

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

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 X

--- ---

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

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

Class	Outstanding on April 30, 2003
----- Common Stock	----- 8,387,364

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## PART I-FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2003	December 31, 2002
	-----	-----
	(unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,000	\$ 25,908
Accounts receivable, net	158,467	161,831
Due from Monster Worldwide, Inc.	13,530	--
Other current assets	20,316	28,177
	-----	-----
Total current assets	232,313	215,916
Property and equipment, net	43,116	34,106
Intangibles, net	204,688	201,937
Other assets	14,805	15,145
	-----	-----
	\$494,922	\$467,104
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 25,287	\$ 28,305
Accrued expenses and other current liabilities	96,948	84,669
Accrued integration and restructuring costs	7,519	8,935
Accrued business reorganization costs	22,569	25,845
	-----	-----
Total current liabilities	152,323	147,754
Other liabilities	2,318	2,776
	-----	-----
Total liabilities	154,641	150,530
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized; none issued or outstanding	--	--
Common stock, \$0.001 par value, 100,000 shares authorized; issued and outstanding: 8,383 and 0 shares, respectively	8	--
Additional paid-in capital	312,394	--
Accumulated other comprehensive income:		
Foreign currency translation adjustments	27,879	24,660
Total divisional equity	--	291,914
	-----	-----
Total stockholders' equity	340,281	316,574
	-----	-----
	\$494,922	\$467,104
	=====	=====

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
	2003	2002
Revenue	\$ 259,189	\$ 264,080
Direct costs (Note 4)	161,657	154,756
Gross margin	97,532	109,324
Selling, general and administrative expenses	124,418	118,888
Business reorganization and other special expenses	7,961	--
Merger and integration expenses	975	5,740
Operating loss	(35,822)	(15,304)
Other expense:		
Other, net	(1,747)	(442)
Interest (expense) income, net	(293)	28
Loss before provision for (benefit of) income taxes and accounting change	(37,862)	(15,718)
Provision for (benefit of) income taxes	6,149	(713)
Loss before accounting change	(44,011)	(15,005)
Cumulative effect of accounting change	--	(293,000)
Net loss	\$ (44,011)	\$ (308,005)
Basic and diluted loss per share:		
Loss before accounting change	\$ (5.25)	\$ (1.80)
Net loss	\$ (5.25)	\$ (36.94)
Weighted average shares outstanding	8,383	8,339

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
	----- 2003 -----	----- 2002 -----
Cash flows from operating activities:		
Net loss	\$ (44,011)	\$(308,005)
Adjustments to reconcile net loss to net cash used in operating activities:		
Cumulative effect of accounting change	--	293,000
Depreciation and amortization	5,485	4,064
Provision (credit) for doubtful accounts	3,917	(482)
Net loss on disposal of assets	1,647	769
Benefit (provision) for deferred income taxes	5,292	(1,017)
Changes in assets and liabilities, net of effects of purchases of businesses:		
Decrease (increase) in accounts receivable	1,797	(19,058)
Decrease (increase) in other assets	1,891	8,859
Increase (decrease) in accounts payable, accrued expenses and other liabilities	4,925	(11,526)
Decrease in accrued integration and restructuring costs	(1,130)	(3,704)
Decrease in accrued business reorganization costs	(3,690)	--
Total adjustments	----- 20,134	----- 270,905
Net cash used in operating activities	----- (23,877)	----- (37,100)
Cash flows from investing activities:		
Capital expenditures	(3,518)	(4,574)
Payments related to prior years' purchased businesses	(330)	(4,528)
Net cash used in investing activities	----- (3,848)	----- (9,102)
Cash flows from financing activities:		
Net payments on short and long-term debt	(638)	(4,015)
Net cash transfers received from Monster Worldwide, Inc.	41,317	43,158
Net cash provided by financing activities	----- 40,679	----- 39,143
Effect of exchange rate changes on cash and cash equivalents	1,138	684
Net increase (decrease) in cash and cash equivalents	----- 14,092	----- (6,375)
Cash and cash equivalents, beginning of period	25,908	37,672
Cash and cash equivalents, end of period	----- \$ 40,000 =====	----- \$ 31,297 =====
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 639	\$ 329

See accompanying notes to consolidated condensed financial statements.

HUDSON HIGHLAND GROUP, INC.  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(in thousands, except 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 combined audited financial statements and related notes of Hudson Highland Group, Inc. (the "Company" or "HH Group") in its Registration Statement on Form 10 filed with the SEC on March 14, 2003 (the "Form 10"). 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 - REORGANIZATION, BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Reorganization

The accompanying condensed consolidated financial statements include the operations, assets and liabilities of the Hudson Global Resources ("Hudson") and Highland Partners ("Highland") business segments of Monster Worldwide, Inc. ("Monster"), formerly known as TMP Worldwide Inc. In October 2002, Monster announced a plan to distribute to its stockholders the shares of HH Group, a wholly owned subsidiary of Monster (the "Distribution"). Immediately prior to the Distribution, Monster transferred the assets and liabilities of its Hudson and Highland business segments to HH Group. These assets and liabilities are reflected in HH Group's financial statements at Monster's historical cost. On March 31, 2003 (the "Distribution Date"), Monster distributed to all of its stockholders of record one share of HH Group Common Stock for each thirteen and one third shares of Monster Common Stock so held. The assets and liabilities of the Company consist primarily of businesses Monster acquired at various times in prior years.

Basis of Presentation

The consolidated condensed 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 March 31, 2003 at which time the amount was reclassified to common stock and additional paid-in capital. Earnings and losses will be accumulated in retained earnings (deficits) 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. 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, certain merger and integration costs and business reorganization 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 and \$7,331 for the three months ended March 31, 2003 and 2002, respectively. The expense allocations were determined on the basis that Monster and the Company considered to be reasonable reflections of the utilization of services provided or the benefit received by the Company using ratios that are primarily based on the Company's revenue, net of direct costs of temporary contractors compared to Monster as a whole. The financial information included herein may not necessarily reflect the financial position and results of operations of HH Group in the future or what these amounts would have been had it been a separate, stand-alone entity during the periods presented. However, management believes that if the Company had been a stand-alone entity during the periods presented, the expenses would not have been materially different from the allocations presented.

NOTE 2 - REORGANIZATION, BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS  
(Continued)

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 commons stock for every thirteen and one third shares of Monster common stock. Basic loss-per-share is computed by dividing the Company's losses by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted losses-per-share is computed by dividing the Company's net losses by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options. The dilutive impact of stock options is determined by applying the "treasury stock" method.

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 career management services to clients operating in a wide range of sectors. The Company focuses on mid-level executives in specialized professional areas and at the senior executive level.

The Company is organized into two divisions, Hudson Global Resources and Highland Partners.

Hudson Global Resources. Hudson primarily focuses on mid-level executive recruitment or placement and providing professional temporary and contract personnel and business solutions to our clients. Mid-level executives and professionals are those who typically earn between \$50,000 and \$150,000 annually, and possess the set of executive or professional skills and/or profile required by our clients. In the case of the temporary and contracting business, Hudson primarily focuses on the placement of professionals or executives in temporary assignments that can range from one day to more than 12 months. Hudson's sales strategy focuses on clients operating in particular sectors, such as health care, financial services, and technology and communications. Hudson supplies candidates in a variety of specialist fields such as law, accounting, banking and finance, health care, engineering, technology and science. Hudson uses both traditional and interactive methods to find and recruit potential candidates for our clients, employing a suite of products, which assess talent and help predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services, including career management, executive assessment and coaching, and human resources consulting. These service offerings are growing rapidly and Company's management believes will help balance the cyclical nature of its core offerings.

These services allow Hudson to offer clients a comprehensive set of human capital management services, ranging from temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent workers, to outplacement. Hudson is also marketed under the name TMP/Hudson Global Resources and TMP/Hudson Human Resource Consulting in certain markets around the world.

Highland Partners. Highland offers a comprehensive range of executive search services aimed at finding the senior level executive or professional for a wide range of clients operating in sectors such as health care, technology, financial services, retail and consumer and industrial. Highland also has an active practice in assisting clients who desire to augment their boards of directors. Highland concentrates on searches for positions with annual compensation of \$150,000 or more and operates exclusively on a retained basis. Highland is also marketed as TMP/Highland Partners in certain markets around the world.

Reclassifications

In the current financial statement presentation, changes have been made from the Form 10 presentation and new account descriptions are being used. The Company is classifying certain transactions with Monster as selling expenses in 2003 that were classified as an offset to revenues in prior periods. Certain prior period amounts have been reclassified to conform to the Company's 2003 financial statement presentation, these reclassifications do not change total revenues, total expenses, net loss, total assets, total liabilities or stockholders' equity.

### NOTE 3 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS 146"). SFAS 146 applies to costs associated with an exit (including restructuring) or disposal activity. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 will require a company to disclose information about its exit and disposal activities, the related costs and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Under SFAS 146, a company may not restate its previously issued financial statements. Liabilities recognized as a result of disposal activities prior to the adoption of SFAS 146 will continue to be accounted for under Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ("EITF 94-3"). The Company's adoption of SFAS 146 did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of SFAS No. 123, Accounting for Stock-Based Compensation, which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS No. 123. The Company intends to account for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of the Indebtedness of Others, which addresses the accounting for and disclosure of guarantees. Interpretation No. 45 requires a guarantor to recognize a liability for the fair value of a guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The initial recognition and measurement provisions are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The Company's adoption of Interpretation No. 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. Interpretation No. 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The interpretation became effective upon issuance. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

On May 1, 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 should not have an effect on its consolidated financial statements.



