by a director or officer of the Corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this

Article VII. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 8. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or pursuant to the direction of any court of competent jurisdiction or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 1 and 2 of this Article VII shall be made to the fullest extent permitted by law. The provisions of this Article VII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or 2 of this Article VII but whom the Corporation has the power or obligation to indemnify under the provisions of the GCL, or otherwise.

Section 9. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation, as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VII.

Section 10. For purposes of Article VII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under Article VII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

Section 11. For purposes of Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves service by, such director, officer, employee, or agent, as the case may be, with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner that person reasonably believed to be in the interest of the

participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in Article VII.

Section 12. The indemnification and advancement of expenses provided by, or granted pursuant to this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 13. Notwithstanding anything contained in this Article VII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 6 hereof), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the board of directors of the Corporation.

Section 14. The Corporation may, to the extent authorized from time to time by the board of directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VII to directors and officers of the Corporation.

ARTICLE VIII **GENERAL PROVISIONS**

DIVIDENDS

Section 1. Dividends upon the capital stock of the Corporation subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

CHECKS

Section 4. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the Corporation shall be fixed, and shall be subject to change, by the Board of Directors.

SEAL

Section 6. The corporate shall not be required to have a seal.

ARTICLE IX
AMENDMENTS

Section 1. These by-laws may be altered, amended, restated or repealed or new by-laws may be adopted by the board of directors or the stockholders as provided in the certificate of incorporation.

**AMENDMENT NUMBER 4,
CONSENT AND JOINDER TO
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

THIS AMENDMENT NUMBER 4, CONSENT AND JOINDER TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of July 27, 2004, is entered into by **HUDSON HIGHLAND GROUP, INC.**, a Delaware corporation ("Parent"), each of Parent's Subsidiaries identified on the signature pages hereof (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as "Borrowers"), the Joining Guarantors (defined below), **WELLS FARGO FOOTHILL, INC.** (formerly known as **FOOTHILL CAPITAL CORPORATION**), a California corporation, as the arranger and administrative agent for the Lenders ("Agent"), and the lenders identified on the signature pages hereof (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), in light of the following:

W I T N E S S E T H

WHEREAS, Borrowers, Agent and Lenders are parties to that certain Amended and Restated Loan and Security Agreement, dated as of June 25, 2003 (as amended, restated, supplemented, or modified from time to time, the "Loan Agreement"); and

WHEREAS, Parent has acquired all of the capital stock of Delta Search Group, Inc. and all of the membership interests of JMT Financial Partners, LLC and has requested that Agent and Lenders amend the Loan Documents to permit such entities to become Guarantors (the "Joining Guarantors"); and

WHEREAS, Borrowers have requested that Agent and Lenders consent to the reactivation of Hudson Payroll Services Limited as a Subsidiary of Parent and to amend the Loan Documents to include such entity as a Borrower; and

WHEREAS, pursuant to Section 6.17 of the Loan Agreement, Borrowers and Guarantors were required to fully consummate the Consolidation Plan on or before June 30, 2004, and Borrowers and Guarantors have advised Agent that Borrowers and Guarantors have been unable to fully consummate the Consolidation Plan by such date. Borrowers and Guarantors have submitted a revised Consolidation Plan and have requested that Agent and Lenders amend the Loan Agreement to permit the Borrowers and Guarantors to consummate the Consolidation Plan within the time parameters described therein; and

WHEREAS, Borrowers have requested that the Loan Agreement and the other Loan Documents be amended to modify certain terms more fully set forth hereinbelow; and

WHEREAS, subject to the satisfaction of the conditions set forth herein, Agent and Lenders are willing to so consent to the amendment of the Loan Agreement on the terms set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement, as amended hereby.

2. AMENDMENTS TO LOAN AGREEMENT

(a) Section 1.1 of the Loan Agreement is hereby amended by adding the following defined terms in proper alphabetical order or amending and restating the following definitions in their entirety, as the case may be:

““Administrative Borrower” has the meaning set forth in Section 18.9.”

““Consolidation Plan” means a plan of consolidation and dissolution of Subsidiaries by Borrowers, in the form annexed hereto as Schedule 6.17, which plan may be modified by Borrowers from time to time in accordance with Section 6.17.”

““Delta Search” means Delta Search Group, Inc., an Illinois corporation.”

““HH UK” means, collectively, Highland Partners Limited (incorporated in England and Wales with company number 02800884), Hudson Global Resources Limited (incorporated in England and Wales with company number 03203655) and Hudson Payroll.

““Hudson Payroll” means Hudson Payroll Services Limited incorporated in England and Wales with company number 03507261.”

““Hudson Recruitment Shanghai” means Hudson Recruitment Shanghai Limited, a joint venture entity registered under the laws of the People’s Republic of China.

““JMT Financial” means JMT Financial Partners, LLC, a Colorado limited liability company.”

(b) Clause (i) of the definition of Eligible Accounts appearing in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety as follows:

“(i) Accounts with respect to an Account Debtor and its Affiliates whose total obligations owing to Borrowers exceed 10% of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor and its Affiliates in excess of such percentage,”

(c) Notwithstanding anything to the contrary set forth in the Loan Agreement, including, without limitation in Section 2.3 and Section 2.5 of the Loan Agreement, at no time shall the aggregate amount of Agent Advances and Overadvances, collectively, exceed the lesser of (i) \$5,000,000 and (ii) an amount equal to ten percent (10%) of the Borrowing Base as of the date(s) that such Overadvances or Agent Advances exist.

(d) Section 2.3(c) of the Loan Agreement is hereby amended by renumbering subclause (ii) appearing on page 30 of the Loan Agreement as subclause “(iii)”.

(e) Section 2.4(b)(ii) of the Loan Agreement is hereby amended by replacing the reference to Section 2.3(h) appearing therein with “Section 2.3(f)”.

(f) Section 2.4(b)(i) of the Loan Agreement is hereby amended by deleting subclause (N) appearing at the end thereof and amending and restating subclauses (K), (L) and (M) as follows:

“(K) eleventh, if an Event of Default has occurred and is continuing, ratably (i) to pay the principal of all Advances until paid in full, (ii) to Agent, to be held by Agent, for the ratable benefit of Issuing Lender and Lenders as cash collateral in an amount up to 105% of the then extant Letter of Credit Usage until paid in full, and (iii) to Agent, to be held by Agent, for the benefit of Wells Fargo or its Affiliates, as applicable, as cash collateral in an amount up to the amount of the Bank Products Reserve established prior to the occurrence of, and not in contemplation of, the subject Event of Default until Borrowers’ and their Subsidiaries’ obligations in respect of the then extant Bank Products have been paid in full or the cash collateral amount has been exhausted,

(M) twelfth, to pay any other Obligations until paid in full, and

(N) thirteenth, to Borrowers (to be wired to the Designated Account) or such other Person entitled thereto under applicable law.”

(g) Section 2.12(a) of the Loan Agreement is hereby amended by replacing the reference to Section 2.12(c) appearing therein with “Section 2.12(b)”.

(h) Section 6.17 of the Loan Agreement is hereby modified by amending and restating the introductory paragraph of such Section as follows:

“6.17 **Consolidation of Subsidiaries.** Cause the Consolidation Plan to be implemented by the commencement, filing, or other required legal actions in respect thereof of all necessary and appropriate proceedings, applications, or documents, and to be consummated no later than (a) for Subsidiaries organized under the laws of Australia or any Australian state, December 31, 2004 or such later date or dates as may be established pursuant to notice given by the Parent to the Agent based upon the good faith determination of the Parent that consummation by the previously scheduled date or dates is either not possible or not desirable, provided, that, in the event such date is not possible, such notice shall provide a subsequent date for the consummation of such action acceptable to Agent (such dates hereinafter the “Australian Consolidation Date”) and (b) the dates set forth in the Consolidation Plan for all other Subsidiaries, respectively, or such later date or dates as may be established pursuant to notice given by the Parent to the Agent based upon the good faith determination of the Parent that consummation by the previously scheduled date or dates is either not possible or not desirable, provided, that, in the event such date is not possible, such notice

shall provide a subsequent date for the consummation of such action acceptable to Agent (such dates hereinafter the "Consolidation Date"), provided that"

The Lenders hereby waive any Default or Event of Default that may have occurred under the Loan Documents as a result of the failure to consummate elements of the Consolidation Plan prior to the date hereof.

(i) Section 7.3 of the Loan Agreement is amended by replacing subsection (a) and the portion of subsection (b) preceding clause (i) thereof with the following text:

"(a) Enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Stock except for transactions contemplated by the Consolidation Plan, transactions permitted by the other subsections of this Section 7.3, and transactions otherwise permitted under this Agreement.

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution) except for transactions contemplated by the Consolidation Plan and except, so long as (i) no Default or Event of Default has occurred and is continuing or would directly result, (ii) Agent has received not less than thirty (30) days advance written notice (but five (5) days advance written notice at all times prior to the Activation Date), and (iii) no Material Adverse Change would result:"

(j) Schedules 5.7, 5.8(b), 5.8(c), 5.16 and 5.18 to the Loan Agreement are amended, restated and replaced with the forms of Schedules 5.7, 5.8(b), 5.8(c), 5.16 and 5.18, respectively, annexed hereto. The Lenders hereby waive any Default or Event of Default that may have occurred under the Loan Documents as a result of any failure to update or inaccuracy of such Schedules prior to such amendment, restatement and replacement.