NOTE 4 - REVENUES, DIRECT COSTS AND GROSS MARGIN

Details of the Company's revenues and direct costs, classified by temporary and permanent placement business, are as follows:

	Three months Ended March 31, 2003			Three months Ended March 31, 2002		
	Temporary	Permanent	Total	Temporary	Permanent	Total
Revenue	\$186,242	\$72,947	\$259,189	\$189,797	\$74,283	\$264,080
Direct costs (1)	153,644	8,013	161,657	151,392	3,364	154,756
Gross Margin	\$ 32,598	\$64,934	\$ 97,532	\$ 38,405	\$70,919	\$109,324

(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 salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included in selling, general and administrative expenses.

NOTE 5 - INTANGIBLE ASSETS, NET

As of March 31, 2003 and December 31, 2002, the Company's intangible assets consisted of the following:

	March 31, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Goodwill	\$201,788	\$ -	\$199,063	\$ -
Amortizable intangible assets:				
Client lists and other amortizable intangibles	4,966	(2,066)	5,085	(2,211)
Total intangible assets	\$206,754	\$(2,066)	\$204,148	\$(2,211)

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased and consist primarily of the value of client lists, non-compete agreements, trademarks and goodwill. With the exception of goodwill, the Company amortizes these costs over periods ranging from two to thirty years. In conjunction with its adoption of SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), the Company will evaluate its goodwill annually for impairment, or earlier if indicators of potential impairment exist. Changes in the Company's strategy and market conditions could significantly impact these evaluations and require adjustments to recorded amounts of intangible assets. In addition, SFAS 142 eliminates the amortization of indefinite lived intangible assets. As a result of the adoption of SFAS 142 on January 1, 2002, the Company recorded a non-cash impairment charge of \$293,000 to reduce the carrying value of goodwill.

NOTE 6 - TAXES

The provision for income taxes for the three months ended March 31, 2003 was \$6,149 on a pretax loss of \$37,862, compared with a benefit of \$713 on a pretax loss of \$15,718 for the same period of 2002. The change in the Company's tax provision (benefit) from the quarter ended March 31, 2003 compared to the quarter ended March 31, 2002 was primarily due to the establishment of valuation allowances in the quarter ended March 31, 2003 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 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.

NOTE 7 - BUSINESS COMBINATIONS

Accrued Merger and Integration and Restructuring Costs

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. Such 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 expensed \$975 and \$5,740 in the first quarter of 2003 and 2002, 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 \$975 expenses for the first quarter of 2003 were almost entirely related to lease obligations on closed facilities.

Accrued integration and restructuring costs and liabilities are comprised of:

	Balance December 31, 2002	Change in Estimate	Utilization	Balance March 31, 2003
	-----	-----	-----	-----
Assumed lease obligations on closed facilities	\$7,292	\$978	\$(2,111)	\$6,159
Consolidation of acquired facilities	1,607	(3)	(279)	1,325
Severance, relocation and other employee costs	36	-	(1)	35
	-----	-----	-----	-----
Total	\$8,935	\$975	\$(2,391)	\$7,519
	=====	=====	=====	=====

The following table presents a summary of activity relating the Company's integration and restructuring plans for acquisitions made in prior years. Amounts reflected in the "Change in estimate" column represent modifications to plans, subsequent to finalization and have been expensed in the current period. Cash payments and associated write-offs relating to the plans are reflected in the "Utilization" caption of the following table.

Details of the exit plan activity comprising the Company's integration and restructuring accruals for the three months ended March 31, 2003 are as follows:

	Balance December 31, 2002	Change in Estimate	Utilization	Balance March 31, 2003
	-----	-----	-----	-----
2000 Plans	\$2,388	\$ (6)	\$ (222)	\$2,160
2001 Plans	3,291	907	(1,862)	2,336
2002 Plans	3,256	74	(307)	3,023
	-----	-----	-----	-----
Total	\$8,935	\$975	\$(2,391)	\$7,519
	=====	=====	=====	=====

NOTE 8 - BUSINESS REORGANIZATION AND OTHER SPECIAL EXPENSES

In the second quarter of 2002, the Company announced a reorganization initiative to further streamline its operations, lower its cost structure, integrate businesses previously acquired and improve its return on capital. This reorganization program includes a workforce reduction, consolidation of excess facilities, restructuring of certain business functions and other special charges, primarily for exiting activities that are no longer part of the Company's strategic plan.

In the fourth quarter of 2002, the Company announced further reorganization efforts related to its separation from Monster and the streamlining of operations, which continued into the first quarter of 2003. The charge consisted primarily of workforce reduction, office consolidation costs and related write-offs, professional fees and other special charges. The Company will incur additional charges in the future, primarily relating to workforce reduction, office consolidation costs and related asset write-offs.

A summary of activity of the business reorganization costs and other special charges for the three months ended March 31, 2003 is outlined as follows:

	Balance December 31, 2002	Additions	Change in Estimate	Utilization	Balance March 31, 2003
Workforce reductions	\$ 8,375	\$1,770	\$(149)	\$ (5,677)	\$ 4,319
Consolidation of excess facilities	15,048	5,194	(426)	(5,225)	14,591
Professional fees and other	2,422	1,723	(151)	(335)	3,659
Total	\$25,845	\$8,687	\$(726)	\$(11,237)	\$22,569

The following table presents a summary of plan activity related to business reorganization costs for the three months ended March 31, 2003. Amounts in the "Additions" column of the following table represent amounts charged to business reorganization and other special charges in the Company's statement of operations for the three months ended March 31, 2003. The expenses were primarily related to consolidation of facilities, workforce reductions and professional fees related to the Distribution. Costs under these plans are charged to expense as estimates are finalized and events become accruable. Amounts reflected in the "Change in estimate" column represent modifications to previously accrued amounts that were initially established under each plan.

Cash payments and associated write-offs relating to the plans are reflected in the "Utilization" caption of the following table.

	Balance December 31, 2002	Additions	Change in Estimate	Utilization	Balance March 31, 2003
Second Quarter 2002 Plan	\$14,908	\$ 615	\$(726)	\$ (5,789)	\$ 9,008
Fourth Quarter 2002 Plan	10,937	8,072	-	(5,448)	13,561
Total	\$25,845	\$8,687	\$(726)	\$(11,237)	\$22,569

NOTE 9 - COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2003	2002
Net loss	\$(44,011)	\$(308,005)
Other comprehensive income (loss)-- translation adjustments	3,219	(2,486)
Total comprehensive loss	\$(40,792)	\$(310,491)

## NOTE 10 - RELATED PARTY TRANSACTIONS

In connection with the Distribution, Monster and HH Group entered into the following agreements:

### Distribution Agreement and Employee Benefits Plans

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.

### Real Estate Agreements

Monster and the Company 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.

### Transition Services Agreement

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).

Under the transition services agreement, the Company and Monster provide or arrange to provide services to each other in exchange for fees, which the Company believes are similar in material respects to what a third-party provider would charge. Fees for transition services are based on two billing methods, "agreed billing" and "pass-through billing." Under the agreed billing method, Monster will provide or arrange to provide the Company or the Company will provide or arrange to provide Monster, with services at the specified cost of providing the services, plus, in the cases of some services, 5% of these costs, in any case subject to increase by the party providing the relevant service, in the exercise of its reasonable judgment, after the distribution. Under the pass-through billing method, the Company and Monster will reimburse each other for all third party expenses, out-of-pocket costs and other expenses incurred in providing or arranging to provide the relevant service.

The Company and Monster generally will invoice each other monthly for the cost of services provided under the transition services agreement. If either party fails to pay an invoice by its due date, it will be obligated to pay interest to the invoicing party at the prime rate as reported in The Wall Street Journal.

### Tax Separation Agreement

After the Distribution Date, the Company is 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 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.

The tax separation agreement provides for payments between the two companies to reflect tax liabilities, which may arise before and after the distribution. It also covers the handling of audits, settlements, elections, accounting methods and return filing in cases where both companies have an interest in the results of these activities.

The Company has agreed to indemnify Monster for any tax liability attributable to the distribution resulting from any action taken by the Company.

## NOTE 10 - RELATED PARTY TRANSACTIONS (continued)

### Loan Agreement and Security Agreement

On the Distribution Date, Monster extended a secured revolving credit facility of up to \$15,000 to the Company (the "Monster Credit Facility"). The Monster Credit Facility provides for an interest rate equal to the prime rate. The Company is restricted from borrowing under the Monster Credit Facility until such time as the Company's aggregate cash and cash equivalents balance is equal to or less than \$10,000. The Monster Credit Facility is secured by substantially all of the assets of the Company pursuant to a security agreement between the Company and Monster. The maturity date of the Monster Credit Facility is the earlier of six months from the Distribution Date or 90 days following the date on which the Company closes on a credit facility with a third party that provides for a total borrowing capacity of \$15,000 or more. However, the maturity date will be accelerated to the date within such 90-day period on which the borrowing capacity under a new third party credit facility is available to the Company. The Company closed on a credit facility with a third party on March 31, 2003 and expects to activate the borrowing capacity under that credit facility in May 2003, as described in Note 12. Accordingly, the Monster Credit Facility will lapse on the earlier of June 29, 2003 or the date that the borrowing capacity under the new credit facility is available to the Company.

### Monster Funding of HH Group Obligations

Monster has agreed 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 expects payment of \$3,530 during the second quarter of 2003 and will receive payments of \$2,500 from Monster in the first month subsequent to the end of each quarter, beginning with the second quarter of 2003. Legal obligation for settlement of such liabilities will remain with the Company.

### Other Commercial Arrangements

The Company and Monster have commenced discussions concerning certain potential commercial arrangements involving the provision of Monster.com and advertising and communication services. 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.