(k) Section 7.20(a)(i) is hereby amended by deleting the last sentence appearing in such Section and replacing it as follows:

"Agent shall establish required minimum amounts for periods ending after December 31, 2004 on such basis as Agent may determine in its Permitted Discretion, consistent with methods employed to establish minimum amounts for prior periods, it being acknowledged that Agent shall establish, in its Permitted Discretion, required minimum EBITDA amounts for Borrowers' 2005 fiscal year and thereafter based upon Projections for Borrowers' 2005 fiscal year and thereafter, and such Projections shall reflect financial performance by the Borrowers, on a consolidated basis, no less favorable than the financial performance of Borrowers reflected in the Projections for Borrowers' 2004 fiscal year previously delivered to and accepted by Agent."

(l) Section 15.1 of the Loan Agreement is hereby modified by deleting the "or" appearing after each subclause (i) and (j), deleting the "." appearing after subclause (k), inserting a ", or" at the end of subclause (k) and adding new subclause (l) as follows:

"(l) reduce or release the amount of the reserve established by Agent under Section 2.1(b)(ii)."

(m) Section 16.17(d) of the Loan Agreement is hereby modified by amending and restating such Section as follows:

“(d) agrees to keep all Reports and other material, non public information regarding Borrowers and their Subsidiaries and their operations, assets, and existing and contemplated business plans in a confidential manner; it being understood and agreed by Borrowers that in any event such Lender may make disclosures (a) to Affiliates of such Lender and counsel for and other advisors, accountants, and auditors to such Lender, provided that (i) it is necessary for such Lender to share such nonpublic information with its Affiliate for Lender to perform its obligations under this Agreement or in order to comply with the internal policies or procedures of such Lender or its Affiliate and (ii) such parties shall keep such nonpublic information confidential subject to the terms of this Agreement, (b) reasonably required by any bona fide potential or actual Assignee or Participant in connection with any contemplated or actual assignment or transfer by such Lender of an interest herein or any participation interest in such Lender’s rights hereunder, (c) of information that has become public by disclosures made by Persons other than such Lender, its Affiliates, assignees, transferees, or Participants, or (d) as required or requested by any court, governmental or administrative agency, pursuant to any subpoena or other legal process, or by any law, statute, regulation, or court order; provided, however, unless prohibited by applicable law, statute, regulation, or court order, such Lender shall notify Administrative Borrower of any request by any court, or pursuant to any subpoena for disclosure of any such non public material information in connection with any litigation concurrent with, or where practicable, prior to the disclosure thereof, and”

3. CONSENTS.

(a) At the request of Borrowers and notwithstanding any prohibition under Section 7.10 of the Loan Agreement or any other provision of the Loan Documents to the contrary and, in the case of Delta Search and JMT Financial, in order to confirm the Consents between the Agent and the Parent dated May 7, 2004 (the “Delta Search Consent”) and June 1, 2004 (the “JMT Financial Consent”), respectively:

(i) Lenders hereby consent to the establishment of JMT Financial as a Subsidiary of Parent, subject to the terms and conditions of this Amendment (which terms supersede those of the JMT Financial Consent). It is expressly understood, acknowledged, and agreed that the membership interests of JMT Financial held by Parent is an item of Collateral subject to the applicable provisions of the Loan Agreement and the Stock Pledge Agreement.

(ii) Lenders hereby consent to the establishment of Delta Search as a Subsidiary of Parent, subject to the terms and conditions of this Amendment (which terms supersede those of the Delta Search consent). It is expressly understood, acknowledged and agreed that the capital stock of Delta Search held by Parent is an item of Collateral, subject to the applicable provisions of the Loan Agreement and the Stock Pledge Agreement.

(iii) Lenders hereby consent to the reactivation of Hudson Payroll as a Subsidiary of Parent, subject to the terms and conditions of this Amendment. It is expressly understood, acknowledged and agreed that the capital stock of Hudson Payroll is an item of Collateral, subject to the applicable provisions of the Loan Agreement and the Guarantee and Debenture.

(iv) Lenders hereby consent to the establishment of Hudson Recruitment Shanghai as a Subsidiary of Parent, subject to the terms and conditions of this Amendment, effective as of October 1, 2003. Lenders hereby waive any Default or Event of Default that may have occurred under the Loan Documents as a result of the establishment of such Subsidiary.