### Non-Cash Transfers

Monster transferred to the Company non-cash assets and liabilities in the first quarter of 2003 as a result of the Distribution. The approximate transfers by account were; due from Monster Worldwide, Inc. \$13,530, property and equipment \$7,800, intangibles \$1,500, accrued expenses and other current liabilities \$2,500 and other liabilities \$600.

## NOTE 11 - COMMITMENTS AND CONTINGENCIES

### Risks and Uncertainties

The Company has a history of operating losses and has never operated as an independent company. Its operations have been historically financed by Monster. It may be unable to make 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. Prior to the Distribution, the Company's businesses were operated by Monster as separate segments of its 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 10. Because the Company's businesses have never been operated as an independent company, it cannot provide assurance that it will be able to successfully implement the changes necessary to operate independently or that the Company will not incur additional costs operating independently.

NOTE 12 - LIQUIDITY, CREDIT FACILITIES AND CAPITAL RESOURCES

As noted above, Monster granted the Company the Monster Credit Facility of up to \$15,000 and will fund payments of up to \$13,530 related to the Company's accrued integration, restructuring and business reorganization obligations and other expenses. The Monster Credit Facility lapses upon the earlier of six months from the Distribution Date or 90 days following completion of a credit facility with a third party that provides for a total borrowing capacity of \$15,000 or more. However, the maturity date will be accelerated to the date within such 90-day period on which the borrowing capacity under a new third party credit facility is available to the Company. On March 31, 2003, the Company closed a senior secured credit facility for \$50,000 with Foothill Capital Corporation, a wholly-owned subsidiary of Wells Fargo & Company (the "Foothill Credit Facility"). The Foothill Credit Facility has a term of three years. 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 borrowings will be based on a percentage of the accounts receivable of the Company and certain of its subsidiaries. The Company expects to activate the borrowing capacity under the Foothill Credit Facility in May 2003 and to use such borrowings to support its ongoing working capital requirements, capital expenditures and other corporate purposes.

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, which 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

For the three months ended March 31,	2003	2002
Revenue		
Hudson	\$243,965	\$246,322
Highland	15,224	17,758
	\$259,189	\$264,080
Operating loss		
Hudson	\$(22,999)	\$ (6,515)
Highland	(7,563)	(1,458)
	(30,562)	(7,973)
Corporate expenses	(5,260)	(7,331)
Interest and other expense, net	(2,040)	(414)
Loss before provision for (benefit of) income taxes and accounting change	\$(37,862)	\$(15,718)

Information by geographic region	United States	Australia	United Kingdom	Continental Europe	Other(a)	Total
For the three months ended March 31, 2003						
Revenue	\$86,215	\$67,333	\$64,894	\$24,037	\$16,710	\$259,189
Long-lived assets	\$92,392	\$14,289	\$60,229	\$70,454	\$10,440	\$247,804
For the three months ended March 31, 2002						
Revenue	\$91,533	\$65,229	\$66,519	\$23,597	\$17,202	\$264,080
Long-lived assets	\$84,515	\$10,665	\$54,086	\$47,458	\$16,609	\$213,333

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

Report of Independent Certified Public Accountants

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 March 31, 2003, the related consolidated condensed statements of operations and cash flows for the three-month periods ended March 31, 2003 and 2002 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended March 31, 2003. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. 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 generally accepted auditing standards, 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 condensed consolidated 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 auditing standards generally accepted in the United States of America, the combined balance sheet as of December 31, 2002, and the related combined statements of operations, divisional equity, and cash flows for the year then ended (not presented herein); and in our report dated February 12, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying combined balance sheet as of December 31, 2002 is fairly stated in all material respects in relation to the combined balance sheet from which it has been derived.

New York, New York  
May 15, 2003



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

You should read the following discussion 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

As one of the world's largest professional staffing and executive search agencies, Hudson Highland Group, Inc. ("the Company" or "HH Group") helps its clients (employers and professional recruiters) find the right employee, from mid-level candidates to senior executives. HH Group was formed from the distribution of the Hudson Global Resources ("Hudson") and Highland Partners ("Highland") divisions of Monster Worldwide, Inc., formerly known as TMP Worldwide Inc. ("Monster"), and currently operates in 25 countries and employs approximately 4,000 people globally. For the year ended December 31, 2002, 67% of the Company's revenues were earned outside of the United States. The Company's two principal business segments are as follows:

**Hudson Global Resources.** Hudson primarily focuses on mid-level executive recruitment or placement and providing Professional temporary and contract personnel and business solutions to our clients. Mid-level executives and professionals are those who typically earn between \$50,000 and \$150,000 annually, and possess the set of executive or professional skills and/or profile required by our clients. In the case of the temporary and contracting business, Hudson primarily focuses on the placement of professionals or executives in temporary assignments that can range from one day to more than 12 months. Hudson's sales strategy focuses on clients operating in particular sectors, such as health care, financial services, and technology and communications. Hudson supplies candidates in a variety of specialist fields such as law, accounting, banking and finance, health care, engineering, technology and science. Hudson uses both traditional and interactive methods to find and recruit potential candidates for our clients, employing a suite of products, which assess talent and help predict whether a candidate will be successful in a given role.

Hudson also provides a variety of other services, including career management, executive assessment and coaching, and human resources consulting. These service offerings are growing rapidly and Company's management believes will help balance the cyclical nature of its core offerings.

These services allow Hudson to offer clients a comprehensive set of human capital management services, ranging from temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent workers, to outplacement. Hudson is also marketed under the name TMP/Hudson Global Resources and TMP/Hudson Human Resources in certain markets around the world.

**Highland Partners.** Highland offers a comprehensive range of executive search services aimed at finding the senior level executive or professional for a wide range of clients operating in sectors such as health care, technology, financial services, retail and consumer and industrial. Highland also has an active practice in assisting clients who desire to augment their boards of directors. Highland concentrates on searches for positions with annual compensation of \$150,000 or more and operates exclusively on a retained basis. Highland is also marketed as TMP/Highland Partners in certain markets around the world.

For all of the periods presented in this Form 10-Q, HH Group operated as part of Monster. The businesses described in this Form 10-Q were conducted by Monster through various divisions and subsidiaries. Immediately prior to the Distribution (as defined below), 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 HH Group Common Stock for each thirteen and one third shares of Monster Common Stock so held (the "Distribution"). Following the Distribution, HH Group became an independent public company and Monster has no continuing stock ownership interest in HH Group. 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 7 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 have been contributed to HH Group and are reflected as divisional 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 and \$7,331 for the three months ended March 31, 2003 and 2002, respectively. 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 merger, integration and reorganization and restructuring expense of \$8,936 and \$5,740 for the three months ended March 31, 2003 and 2002, respectively. The merger and integration charges 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. During the first quarter of 2003, the Company recorded \$975 related to changes in estimates to plans in merger and integration expense. The restructuring expenses were related to the reorganization of operations announced in the second quarter of 2002 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 are 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.

#### Critical Accounting Policies and Items Affecting Comparability

Quality financial reporting relies on consistent application of company accounting policies that are based on generally accepted accounting principles. Management considers the accounting policies discussed below to be critical to understand HH Group's financial statements and often require management judgment and estimates regarding matters that are inherently uncertain.

#### Revenue Recognition

Although the Company's revenue recognition policy involves a relatively low level of uncertainty, it does require judgment on complex matters that is subject to multiple sources of authoritative guidance.

Hudson. The Company recognizes revenue for services at the time services are provided and is recorded on a time and materials basis. Revenues generated when the Company permanently places an individual with a client are recorded at the time of placement, net of an allowance for estimated fee reversals.

Highland. Substantially all professional fee revenue is derived from fees for professional services related to executive recruitment, consulting and related services performed on a retained basis. Fee revenue is generally one-third of the estimated first year compensation plus a percentage of the fee to cover indirect expenses. Fee revenue is recognized as earned. The Company generally bills clients in three monthly installments. Fees earned in excess of the initial contract amount are billed at completion of the engagement.

## Direct Costs

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.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses include the salaries, commissions, payroll taxes and employee benefits related to recruitment professionals, executive level employees, administrative staff and other employees of HH Group, who are not temporary contractors, and the expenses for marketing and promotion, occupancy, equipment leasing and maintenance, utilities, travel expenses, professional fees and depreciation and amortization.

## Accounts Receivable

The Company is required to estimate the collectability of its trade receivables and notes receivable. A considerable amount of judgment is required in assessing the ultimate realization of these receivables including the current credit-worthiness of each customer. Changes in required reserves may occur due to changing circumstances, including changes in the current market environment or in the particular circumstances of individual customers.

## Merger, Integration, Restructuring and Business Reorganization Plans

The Company has recorded significant charges and accruals in connection with its merger, integration, restructuring and business reorganization plans. These reserves include estimates pertaining to employee separation costs and the settlement of contractual obligations resulting from its actions. Although the Company does not anticipate significant changes, the actual costs may differ from these estimates.

## Contingencies

The Company is subject to proceedings, lawsuits and other claims related to labor, service and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. The Company makes a determination of the amount of reserves required, if any, for these contingencies after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

## Intangibles

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased and consist primarily of the value of client lists, non-compete agreements, trademarks and goodwill. With the exception of goodwill, the Company amortizes these costs over periods ranging from two to thirty years. In conjunction with its adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), the Company will evaluate its goodwill annually for impairment, or earlier if indicators of potential impairment exist. Changes in the Company's strategy and market conditions could significantly impact these judgments and require adjustments to recorded amounts of intangible assets. In addition, SFAS 142 eliminates the amortization of indefinite lived intangible assets. As a result of the adoption of SFAS 142 on January 1, 2002, the Company recorded a non-cash impairment charge of \$293,000 to reduce the carrying value of goodwill.