(b) At the request of Borrowers and notwithstanding any prohibition under Section 7.18 of the Loan Agreement or any other provision of the Loan Documents to the contrary, Lenders hereby consent to the relocation of the office of Hudson Highland Group Search, Inc. and Highland Partners Co. (Canada) from 40 King Street, Toronto, to the new address set forth on the updated Schedule 5.7 attached hereto, provided that the Agent receives a Collateral Access Agreement for such location promptly upon the relocation of such office.

4. JOINDER.

(a) Hudson Payroll is hereby added as an additional Borrower under and party to the Loan Agreement and the other Loan Documents. All references to "Borrower" or "Borrowers" in the Loan Agreement and the other Loan Documents, or words of similar import, shall hereafter be deemed to include Hudson Payroll.

(b) Hudson Payroll hereby adopts and ratifies for itself the Loan Agreement and the other Loan Documents and assumes in full the obligations in the Loan Documents relative to, and acknowledges that it is, jointly and severally with the other Borrowers, liable for, the payment, discharge, satisfaction and performance of all Obligations under and as defined in the Loan Agreement and the other Loan Documents as if it were an original signatory to the Loan Agreement and each other Loan Document. Without limiting the generality of the foregoing, in order to secure the prompt payment and performance of the Obligations, Hudson Payroll hereby grants to Agent, for the ratable benefit of Lenders, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for the ratable benefit of Lenders as security, all Collateral (as defined in the Loan Agreement and any other applicable Loan Document) owned by Hudson Payroll, whether now owned or existing or hereafter acquired or arising and wherever located, in accordance with the terms of the Loan Agreement and the other Loan Documents.

(c) Hudson Payroll hereby makes, adopts, ratifies, and affirms to Agent each of the representations and warranties set forth in Section 5 of the Loan Agreement as of the date of this Amendment with respect to Hudson Payroll as though such representations and warranties were fully set forth herein, as modified by the following provisions of this clause (c) The chief executive office of Hudson Payroll, and the address of all Collateral (including Books and Records) owned by Hudson Payroll (other than bank accounts constituting Collateral), is located at:

53/64 Chancery Lane
London WC2A 1QS
United Kingdom

The DDA of Hudson Payroll is as follows:

Bank:	Barclays Bank Plc, Soho Square, London
Sort code:	20-78-98
Account number:	10688568

(d) Each of JMT Financial and Delta Search is hereby added as an additional Guarantor under and party to the Guaranty dated June 25, 2003 executed by the Domestic Guarantors and delivered to Agent (the "US Guaranty"). All references to "Guarantor" or "Guarantors" in the US Guaranty shall hereafter be deemed to include each of JMT Financial and Delta Search, provided that, with respect to JMT Financial, the representations made in Section 12 of the US Guaranty shall be deemed to read as follows:

"12. Existence, Power and Authority. Guarantor is a limited liability company duly organized and in good standing under the laws of its state or other jurisdiction of organization and is duly qualified as a foreign limited liability company and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on the financial condition, results of operation or businesses of Guarantor or the rights of Agent and Lenders hereunder or under any of the other Loan Documents. The execution, delivery and performance of this Guaranty are within the organizational powers of Guarantor, have been duly authorized and are not in contravention of law or the terms of the operating agreement or other organizational documentation of Guarantor, or any indenture, agreement or undertaking to which Guarantor is a party or by which Guarantor or its property are bound. This Guaranty constitutes the legal, valid and binding obligation of Guarantor enforceable in accordance with its terms, except to the extent enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally."

Each of JMT Financial (as modified above for JMT Financial) and Delta Search hereby makes, adopts, ratifies, and affirms to Agent each of the representations and warranties set forth in Section 12 of the US Guaranty as of the date of this Amendment with respect to each of JMT Financial and Delta Search, as though such representations and warranties were fully set forth herein.

(e) Each of JMT Financial and Delta Search is hereby added as an additional Guarantor under and party to the General Security Agreement dated June 25, 2003 executed by the Domestic Guarantors and delivered to Agent (the "US Security Agreement"). All references to "Guarantor" or "Guarantors" in the US Security Agreement shall hereafter be deemed to include each of JMT Financial and Delta Search.

(f) Each of JMT Financial and Delta Search hereby adopts and ratifies for itself the US Guaranty and the US Security Agreement (collectively, the “Guarantor Documents”) and assumes in full the obligations in the Loan Documents relative to, and acknowledges that it is, jointly and severally with the other Domestic Guarantors, liable for, the payment, discharge, satisfaction and performance of all Guaranteed Obligations under and as defined in the US Guaranty and all obligations of a Guarantor under the Security Agreement as if it were an original signatory to each Guarantor Document. Without limiting the generality of the foregoing, in order to secure the prompt payment and performance of the Guaranteed Obligations, each of JMT Financial and Delta Search hereby grants to Agent, for the ratable benefit of Lenders, a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent, for the ratable benefit of Lenders as security, all Collateral (as defined in the US Security Agreement) owned by JMT Financial and Delta Search, respectively, whether now owned or existing or hereafter acquired or arising and wherever located, in accordance with the terms of the US Security Agreement.