## Results of Operations

The following table sets forth the Company's revenue, operating loss, net loss, temporary contracting revenue, direct costs of temporary contractors and temporary contractor gross margin for the three months ended March 31.

	2003	2002
Revenue	\$259,189	\$ 264,080
Operating loss	\$(35,822)	\$ (15,304)
Net loss	\$(44,011)	\$(308,005)
TEMPORARY CONTRACTING DATA (1):		
Temporary contracting revenue	\$186,242	\$ 189,797
Direct costs of temporary contractors	153,644	151,392
Temporary contracting gross margin	\$ 32,598	\$ 38,405
Gross margin as a percent of revenue	17.5%	20.2%

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

### The Three Months Ended March 31, 2003 Compared to the Three Months Ended March 31, 2002

Total revenues for the three months ended March 31, 2003 were \$259,189, a decrease of \$4,891 or 1.9%, as compared to total revenues of \$264,080 in the first quarter of 2002. This decrease was primarily due to the effects of weak global economic and labor environments, which reduced demand for the Company's services. The effect of a weaker U.S. dollar benefited prior year comparisons by approximately 10%.

Hudson revenues were \$243,965 for the three months ended March 31, 2003, down 1.0% from \$246,322 for the same period of 2002, reflecting lower demand for permanent staffing revenue, particularly in the U.K. and various countries in continental Europe and lower revenue in temporary staffing, due to weakness in the domestic IT staffing market. The effect of a weaker U.S. dollar benefited prior year comparisons by approximately 10%.

Highland revenues of \$15,224 for the three months ended March 31, 2003 were down 14.3% from \$17,758 in same period of 2002, reflecting the continued adverse impact that the challenging global economy is having on executive level search placements.

Direct costs for the three months ended March 31, 2003 were \$161,657, compared to \$154,756 for the same period of 2002. Direct costs were negatively affected by a weaker U.S. dollar in prior year comparisons by approximately 9%. A portion of the increase in direct costs is due to the classification of permanent staffing out-of-pocket expenses in direct costs in 2003.

Gross margin, defined as revenue less direct costs, for the three months ended March 31, 2003 was \$97,532, lower by \$11,792 or 10.8% from \$109,324 reported in the three months ended March 31, 2002. Gross margin as a percentage of revenue declined to 37.6% for the first quarter of 2003, from 41.4% in the first quarter of 2002. The decrease was primarily due to a decline in permanent staffing revenue, particularly in the U.K. and various countries in continental Europe; lower revenue in temporary staffing, due to weakness in the domestic IT staffing market; and an increase in direct costs associated with the permanent staffing out-of-pocket expenses. The effect of a weaker U.S. dollar benefited prior year comparisons by approximately 11%.

Selling, general and administrative expenses for the three months ended March 31, 2003 were \$124,418 compared with \$118,888 for the same period of 2002. Selling general and administrative expenses were 48.0% and 45.0%, as a percentage of revenue for the first quarter of 2003 and 2002, respectively. The increase of \$5,530 or 4.7%, primarily related an 11% unfavorable effect of a weaker U.S. dollar compared to the first three months of 2002, higher allowances for doubtful accounts of \$4,399 and the reclassification of certain transactions with Monster to selling expenses. These increases are partially offset by continued cost cutting in reaction to the current economic and labor environment. During 2002, the Company terminated approximately 1,000 employees in connection with its business reorganization and other special charges.

Business reorganization and special charges for the three months ended March 31, 2003 totaled \$7,961 and were primarily related to the cost for streamlining of operations from the second quarter 2002 Plan. There were no such expenses in the first quarter of 2002. The expenses for the first three months of 2003 were primarily related to consolidation of facilities, workforce reductions and professional fees related to the Distribution and streamlining of operations.

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 March 31, 2003, merger and integration costs were \$975, a reduction of \$4,765 from the same period in the prior year. These expenses included lease obligations, office integration costs, the write-off of fixed assets that will not be used in the future, separation pay, professional fees and employee stay bonuses to certain key personnel of the merged companies. The decrease in 2003 was a result of the finalization of the exit strategies related to the pooled businesses.

Operating loss for the three months ended March 31, 2003 was \$35,822, compared to an operating loss of \$15,304 for the comparable period in 2002.

Other non-operating expenses, including net interest expense, were \$2,040 in the first quarter of 2003 and \$414 for the same period of 2002. Other non-operating expenses included a \$1,642 loss on the disposition of the Company's Brazilian operations.

The provision for income taxes for the three months ended March 31, 2003 was \$6,149 on a pretax loss of \$37,862, compared with a benefit of \$713 on a pretax loss of \$15,718 for the same period of 2002. The change in the Company's tax provision (benefit) from the quarter ended March 31 is primarily due to establishment of valuation allowances in the quarter ended March 31, 2003 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 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.

Net loss before cumulative accounting change was \$44,011 for the three months ended March 31, 2003, compared with a loss of \$15,005 for the same period in 2002.

In conjunction with the adoption of SFAS 142, as of the beginning of fiscal year 2002, the Company completed a goodwill impairment review for its operating segments. The results of the impairment review indicated that the carrying value of goodwill may not be recoverable. Accordingly, the Company recorded as a cumulative effect of an accounting change a one-time goodwill impairment charge of \$293,000 at January 1, 2002 to reduce the carrying value of goodwill to its estimated fair value. No charges were taken in 2003.

Net loss was \$44,011 for the three months ended March 31, 2003, compared with a net loss of \$308,005 for the same period in 2002.

Basic and diluted loss per share on loss before accounting change for the first quarter of 2003 was a loss of \$5.25 per share, compared to a loss of \$1.80 per share in the first quarter of 2002. Basic and diluted loss per share for the first quarter of 2003 was a loss of \$5.25 per share, compared to a loss of \$36.94 per share in the first quarter of 2002. Basic average shares outstanding were essentially unchanged between the two periods. No dilutive earnings per share calculation is presented, as a result of the Company reporting a net loss, which would calculate an anti-dilutive amount.

## Liquidity and Capital Resources

Historically, Monster has managed cash on a centralized basis. Cash receipts associated with the HH Group business have largely been retained by Monster and Monster has provided funds to cover HH Group's disbursements for operating activities, capital expenditures and acquisitions. The cash balances at March 31, 2003 and December 31, 2002 are based on the results of the Company's operations and the net cash resulting from inter-company transfers between HH Group and Monster. The investing and financing activities discussed below were funded as a result of activities entered into by Monster and relating to HH Group operations. The long-term debt amounts reported by the Company primarily relate to capital lease obligations and long-term debt that Monster incurred to acquire businesses and other assets that were transferred to the Company immediately prior to the Distribution.

The Company's liquidity needs arise primarily from funding working capital requirements, as well as capital investment in information technology. To ensure long-term liquidity, HH Group historically relied upon Monster's centralized cash management function and Monster's line of credit facility. In connection with the Distribution, Monster provided HH Group cash in the aggregate amount of \$40,000 upon completion of the Distribution, agreed to reimburse the Company \$13,530 of cash payments (\$3,530 during the second quarter of 2003 and \$2,500 per quarter, to be received in the first month subsequent to the end of each quarter, beginning with the second quarter of 2003) due under its accrued integration restructuring and business reorganization plans. In addition, on the Distribution Date, Monster extended a secured revolving credit facility of up to \$15,000 to HH Group (the "Monster Credit Facility"). The Monster Credit Facility provides for an interest rate equal to the prime rate. The Company is restricted from borrowing under the Monster Credit Facility until such time as its cash and cash equivalent balance is equal to or less than \$10,000. The Monster Credit Facility is secured by substantially all of the assets of the Company pursuant to a security agreement between the Company and Monster. The maturity date of the Monster Credit Facility is the earlier of six months from the Distribution Date or 90 days following the date on which the Company closes on a credit facility with a third party that provides for a total borrowing capacity of \$15,000 or more. However, the maturity date will be accelerated to the date within such 90-day period on which the borrowing capacity under a new third party credit facility is available to the Company.

On March 31, 2003, the Company also closed a senior secured credit facility for \$50,000 with Foothill Capital Corporation, a wholly-owned subsidiary of Wells Fargo & Company (the "Foothill Credit Facility"). Accordingly, the Monster Credit Facility will lapse on the earlier of June 29, 2003 or the date that the borrowing capacity under the Foothill Credit Facility is available to the Company. The Company expects to activate the borrowing capacity under the Foothill Credit Facility in May 2003 and to use such borrowings to support its ongoing working capital requirements, capital expenditures and other corporate purposes. The Foothill Credit Facility has a term of three years. 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 borrowings will be based on a percentage of the accounts receivable of the Company and certain of its subsidiaries.

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 certain financial ratios at 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.

During the three months ended March 31, 2003 and 2002, the Company used cash in operational activities of \$23,877 and \$37,100, respectively. Cash usage decreased in 2003 from 2002 as a result of improved working capital accounts, primarily accounts receivable and current liabilities. These improvements in cash flow were partially offset by a higher operating loss in 2003.

During the three months ended March 31, 2003 and 2002, the Company used cash in investing activities of \$3,848 and \$9,102, respectively. This use of cash was primarily related to capital expenditures in the normal course of operations and payments related to businesses purchased in prior years. The decreased use of cash in the first quarter of 2003 compared to 2002 was the result of lower payments related to prior period purchases of businesses, as these projects are in the process of being completed and lower capital expenditures.

During the three months ended March 31, 2003 and 2002, the Company generated cash from financing activities of \$40,679 and \$39,143, respectively. The cash funding from Monster and debt payments to third parties were both lower in 2003, compared to 2002. The Company's debt relates to third-party debt and capital leases incurred to acquire businesses in the 2001 period. Total third-party debt and capital leases as of March 31, 2003 was \$2,124.

The Company believes that the cash and cash equivalents contributed by Monster, 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.

## Recent Accounting Pronouncements

In July 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS 146"). SFAS 146 applies to costs associated with an exit (including restructuring) or disposal activity. Those activities can include eliminating or reducing product lines, terminating employees and contracts, and relocating plant facilities or personnel. Under SFAS 146, a company will record a liability for a cost associated with an exit or disposal activity when that liability is incurred and can be measured at fair value. SFAS 146 will require a company to disclose information about its exit and disposal activities, the related costs and changes in those costs in the notes to the interim and annual financial statements that include the period in which an exit activity is initiated and in any subsequent period until the activity is completed. SFAS 146 is effective prospectively for exit or disposal activities initiated after December 31, 2002. Under SFAS 146, a company may not restate its previously issued financial statements. Liabilities recognized as a result of disposal activities prior to the adoption of SFAS 146 will continue to be accounted for under Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ("EITF 94-3"). The Company's adoption of SFAS 146 did not have a material impact on the Company's financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of SFAS No. 123, Accounting for Stock-Based Compensation, which provides alternatives for companies electing to account for stock-based compensation using the fair value criteria established by SFAS No. 123. The Company intends to continue to account for stock-based compensation under the provisions of Accounting Principles Board Opinion No. 25.

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Guarantees of the Indebtedness of Others, which addresses the accounting for and disclosure of guarantees. Interpretation No. 45 requires a guarantor to recognize a liability for the fair value of a guarantee at inception. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The initial recognition and measurement provisions are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The Company's adoption of Interpretation No. 45 did not have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity ("VIE") and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. Interpretation No. 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The interpretation became effective upon issuance. The Company's adoption of this interpretation did not have an effect on its consolidated financial statements.

On May 1, 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"). SFAS 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The Company's adoption of SFAS 149 should not have an effect on its consolidated financial statements.



## 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 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. The Company uses such forward-looking statements regarding its future financial condition and results of operations and its business operations and future business prospects in this Form 10-Q. All forward-looking statements reflect the Company's present expectation of future events and are subject to a number of 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 Company's ability to manage its growth, (2) risks associated with expansion, (3) the Company's heavy reliance on information systems and the impact of potentially losing that technology or failing to further develop technology, (4) the Company's markets are highly competitive, (5) the Company's operating results fluctuate from quarter to quarter, (6) the impact of global economic fluctuations on the Company's temporary contracting operations, (7) the cyclical nature of the Company's executive search and mid-market professional staffing businesses, (8) risks relating to the Company's foreign operations, including foreign currency fluctuations, (9) the Company's dependence on its highly skilled professionals, (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, legal liability and costs from both clients and employers and limitations on insurance coverage related thereto, (14) the Company's dependence on key management personnel, (15) the impact of government regulations, (16) the Company's ability to successfully operate as an independent company and the level of costs associated therewith and (17) and the Company's ability to obtain financing on a stand-alone basis and restrictions on the Company's operating flexibility due to the terms of its credit facility. Please see "Risk Factors" in the Company's Registration Statement on Form 10 filed with the Securities and Exchange Commission on March 14, 2003 for more information.

You are cautioned not to place undue reliance 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 equipment leases and seller financed notes. The carrying amounts of the Company's debt approximate fair value, generally due to the short-term nature of the underlying instruments. 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, Germany, Italy, the Netherlands, New Zealand and the United Kingdom. For the quarter ended March 31, 2003, approximately 67% of the Company's revenues were earned outside the United States and collected in local currency and related operating expenses were also paid in such corresponding local currency. Accordingly, the Company is subject to increased risk for exchange rate fluctuations between such local currencies and the 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 year ended December 31, 2002, the Company had a translation gain of approximately \$3,219, primarily attributable to the weakening of the U.S. dollar against the Australian dollar and the Euro.

### 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"), within 90 days prior to the filing date of this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chairman of the Board, President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the Chairman of the Board, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the date of such evaluation to ensure that material information relating to the Company, including its 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 controls. There were no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On January 14, 2003 the sole stockholder of the Company (which was, at that time, Monster), by written consent actions in lieu of a special meeting, adopted resolutions to approve the merger of TMP Worldwide Search, Inc., a Florida corporation, with and into the Company.

On February 24, 2003, the sole stockholder of the Company (which was, at that time, Monster), by written consent actions in lieu of a special meeting, adopted resolutions to approve changing the name of the Company from "TMP Worldwide Search, Inc." to "Hudson Highland Group, Inc."

On March 12, 2003, the sole stockholder of the Company (which was, at that time, Monster), by written consent actions in lieu of a special meeting, adopted resolutions to:

(a) Approve the Company's Amended and Restated Certificate of Incorporation (a copy of which is filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q).

(b) Approve the Company's Amended and Restated By-Laws (a copy of which is filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q).

(c) Approve an 85,238.12-for-one stock split on the Company's common stock, effectuated in the form of a stock dividend declared on the Company's common stock effective as of 11:59 p.m., New York City time, on March 31, 2003 and paid to stockholders of record at the close of business on March 14, 2003.

(d) Approve the Company's Employee Stock Purchase Plan (a copy of which is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q).

(e) Approve the Company's Long Term Incentive Plan (a copy of which is filed as Exhibit 10.2 to this Quarterly Report on Form 10-Q).

ITEM 5. OTHER INFORMATION.

The information under this Item is being provided as required by Item 11 of Form 8-K. The Company advised participants in the Company's Inc. 401(k) Savings Plan (the "Plan") that a blackout period began on April 24, 2003 at 4:00 p.m. (Eastern Daylight Time) and ended on May 2, 2003 at 10:00 a.m. (Eastern Daylight Time). The person designated by the Company to respond to inquiries about the blackout period was Margaretta Noonan, Executive Vice President, Human Resources, Hudson Highland Group, Inc., 622 Third Avenue, New York, New York 10017, (212)-351-7200.

The blackout period was necessary for administrative reasons arising out of the Distribution. In connection with the Distribution, the Company effected a trust-to-trust transfer from the TMP Worldwide Inc. 401(k) Savings Plan of certain individuals' account balances to the Plan. The blackout period was necessary to provide time to transfer the assets and liabilities to the Plan and to ensure a complete and accurate transfer of Plan data.

The Company received notice from the administrator of the Plan of the impending blackout period (as required by Section 101(i)(2)(E) of the Employment Retirement Income Security Act of 1974, as amended) on March 21, 2003. On April 1, 2003, the Company sent a notice to its executive officers and directors informing them that a blackout period would be in effect beginning on April 24, 2003 at 4:00 p.m. (Eastern Daylight Time) and would end on May 2, 2003 at 10:00 a.m. (Eastern Daylight Time) and they were restricted from purchasing, acquiring, selling or otherwise transferring certain equity securities of the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits: The following Exhibits are filed herewith.
- 2.1 Distribution Agreement, dated March 31, 2003, by and between Hudson Highland Group, Inc. and TMP Worldwide Inc. (incorporated by reference to Exhibit 2.1 to Monster Worldwide, Inc.'s Current Report of Form 8-K filed on April 11, 2003 (File No. 005-78979)).
  - 3.1 Amended and Restated Certificate of Incorporation of Hudson Highland Group, Inc. (incorporated by reference to Exhibit 3.1 to Hudson Highland Group, Inc.'s Registration Statement on Form 10 (File No. 0-50129)).
  - 3.2 Amended and Restated By-laws of Hudson Highland Group, Inc. (incorporated by reference to Exhibit 3.2 to Hudson Highland Group, Inc.'s Registration Statement on Form 10 (File No. 0-50129)).
  - 4.1 Loan and Security Agreement, dated as of March 31, 2003, by and among Hudson Highland Group, Inc. and each of its subsidiaries that are signatories thereto, as Borrowers, the lenders that are signatories thereto, as the Lenders, and Foothill Capital Corporation, as the Arranger and Administrative Agent.
  - 10.1 Hudson Highland Group, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Hudson Highland Group, Inc.'s Registration Statement on Form S-8 (File No. 333-104212)).
  - 10.2 Hudson Highland Group, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Hudson Highland Group, Inc.'s Registration Statement on Form S-8 (File No. 333-104209)).
  - 10.3 Transition Services Agreement, dated as of March 31, 2003, by and between TMP Worldwide Inc. and Hudson Highland Group, Inc.
  - 10.4 Tax Separation Agreement, dated as of March 31, 2003, by and between TMP Worldwide Inc. and Hudson Highland Group, Inc.
  - 10.5 Loan Agreement, dated as of March 31, 2003, by and between TMP Worldwide Inc. and Hudson Highland Group, Inc.
  - 15 Letter regarding unaudited interim financial information from BDO Seidman, LLP, independent certified public accountants (With respect to the unaudited interim financial statements of Hudson Highland Group, Inc. for the periods ended March 31, 2003 and 2002 included in this Quarterly Report on Form 10-Q, BDO Seidman, LLP have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their report included in this Quarterly Report on Form 10-Q, they did not audit and they do not express an opinion on those unaudited interim financial statements. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. To the extent that this Quarterly Report on Form 10-Q is incorporated by reference in any registration statements that Hudson Highland Group, Inc. has filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, BDO Seidman, LLP are not subject to the liability provisions of Section 11 of that Act for their reports on the unaudited interim financial statements because those reports are not "reports" or a "part" of the registration statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act.)
  - 99.1 Written Statement of the Chairman, President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 for Hudson Highland Group, Inc.
  - 99.2 Written Statement of the Executive Vice President and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 for Hudson Highland Group, Inc.