(g) Each of JMT Financial and Delta Search hereby makes, adopts, ratifies, and affirms to Agent each of the representations and warranties set forth in Section 4 of the US Security Agreement as of the date of this Amendment with respect to each of JMT Financial and Delta Search as though such representations and warranties were fully set forth herein. For purposes of Section 4.3 of the US Security Agreement and Schedule 4.3 to the US Security Agreement, the chief executive office of JMT Financial and Delta Search, respectively, and all Collateral owned by JMT Financial and Delta Search, respectively, is located at:

622 Third Avenue, 38th Floor
New York, NY 10017

5. ACKNOWLEDGMENT AND AGREEMENT REGARDING HUDSON GLOBAL RESOURCES BELGIUM, N.V.

Lenders hereby acknowledge and agree that, notwithstanding that Hudson Global Resources Belgium, N.V. is no longer included on the Consolidation Plan, so long as such Subsidiary remains inactive Lenders will not require that such Subsidiary become a Guarantor. Prior to activating such Subsidiary, Borrowers will cause such Subsidiary to become a Guarantor.

6. ACKNOWLEDGMENTS

(a) Each Borrower (other than Hudson Payroll) expressly acknowledges and agrees that the execution and delivery of this Amendment by each of Hudson Payroll, the joinder of Hudson Payroll to the Loan Agreement and the other Loan Documents, the adoption and assumption by Hudson Payroll of the liabilities and obligations of a Borrower under and in accordance with the terms of the Loan Agreement and the other Loan Documents, and the consummation of the transactions contemplated hereunder and thereunder do not, shall not, and shall not be deemed to modify, limit, or otherwise in any way affect any liability or obligation of any Borrower to Agent or any Lender under or in connection with any Loan Document to which any such Borrower is a party or any grant of a lien or security interest thereunder.

(b) Each Borrower expressly acknowledges and agrees that the execution and delivery of this Amendment by each of JMT Financial and Delta Search, the joinder of each of JMT Financial and Delta Search to the Guarantor Documents, the adoption and assumption by each of JMT Financial and Delta Search of the liabilities and obligations of a Guarantor under and in accordance with the terms of the Guarantor Documents, and the consummation of the transactions contemplated hereunder and thereunder do not, shall not, and shall not be deemed to modify, limit, or otherwise in any way affect any liability or obligation of any Borrower to Agent or any Lender under or in connection with any Loan Document to which any such Borrower is a party or any grant of a lien or security interest thereunder.

7. CONDITIONS PRECEDENT TO THIS AMENDMENT. The satisfaction of each of the following shall constitute conditions precedent to the effectiveness of this Amendment and each and every provision hereof:

(a) The representations and warranties in the Loan Agreement and the other Loan Documents, as ratified and adopted by Delta Search, Hudson Payroll and JMT Financial pursuant hereto shall be true and correct in all respects on and as of the date hereof, as though made on such date (except (i) to the extent that such representations and warranties relate solely to an earlier date; (ii) to the extent that such representations and warranties are modified herein; and (iii) that with respect to representations and warranties made as to locations of the Borrowers and Equipment, such representations and warranties that are subject to modification based upon the revised Schedules 5.3 and 5.5 to be delivered by Borrowers after the date of this Amendment);

(b) Agent shall have received a certificate from the Secretary or Assistant Secretary of each of JMT Financial and Delta Search, attesting to the resolutions of each such entity's directors or members, as applicable, authorizing its execution, delivery, and performance of this Amendment and any other Loan Documents to which each such party, respectively, is or is to become a party and authorizing specific officers of each such entity, respectively, to execute the same;

(c) Agent shall have received copies of the Governing Documents, as amended, modified, or supplemented to the date of this Amendment (the "Effective Date") for each of Hudson Payroll, JMT Financial and Delta Search, respectively, certified by a Director, the Secretary or Assistant Secretary of each such entity, respectively;

(d) Agent shall have received a certificate of status with respect to each of JMT Financial and Delta Search, each dated within 15 days of the Effective Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of JMT Financial and Delta Search, respectively, which certificate shall indicate that JMT Financial or Delta Search, respectively, is in good standing in such jurisdiction;