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, President and  
Chief Executive Officer  
(Principal Executive Officer)

Dated: May 15, 2003

By: /s/ Richard W. Pehlke

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

Dated: May 15, 2003

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003

/s/ JON F. CHAIT

Jon F. Chait  
Chairman, President and  
Chief Executive Officer

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 quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003

/s/ RICHARD W. PEHLKE

Richard W. Pehlke  
Executive Vice President and  
Chief Financial Officer

HUDSON HIGHLAND GROUP, INC.  
FORM 10-Q

EXHIBIT INDEX

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LOAN AND SECURITY AGREEMENT

by and among

HUDSON HIGHLAND GROUP, INC.

and

EACH OF ITS SUBSIDIARIES THAT ARE SIGNATORIES HERETO

as Borrowers,

THE LENDERS THAT ARE SIGNATORIES HERETO

as the Lenders,

and

FOOTHILL CAPITAL CORPORATION

as the Arranger and Administrative Agent

Dated as of March 31, 2003

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement"), is entered into as of March 31, 2003, between and among, on the one hand, 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"), FOOTHILL CAPITAL CORPORATION, a California corporation, as the arranger and administrative agent for the Lenders ("Agent"), and, on the other hand, HUDSON HIGHLAND GROUP, INC., a Delaware corporation ("Parent"), and 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 parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. As used in this Agreement, the following terms shall have the following definitions:

"Account Report Base" means, as of any date of determination, the sum of the unused Borrowing Base plus cash on hand in the aggregate for all Borrowers.

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account, chattel paper, or a General Intangible.

"Accounts" means all of Borrowers' now owned or hereafter acquired right, title, and interest with respect to "accounts" (as that term is defined in the Code), and any and all supporting obligations in respect thereof.

"Activation Date" means the date on which the conditions set forth in Section 3.2 have been fulfilled to the satisfaction of Agent, in its Permitted Discretion, or waived by Agent and Lenders.

"Additional Borrower" has the meaning set forth in Section 2.16.

"Additional Documents" has the meaning set forth in Section 4.4.

"Administrative Borrower" has the meaning set forth in Section 17.9.

"Advances" has the meaning set forth in Section 2.1.

"Affiliate" means, as applied to any Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control

with, such Person. For purposes of this

definition, "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise; provided, however, that, in any event: (a) any Person which owns directly or indirectly 10% or more of the securities having ordinary voting power for the election of directors or other members of the governing body of a Person or 10% or more of the partnership or other ownership interests of a Person (other than as a limited partner of such Person) shall be deemed to control such Person; (b) each director (or comparable manager) of a Person shall be deemed to be an Affiliate of such Person; and (c) each partnership or joint venture in which a Person is a partner or joint venturer shall be deemed to be an Affiliate of such Person.

"Agent" means Foothill, solely in its capacity as agent for the Lenders hereunder, and any successor thereto.

"Agent's Account" means an account at a bank designated by Agent from time to time as the account into which Borrowers shall make all payments to Agent for the benefit of the Lender Group and into which the Lender Group shall make all payments to Agent under this Agreement and the other Loan Documents; unless and until Agent notifies Administrative Borrower and the Lender Group to the contrary, Agent's Account shall be that certain deposit account bearing account number 323-266193 and maintained by Agent with The Chase Manhattan Bank, 4 New York Plaza, 15th Floor, New York, New York 10004, ABA #021000021.

"Agent Advances" has the meaning set forth in Section 2.3(e)(i).

"Agent's Liens" means the Liens granted by Borrowers to Agent for the benefit of the Lender Group under this Agreement or the other Loan Documents.

"Agent-Related Persons" means Agent together with its Affiliates, officers, directors, employees, and agents.

"Agreement" has the meaning set forth in the preamble hereto.

"Applicable Prepayment Premium" means, as of any date of determination, an amount equal to 1% times the Maximum Revolver Amount, on the date immediately prior to the date of determination for each full or partial period of twelve months concluding on an anniversary of the Closing Date remaining until the Maturity Date; provided, however, that if the outstanding principal balance of Advances is prepaid and the Commitments are terminated with (i) the proceeds and as a result of a private placement of subordinated debt, or an equity offering, or a sale of all or substantially all of the assets or stock of any Borrower, then the Applicable Prepayment Premium shall be an amount equal to .25% times the Maximum Revolver Amount on the date immediately prior to the date of determination for each full or partial period of twelve months concluding on an anniversary of the Closing Date remaining until the Maturity Date; or (ii) the proceeds of a refinancing made available to Borrowers by a commercial banking unit of Wells Fargo, then the Applicable Prepayment Premium shall be an amount equal to 0% times the Maximum Revolver Amount on the date immediately prior to the date of determination for each full or partial period of twelve months concluding on an anniversary of the Closing Date

remaining until the Maturity Date. Notwithstanding anything to the contrary set forth herein, HH Australia may refinance its Obligations to Lender Group at any time upon 30 days prior written notice to Agent without incurring the Applicable Prepayment Premium, provided that the terms of such refinancing of HH Australia's Obligations shall be on terms and conditions satisfactory to Agent in its Permitted Discretion.

"Assignee" has the meaning set forth in Section 14.1.

"Assignment and Acceptance" means an Assignment and Acceptance in the form of Exhibit A-1.

"Authorized Person" means any officer or other employee of Administrative Borrower.

"Availability" means, as of any date of determination, if such date is a Business Day, and determined at the close of business on the immediately preceding Business Day, if such date of determination is not a Business Day, the amount that Borrowers are entitled to borrow as Advances under Section 2.1 (after giving effect to all then outstanding Obligations and all sublimits and reserves applicable hereunder).

"Bankruptcy Code" means the United States Bankruptcy Code, as in effect from time to time.

"Base LIBOR Rate" means the rate per annum, determined by Agent in accordance with its customary procedures, and utilizing such electronic or other quotation sources as it considers appropriate (rounded upwards, if necessary, to the next 1/16%), on the basis of the rates at which Dollar deposits are offered to major banks in the London interbank market on or about 11:00 a.m. (California time) 2 Business Days prior to the commencement of the applicable Interest Period, for a term and in amounts comparable to the Interest Period and amount of the LIBOR Rate Loan requested by Administrative Borrower in accordance with this Agreement, which determination shall be conclusive in the absence of manifest error.

"Base Rate" means, the rate of interest announced within Wells Fargo at its principal office in San Francisco as its "prime rate", with the understanding that the "prime rate" is one of Wells Fargo's base rates (not necessarily the lowest of such rates) and serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto and is evidenced by the recording thereof after its announcement in such internal publication or publications as Wells Fargo may designate.

"Base Rate Loan" means each portion of an Advance that bears interest at a rate determined by reference to the Base Rate.

"Base Rate Margin" means 0.25 percentage points.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which any Borrower or any Subsidiary or ERISA Affiliate of any Borrower has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years.

"Board of Directors" means the board of directors (or comparable managers) of Parent or any committee thereof duly authorized to act on behalf thereof.

"Books" means all of each Borrower's now owned or hereafter acquired books and records (including all of its Records indicating, summarizing, or evidencing its assets (including the Collateral) or liabilities, all of its Records relating to its business operations or financial condition, and all of its goods or General Intangibles related to such information).

"Borrower" and "Borrowers" have the respective meanings set forth in the preamble to this Agreement and will also include any Subsidiary of Parent that becomes a Borrower after the Closing Date pursuant to Section 2.16.

"Borrowing" means a borrowing hereunder consisting of Advances made on the same day by the Lenders (or Agent on behalf thereof), or by Swing Lender in the case of a Swing Loan, or by Agent in the case of an Agent Advance.

"Borrowing Base" has the meaning set forth in Section 2.1(a).

"Borrowing Base Certificate" means a certificate in the form of Exhibit B-1.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which national banks are authorized or required to close, except that, if a determination of a Business Day shall relate to a LIBOR Rate Loan, the term "Business Day" also shall exclude any day on which banks are closed for dealings in Dollar deposits in the London interbank market.

"Capital Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"Capitalized Lease Obligation" means any Indebtedness represented by obligations under Capital Lease.

"Cash Equivalents" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having the highest rating obtainable from either S&P or Moody's, (c) commercial paper maturing no more than 1 year from the date of acquisition thereof and, at the time of acquisition, having a rating of A-1 or P-1, or better, from S&P or Moody's, and (d) certificates of deposit or bankers' acceptances maturing within 1 year from the date of acquisition thereof either (i) issued by any bank organized under the laws

of the United States or any state thereof which bank has a rating of A or A2, or better, from S&P or Moody's or by a creditworthy banking institution located outside the United States, or (ii) certificates of deposit less than or equal to \$100,000 in the aggregate issued by any other bank insured by the Federal Deposit Insurance Corporation.

"Cash Management Account" has the meaning set forth in Section 2.7(a).

"Cash Management Agreements" means those certain cash management service agreements, in form and substance satisfactory to Agent, each of which is among a Borrower, Agent, and one of the Cash Management Banks.

"Cash Management Bank" has the meaning set forth in Section 2.7(a).

"Change of Control" means (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 25%, or more, of the Stock of Parent having the right to vote for the election of members of the Board of Directors, or (b) a majority of the members of the Board of Directors do not constitute Continuing Directors, or (c) any Borrower ceases to directly own and control 100% of the outstanding capital Stock of each of its Subsidiaries extant as of the Closing Date.

"Closing Date" means the date of execution of this Agreement.

"Closing Date Business Plan" means the set of Projections of Borrowers for the 3 year period following the Closing Date (on a year by year basis, and for the 1 year period following the Closing Date, on a month by month basis), in form and substance (including as to scope and underlying assumptions) satisfactory to Agent.

"Code" means the New York Uniform Commercial Code, as in effect from time to time.

"Collateral" means all of each Borrower's now owned or hereafter acquired right, title, and interest in and to each of the following:

- (a) Accounts,
- (b) Books,
- (c) Equipment,
- (d) General Intangibles,
- (e) Inventory,
- (f) Investment Property,

(g) Negotiable Collateral,

(h) Real Property Collateral,

(i) money or other assets of each such Borrower that now or hereafter come into the possession, custody, or control of any member of the Lender Group, and

(j) the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing, and any and all Accounts, Books, Equipment, General Intangibles, Inventory, Investment Property, Negotiable Collateral, Real Property, Records, money, deposit accounts, or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of any of the foregoing, or any portion thereof or interest therein, and the proceeds thereof.

"Collateral Access Agreement" means a landlord waiver, bailee letter, or acknowledgment agreement of any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in the Equipment or Inventory, in each case, in form and substance satisfactory to Agent.

"Collections" means all cash, checks, notes, instruments, and other items of payment (including insurance proceeds, proceeds of cash sales, rental proceeds, and tax refunds) of Borrowers.

"Commitment" means, with respect to each Lender, its Commitment, and, with respect to all Lenders, their Commitments, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 14.1

"Compliance Certificate" means a certificate substantially in the form of Exhibit C-1 delivered by the chief financial officer of Parent to Agent.

"Continuing Director" means (a) any member of the Board of Directors who was a director (or comparable manager) of Parent on the Closing Date, and (b) any individual who becomes a member of the Board of Directors after the Closing Date if such individual was appointed or nominated for election to the Board of Directors by a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Parent (as such terms are used in Rule 14a-11 under the Exchange Act) and whose initial assumption of office resulted from such contest or the settlement thereof.

"Control Agreement" means a control agreement, in form and substance satisfactory to Agent, executed and delivered by the applicable Borrower, Agent, and the



applicable securities intermediary with respect to a Securities Account or a bank with respect to a deposit account.

"Daily Balance" means, with respect to each day during the term of this Agreement, the amount of an Obligation owed at the end of such day.

"DDA" means any checking or other demand deposit account maintained by any Borrower.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Defaulting Lender" means any Lender that fails to make any Advance (or other extension of credit) that it is required to make hereunder on the date that it is required to do so hereunder.

"Defaulting Lender Rate" means (a) the Base Rate for the first 3 days from and after the date the relevant payment is due, and (b) thereafter, at the interest rate then applicable to Advances that are Base Rate Loans (inclusive of the Base Rate Margin applicable thereto).

"Designated Account" means an account of Administrative Borrower maintained with the Designated Account Bank, or such other deposit account of Administrative Borrower (located within the United States) that has been designated as such, in writing, by Administrative Borrower to Agent on or before the Activation Date.

"Designated Account Bank" means a bank satisfactory to Agent identified by Administrative Borrower on or before the Activation Date.

"Dilution" means, as of any date of determination, a percentage, based upon the experience of the immediately prior six months, that is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, credits, or other dilutive items with respect to the Accounts during such period, by (b) Borrowers' billings with respect to Accounts during such period.

"Dilution Reserve" means, as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts by one percentage point for each percentage point by which Dilution is in excess of 5%.

"Dollars" or "\$" means United States dollars.

"Domestic Borrower" means a Borrower organized under the laws of the United States, any of the United States, or the District of Columbia.

"Domestic Guarantor" means a Guarantor organized under the laws of the United States, any of the United States, or the District of Columbia.

"Due Diligence Letter" means the due diligence letter sent by Agent's counsel to counsel to Administrative Borrower, together with Administrative Borrower's completed responses to the inquiries set forth therein, the form and substance of such responses to be satisfactory to Agent.

"EBITDA" means, with respect to any fiscal period, Parent's and its Subsidiaries consolidated net earnings (or loss), minus extraordinary gains, plus interest expense, income taxes, and depreciation and amortization for such period, as determined in accordance with GAAP.

"Eligible Accounts" means those Accounts created by one of Borrowers in the ordinary course of its business, that arise out of its sale of goods or rendition of services, that comply with each of the representations and warranties respecting Eligible Accounts made by Borrowers under the Loan Documents, and that are not excluded as ineligible by virtue of one or more of the criteria set forth below; provided, however, that such criteria may be fixed and revised or varied according to country of origin from time to time by Agent in Agent's Permitted Discretion to address the results of any audit performed by Agent from time to time after the Closing Date. In determining the amount to be included, Eligible Accounts shall be calculated net of customer deposits and unapplied cash remitted to Borrowers. Eligible Accounts shall not include the following:

(a) Accounts that the Account Debtor has failed to pay within 90 days of original invoice date or Accounts with selling terms of more than 60 days,

(b) Accounts owed by an Account Debtor (or its Affiliates) where 50% or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above,

(c) Accounts with respect to which the Account Debtor is an employee, Affiliate, or agent of any Borrower,

(d) Accounts arising in a transaction wherein goods are placed on consignment or are sold pursuant to a guaranteed sale, a sale or return, a sale on approval, a bill and hold, or any other terms by reason of which the payment by the Account Debtor may be conditional,

(e) Accounts that are not payable in Dollars except as provided under Section 2.18 with respect to Foreign Borrowers,

(f) Accounts with respect to which the Account Debtor either (i) does not maintain its chief executive office in the United States or, with respect to Accounts owing to a Foreign Borrower, the country of origin of such Borrower, or (ii) is not organized under the laws of the United States or any state thereof or, with respect to Accounts owing to a Foreign Borrower, the country of origin of such Borrower, or (iii) is the government of any foreign country or sovereign state, or of any state, province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, unless

(y) the Account is supported by an irrevocable letter of credit satisfactory to Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to Agent and is directly drawable by Agent, or (z) the Account is covered by credit insurance in form, substance, and amount, and by an insurer, satisfactory to Agent,

(g) Accounts with respect to which the Account Debtor is either (i) the United States or any department, agency, or instrumentality of the United States (exclusive, however, of Accounts with respect to which the applicable Borrower has complied, to the reasonable satisfaction of Agent, with the Assignment of Claims Act, 31 USC ss. 3727), or (ii) any state of the United States (exclusive, however, of (y) Accounts owed by any state that does not have a statutory counterpart to the Assignment of Claims Act or (z) Accounts owed by any state that does have a statutory counterpart to the Assignment of Claims Act as to which the applicable Borrower has complied to Agent's satisfaction),

(h) Accounts with respect to which the Account Debtor is a creditor of any Borrower, has or has asserted a right of setoff, has disputed its liability, or has made any claim with respect to its obligation to pay the Account, to the extent of such claim, right of setoff, or dispute,

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

(j) Accounts with respect to which the Account Debtor is subject to an Insolvency Proceeding, is not Solvent, has gone out of business, or as to which a Borrower has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

(k) Accounts with respect to which the Account Debtor is located in the states of New Jersey, Minnesota, or West Virginia (or any other state that requires a creditor to file a business activity report or similar document in order to bring suit or otherwise enforce its remedies against such Account Debtor in the courts or through any judicial process of such state), unless the applicable Borrower has qualified to do business in New Jersey, Minnesota, West Virginia, or such other states, or has filed a business activities report with the applicable division of taxation, the department of revenue, or with such other state offices, as appropriate, for the then-current year, or is exempt from such filing requirement,

(l) Accounts, the collection of which, Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

(m) Accounts that are not subject to a valid and perfected first priority Agent's Lien,

(n) Accounts with respect to which (i) the goods giving rise to such Account have not been shipped and billed to the Account Debtor, or (ii) the services giving rise to such Account have not been performed and billed to the Account Debtor, or

(o) Accounts that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by the applicable Borrower of the subject contract for goods or services.

"Eligible Transferee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$250,000,000, (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of \$250,000,000, provided that such bank is acting through a branch or agency located in the United States, (c) a finance company, insurance company, or other financial institution or fund that is engaged in making, purchasing, or otherwise investing in commercial loans in the ordinary course of its business and having (together with its Affiliates) total assets in excess of \$250,000,000, (d) any Affiliate (other than individuals) of a Lender that was party hereto as of the Closing Date, (e) so long as no Event of Default has occurred and is continuing, any other Person approved by Agent and Administrative Borrower, and (f) during the continuation of an Event of Default, any other Person approved by Agent.

"Environmental Actions" means any complaint, summons, citation, notice, directive, order, claim, litigation, investigation, judicial or administrative proceeding, judgment, letter, or other communication from any Governmental Authority, or any third party involving violations of Environmental Laws or releases of Hazardous Materials from (a) any assets, properties, or businesses of any Borrower or any predecessor in interest, (b) from adjoining properties or businesses, or (c) from or onto any facilities which received Hazardous Materials generated by any Borrower or any predecessor in interest.

"Environmental Law" means any applicable federal, state, provincial, foreign or local statute, law, rule, regulation, ordinance, code, binding and enforceable guideline, binding and enforceable written policy or rule of common law now or hereafter in effect and in each case as amended, or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, to the extent binding on Borrowers, relating to the environment, employee health and safety, or Hazardous Materials, including CERCLA; RCRA; the Federal Water Pollution Control Act, 33 USC ss.1251 et seq.; the Toxic Substances Control Act, 15 USC, ss.2601 et seq.; the Clean Air Act, 42 USC ss.7401 et seq.; the Safe Drinking Water Act, 42 USC ss.3803 et seq.; the Oil Pollution Act of 1990, 33 USC ss.2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 USC ss.11001 et seq.; the Hazardous Material Transportation Act, 49 USC ss.1801 et seq.; and the Occupational Safety and Health Act, 29 USC ss.651 et seq. (to the extent it regulates occupational exposure to Hazardous Materials); any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

"Environmental Liabilities and Costs" means all liabilities, monetary obligations, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts, or consultants, and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand by any Governmental Authority or any third party, and which relate to any Environmental Action.