(e) Agent shall have received certificates of status with respect to JMT Financial and Delta Search, respectively, each dated within 30 days of the Effective Date, such certificates to be issued by the appropriate officers of the jurisdictions (other than the jurisdiction of organization of such entities, respectively) in which its failure to be duly qualified or licensed

would constitute a Material Adverse Change, which certificates shall indicate that each of JMT Financial and Delta Search, is in good standing in such jurisdictions, as applicable, provided, that if any such certificate is not available from the issuing jurisdiction on the Date, Agent shall have received on such date evidence satisfactory to Agent to the effect that JMT Financial or Delta Search, as applicable, has been qualified or licensed in such jurisdiction and Agent shall receive such certificate promptly after it becomes available from such issuing jurisdiction;

(f) Agent shall have received such other agreements, instruments and documents as Agent may require to record and/or perfect security interests in the equity interests of Hudson Payroll, JMT Financial and Delta Search, respectively, including, without limitation, all certificates, if any exist, evidencing the equity interests of Hudson Payroll, JMT Financial and Delta Search, together with appropriate powers endorsed in blank;

(g) Agent shall have received a Guaranty and Debenture executed by each member of HH UK, in form and content satisfactory to Agent;

(h) Agent shall have received a certified copy of the board minutes or Board of Directors' written resolutions for each member of HH UK attesting to the resolutions of each such entity's directors authorizing its execution, delivery, and performance of this Amendment and any other Loan Documents to which each such party, respectively, is or is to become a party and authorizing specific officers of each such entity, respectively, to execute the same, in form and content satisfactory to Agent;

(i) Agent shall have received a certificate from Directors of each member of HH UK confirming the authorized signatories of each such entity, in form and content satisfactory to Agent;

(j) Agent shall have received a Blocked Account Agreement executed by Hudson Payroll and the financial institution at which it maintains its deposit accounts, in form and content satisfactory to Agent;

(k) Agent shall have received all company searches as against Hudson Payroll, as required by Agent, and the results of which shall be satisfactory to Agent in all respects;

(l) Agent shall have received an opinion of counsel to Hudson Payroll, JMT Financial and Delta Search pertaining to such matters as Agent may determine, in form and substance satisfactory to Agent;

(m) After giving effect to the consents, waivers and amendments set forth herein, no Default or Event of Default shall have occurred and be continuing on the date hereof or as of the date of the effectiveness of this Amendment; and

(n) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Borrower, any Guarantor, Agent, or any Lender.

8. CONDITION SUBSEQUENT TO THIS AMENDMENT.

(a) Within 30 days from the date hereof, Agent shall have received an intercompany subordination agreement in form and substance satisfactory to Agent, executed by Parent as junior creditor and JMT Financial and Delta Search, each as debtor, and an intercompany subordination agreement in form and substance satisfactory to Agent, executed by Hudson Global Resources Limited and Hudson Payroll, which agreements shall be deemed Intercompany Subordination Agreements for all purposes under the Loan Agreement provided, that, no Borrower or Guarantor other than Parent shall make loans to either of JMT Financial or Delta Search and neither JMT Financial nor Delta Search shall seek or accept loans from any Affiliate of JMT Financial or Delta Search, respectively, other than Parent;

(b) Within thirty (30) days from the date hereof, Agent shall have received updated Schedule 5.3 and 5.5 to the Loan Agreement, in form and content satisfactory to Agent;

(c) Agent shall receive the reaffirmation and consent of each Guarantor other than JMT Financial and Delta Search, in the form of Exhibit A attached hereto, duly executed and delivered by an authorized official of such Guarantor, on or before (a) September 15, 2004 with respect to Guarantors organized under the laws of Belgium, France, and the Netherlands, and (b) August 31, 2004 with respect to all other Guarantors. It is expressly acknowledged and agreed that the failure to deliver such fully executed reaffirmation and consent by such dates shall terminate the effectiveness of this Amendment and of all the terms and conditions hereof.

9. CONSTRUCTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK.

10. ENTIRE AMENDMENT; EFFECT OF AMENDMENT. This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede any and all prior or contemporaneous amendments relating to the subject matter hereof. Except for the amendments to the Loan Agreement expressly set forth in Section 2 hereof and the amendments to the Guarantor Documents set forth in Section 4 hereof, the Loan Agreement and other Loan Documents shall remain unchanged and in full force and effect. To the extent any terms or provisions of this Amendment conflict with those of the Loan Agreement or other Loan Documents, the terms and provisions of this Amendment shall control. This Amendment is a Loan Document.

11. COUNTERPARTS; TELEFACSIMILE EXECUTION. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall promptly deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

12. MISCELLANEOUS

(a) Upon the effectiveness of this Amendment, each reference in the Loan Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Loan Agreement shall mean and refer to the Loan Agreement as heretofore amended and as further amended by this Amendment.

(b) Upon the effectiveness of this Amendment, each reference in the Loan Documents to the “Loan Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Loan Agreement shall mean and refer to the Loan Agreement as heretofore amended and as further amended by this Amendment.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered as of the date first written above.

HUDSON HIGHLAND GROUP, INC.,
as Parent and a Borrower Parent and on behalf of
Guarantors

By: _____
Title: _____

**HUDSON GLOBAL RESOURCES AMERICA, INC., fka
HUDSON HIGHLAND GROUP GLOBAL RESOURCES
AMERICA, INC.,**
as a Borrower

By: _____
Title: _____

**HUDSON GLOBAL RESOURCES
HOLDINGS, INC., fka HUDSON HIGHLAND
GROUP GLOBAL RESOURCES HOLDINGS,
INC.,** as a Borrower

By: _____
Title: _____

**HUDSON GLOBAL RESOURCES
MANAGEMENT, INC., fka HUDSON
HIGHLAND GROUP GLOBAL RESOURCES
MANAGEMENT, INC.,** as a Borrower

By: _____
Title: _____

HUDSON GLOBAL RESOURCES LIMITED,
as a Borrower

By: _____
Title: _____

**[Signature Page 1 of 4 to Amendment No. 4, Consent and Joinder
to Amended and Restated Loan and Security Agreement]**

HIGHLAND PARTNERS LIMITED, as a
Borrower

By: _____
Title: _____

**HUDSON GLOBAL RESOURCES (AUST)
PTY LTD.**, as a Borrower

By: _____
Title: _____

**HUDSON TRADE & INDUSTRIAL SERVICES
PTY LTD.**, as a Borrower

By: _____
Title: _____

**HUDSON TRADE & INDUSTRIAL
SOLUTIONS PTY LTD.**, as a Borrower

By: _____
Title: _____

**HUDSON GLOBAL RESOURCES
(NEWCASTLE) PTY LTD.**, as a Borrower

By: _____
Title: _____

HIGHLAND PARTNERS (AUST) PTY LTD., as
a Borrower

By: _____
Title: _____

**[Signature Page 2 of 4 to Amendment No. 4, Consent and Joinder
to Amended and Restated Loan and Security Agreement]**

**HUDSON HIGHLAND GROUP SEARCH,
INC., as a Borrower**

By: _____
Title: _____

**JAMES BOTRIE AND ASSOCIATES INC., as a
Borrower**

By: _____
Title: _____

**HIGHLAND PARTNERS CO (CANADA), fka
3057313 NOVA SCOTIA COMPANY, as a
Borrower**

By: _____
Title: _____

**HUDSON PAYROLL SERVICES LIMITED,
fka HIGHLAND GLOBAL RESOURCES
ZONE 2 LIMITED, as a Borrower**

By: _____
Title: _____

**JMT FINANCIAL PARTNERS, LLC,
as a Guarantor**

By: _____
Title: _____

**DELTA SEARCH GROUP, INC.,
as a Guarantor**

By: _____
Title: _____

**[Signature Page 3 of 4 to Amendment No. 4, Consent and Joinder
to Amended and Restated Loan and Security Agreement]**

WELLS FARGO FOOTHILL, INC.,

as Agent and as a Lender

By: _____

Title: _____

**[Signature Page 4 of 4 to Amendment No. 4, Consent and Joinder
to Amended and Restated Loan and Security Agreement]**

EXHIBIT A

REAFFIRMATION AND CONSENT

All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in that certain Amended and Restated Loan and Security Agreement by and among **HUDSON HIGHLAND GROUP, INC.**, a Delaware corporation (“Parent”), and each of Parent’s Subsidiaries identified on the signature pages thereto (such Subsidiaries, together with Parent, are referred to hereinafter each individually as a “Borrower”, and individually and collectively, jointly and severally, as “Borrowers”), **WELLS FARGO FOOTHILL, INC.** (formerly known as FOOTHILL CAPITAL CORPORATION), a California corporation, as the arranger and administrative agent for the Lenders (“Agent”), and the lenders identified on the signature pages thereto (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a “Lender” and collectively as the “Lenders”), dated as of June 25, 2003 (as amended, restated, supplemented or otherwise modified, the “Loan Agreement”), or in Amendment Number 4, Consent and Joinder to Amended and Restated Loan and Security Agreement, dated as of July 27, 2004 (the “Amendment”), among Borrowers, Agent and Lenders. The undersigned each hereby (a) represents and warrants to Agent and Lenders that the execution, delivery, and performance of this Reaffirmation and Consent are within its powers, have been duly authorized by all necessary action, and are not in contravention of any law, rule, or regulation, or any order, judgment, decree, writ, injunction, or award of any arbitrator, court, or governmental authority, or of the terms of its charter or bylaws, or of any contract or undertaking to which it is a party or by which any of its properties may be bound or affected; (b) consents to the transactions contemplated by the Amendment; (c) acknowledges and reaffirms its obligations owing to Agent and Lenders under any Loan Documents to which it is a party; and (d) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect. Although each of the undersigned has been informed of the matters set forth herein and has acknowledged and agreed to same, it understands that Agent and Lenders have no obligations to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Delivery of an executed counterpart of this Reaffirmation and Consent by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Reaffirmation and Consent. Any party delivering an executed counterpart of this Reaffirmation and Consent by telefacsimile also shall deliver an original executed counterpart of this Reaffirmation and Consent but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Reaffirmation and Consent. This Reaffirmation and Consent shall be governed by the laws of the State of New York.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have each caused this Reaffirmation and Consent to be executed as of the date of the Amendment.

**PEOPLE.COM CONSULTANTS, INC.
PEOPLE.COM TECHNOLOGY PARTNERS,
INC.
HUDSON HIGHLAND GROUP HOLDINGS
INTERNATIONAL, INC.
CORNELL TECHNICAL SERVICES, INC.
HUDSON HIGHLAND CENTER FOR HIGH
PERFORMANCE, LLC
HUDSON HIGHLAND (APAC) PTY LIMITED
MORGAN & BANKS HOLDINGS AUSTRALASIA PTY
LIMITED
HIGHLAND HOLDCO (AUST) PTY LTD.
MORGAN & BANKS MANAGEMENT SERVICES PTY
LIMITED
HUDSON GLOBAL RESOURCES (NZ) LTD.
M&B HOLDCO NZ
HIGHLAND HOLDCO (NZ)
HIGHLAND PARTNERS (NZ) LIMITED**

By: _____
Title: _____

HIGHLAND PARTNERS SA/NV

By: _____
Title: _____

**DE WITTE & MOREL GLOBAL
RESOURCES NV/SA**

By: _____
Title: _____

HIGHLAND PARTNERS SARL

By: _____
Title: _____

HUDSON GLOBAL RESOURCES SAS

By: _____
Title: _____

HUDSON GROUP HOLDINGS B.V, fka HIGHLAND PARTNERS HOLDING B.V.

By: _____
Title: _____

HUDSON GLOBAL RESOURCES B.V. , fka HIGHLAND PARTNERS B.V.

By: _____
Title: _____

HUDSON HUMAN CAPITAL SOLUTIONS B.V., fka HUDSON GROUP HOLDINGS B.V.

By: _____
Title: _____

August 4, 2004

Securities and Exchange Commission
450 Fifth Street N.W.
Washington, D.C. 20549

We are aware that Hudson Highland Group, Inc. has incorporated by reference in its Registration Statements on Form S-3 (Nos. 333-110765 and 333-113703), Form S-4 (No. 333-114731) and Form S-8 (Nos. 333-104209, 333-104210 and 333-104212) our report dated July 28, 2004, relating to the Company's unaudited interim consolidated condensed financial statements appearing in its quarterly report on Form 10-Q for the quarter ended June 30, 2004. Pursuant to Regulation C under the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act. It should be noted that we have not performed any procedures subsequent to July 28, 2004.

/s/ BDO Seidman, LLP
New York, New York

CERTIFICATIONS

I, Jon F. Chait, certify that:

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

Dated: August 4, 2004

/s/ JON F. CHAIT

Jon F. Chait
Chairman and Chief Executive Officer

CERTIFICATIONS

I, Richard W. Pehlke, certify that:

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

Dated: August 4, 2004

/s/ RICHARD W. PEHLKE

Richard W. Pehlke
Executive Vice President and Chief Financial Officer

**Written Statement of the Chairman and Chief Executive Officer
Pursuant to 18 U.S.C. Section .1350, as adopted pursuant to
Section .906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section .1350, I, the undersigned Chairman of the Board and Chief Executive Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JON F. CHAIT

Jon F. Chait

August 4, 2004

**Written Statement of the Executive Vice President and Chief Financial Officer
Pursuant to 18 U.S.C. Section .1350, as adopted pursuant to
Section .906 of the Sarbanes-Oxley Act of 2002**

Solely for the purposes of complying with 18 U.S.C. Section .1350, I, the undersigned Executive Vice President and Chief Financial Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD W. PEHLKE

Richard W. Pehlke

August 4, 2004