"Environmental Lien" means any Lien in favor of any Governmental Authority for Environmental Liabilities and Costs.

"Equipment" means all of Borrowers' now owned or hereafter acquired right, title, and interest with respect to equipment, machinery, machine tools, motors, furniture, furnishings, fixtures, vehicles (including motor vehicles), tools, parts, goods (other than consumer goods, farm products, or Inventory), wherever located, including all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

"ERISA Affiliate" means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of a Borrower under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of a Borrower under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which a Borrower is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with a Borrower and whose employees are aggregated with the employees of a Borrower under IRC Section 414(o).

"Event of Default" has the meaning set forth in Section 8.

"Excess Availability" means the amount, as of the date any determination thereof is to be made, equal to Availability minus the aggregate amount, if any, of all trade payables of Borrowers aged in excess of their historical levels with respect thereto and all book overdrafts in excess of their historical practices with respect thereto, in each case as determined by Agent in its Permitted Discretion.

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

"Fee Letter" means that certain fee letter, dated as of even date herewith, between Borrowers and Agent, in form and substance satisfactory to Agent.

"FEIN" means Federal Employer Identification Number.

"Foothill" means Foothill Capital Corporation, a California corporation.

"Foreign Borrower" means a Borrower organized under the laws of a jurisdiction other than any of the United States or the District of Columbia.

"Foreign Guarantor" means a Guarantor organized under the laws of a jurisdiction other than any of the United States or the District of Columbia.

"Funding Date" means the date on which a Borrowing occurs.

"Funding Losses" has the meaning set forth in Section 2.13(b)(ii).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"General Intangibles" means all of Borrowers' now owned or hereafter acquired right, title, and interest with respect to general intangibles (including payment intangibles, contract rights, rights to payment, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, patents, trade names, trademarks, servicemarks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, infringement claims, computer programs, information contained on computer disks or tapes, software, Internet domain names, Internet domain name registrations, literature, reports, catalogs, money, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims), and any and all supporting obligations in respect thereof, and any other personal property other than goods, Accounts, Investment Property, and Negotiable Collateral.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

"Governmental Authority" means any federal, state, local, or other governmental or administrative body, instrumentality, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

"Guarantee and Debenture" means a guarantee and debenture executed or to be executed by HH UK in favor of Agent, in form and substance satisfactory to Agent.

"Guarantor" and "Guarantors" means, individually and collectively, each of the Subsidiaries of any Borrower set forth on Schedule G-1 attached hereto and any other Subsidiary of any Borrower which is not itself a Borrower.

"Guaranty" means a general continuing guaranty executed and delivered by a Guarantor or any Guarantors in favor of Agent, for the benefit of the Lender Group, in form and substance satisfactory to Agent.

"Hazardous Materials" means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP toxicity", (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

"HH Australia" means, collectively, TMP Worldwide eResourcing Pty Ltd., TMP Worldwide eResourcing (Industrial Services) Pty Ltd., TMP Worldwide eResourcing (Industrial Solutions) Pty Ltd., TMP Worldwide eResourcing (Newcastle) Pty Ltd., and TMP Worldwide Executive Search Pty Ltd.

"HH Canada" means, collectively, Hudson Highland Group Search, Inc. and James Botrie and Associates, Inc.

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

"HH US" means, collectively, Hudson Highland Group, Inc., Hudson Highland Group Global Resources America, Inc., Hudson Highland Group Global Resources Holdings, Inc., and Hudson Highland Group Global Resources Management, Inc.

"Indebtedness" means (a) all obligations of a Borrower for borrowed money, (b) all obligations of a Borrower evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of a Borrower in respect of letters of credit, bankers acceptances, interest rate swaps, or other financial products, (c) all obligations of a Borrower under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any asset of a Borrower, irrespective of whether such obligation or liability is assumed, (e) all obligations of a Borrower for the deferred purchase price of assets (other than trade debt incurred in the ordinary course of a Borrower's business and repayable in accordance with customary trade practices), and (f) any obligation of a Borrower guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted, or sold with recourse to a Borrower) any obligation of any other Person.

"Indemnified Liabilities" has the meaning set forth in Section 11.3.

"Indemnified Person" has the meaning set forth in Section 11.3.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other state or federal bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Intangible Assets" means, with respect to any Person, that portion of the book value of all of such Person's assets that would be treated as intangibles under GAAP.

"Intercompany Subordination Agreement" means a subordination agreement executed and delivered by Borrowers and Agent, the form and substance of which is satisfactory to Agent.

"Interest Period" means, with respect to each LIBOR Rate Loan, a period commencing on the date of the making of such LIBOR Rate Loan and ending 1, 2, or 3 months thereafter; provided, however, that (a) if any Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended (subject to clauses (c)-(e) below) to the next succeeding Business Day, (b) interest shall accrue at the applicable rate based upon the LIBOR Rate from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (c) any Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day, (d) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is 1, 2, or 3 months after the date on which the Interest Period began, as applicable, and (e) Borrowers (or Administrative Borrower on behalf thereof) may not elect an Interest Period which will end after the Maturity Date.

"Inventory" means all Borrowers' now owned or hereafter acquired right, title, and interest with respect to inventory, including goods held for sale or lease or to be furnished under a contract of service, goods that are leased by a Borrower as lessor, goods that are furnished by a Borrower under a contract of service, and raw materials, work in process, or materials used or consumed in a Borrower's business.

"Investment" means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, or capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) bona fide Accounts arising from the sale of goods or rendition of services in the ordinary course of business consistent with past practice), purchases or other acquisitions for consideration of Indebtedness or Stock, and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.



"Investment Property" means all of Borrowers' now owned or hereafter acquired right, title, and interest with respect to "investment property" as that term is defined in the Code, and any and all supporting obligations in respect thereof.

"IRC" means the Internal Revenue Code of 1986, as in effect from time to time.

"Issuing Lender" means Foothill or any other Lender that, at the request of Administrative Borrower and with the consent of Agent agrees, in such Lender's sole discretion, to become an Issuing Lender for the purpose of issuing L/Cs or L/C Undertakings pursuant to Section 2.12.

"L/C" has the meaning set forth in Section 2.12(a).

"L/C Disbursement" means a payment made by the Issuing Lender pursuant to a Letter of Credit.

"L/C Undertaking" has the meaning set forth in Section 2.12(a).

"Lender" and "Lenders" have the respective meanings set forth in the preamble to this Agreement, and shall include any other Person made a party to this Agreement in accordance with the provisions of Section 14.1.

"Lender Group" means, individually and collectively, each of the Lenders (including the Issuing Lender) and Agent.

"Lender Group Expenses" means all (a) costs or expenses (including taxes, and insurance premiums) required to be paid by a Borrower under any of the Loan Documents that are paid or incurred by the Lender Group, (b) fees or charges paid or incurred by Agent in connection with the Lender Group's transactions with Borrowers, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, and UCC searches and including searches with the patent and trademark office, the copyright office, or the department of motor vehicles), filing, recording, publication, appraisal (including periodic Collateral appraisals or business valuations to the extent of the fees and charges (and up to the amount of any limitation) contained in this Agreement, real estate surveys, real estate title policies and endorsements, and environmental audits, (c) costs and expenses incurred by Agent in the disbursement of funds to or for the account of Borrowers (by wire transfer or otherwise), (d) charges paid or incurred by Agent resulting from the dishonor of checks, (e) reasonable costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (f) audit fees and expenses of Agent related to audit examinations of the Books to the extent of the fees and charges (and up to the amount of any limitation) contained in this Agreement, (g) reasonable costs and expenses of third party claims or any other suit paid or incurred by the Lender Group in enforcing or defending the Loan Documents or in connection

with the transactions contemplated by the Loan Documents or the Lender Group's relationship with any Borrower or any guarantor of the Obligations, (h) Agent's and each Lender's reasonable fees and expenses (including attorneys fees) incurred in advising, structuring, drafting, reviewing, administering, or amending the Loan Documents, and (i) Agent's and each Lender's reasonable fees and expenses (including attorneys fees) incurred in terminating, enforcing (including attorneys fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning any Borrower or in exercising rights or remedies under the Loan Documents), or defending the Loan Documents, irrespective of whether suit is brought, or in taking any Remedial Action concerning the Collateral.

"Lender-Related Person" means, with respect to any Lender, such Lender, together with such Lender's Affiliates, and the officers, directors, employees, and agents of such Lender.

"Letter of Credit" means an L/C or an L/C Undertaking, as the context requires.

"Letter of Credit Usage" means, as of any date of determination, the aggregate undrawn amount of all outstanding Letters of Credit plus 100% of the amount of outstanding time drafts accepted by an Underlying Issuer as a result of drawings under Underlying Letters of Credit.

"LIBOR Deadline" has the meaning set forth in Section 2.13(b)(i).

"LIBOR Notice" means a written notice in the form of Exhibit L-1.

"LIBOR Rate" means, for each Interest Period for each LIBOR Rate Loan, the rate per annum determined by Agent (rounded upwards, if necessary, to the next 1/16%) by dividing (a) the Base LIBOR Rate for such Interest Period, by (b) 100% minus the Reserve Percentage. The LIBOR Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

"LIBOR Rate Loan" means each portion of an Advance that bears interest at a rate determined by reference to the LIBOR Rate.

"LIBOR Rate Margin" means 2.00 percentage points.

"Lien" means any interest in an asset securing an obligation owed to, or a claim by, any Person other than the owner of the asset, whether such interest shall be based on the common law, statute, or contract, whether such interest shall be recorded or perfected, and whether such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, including the lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and also including reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting Real Property.

"Loan Account" has the meaning set forth in Section 2.10.

"Loan Documents" means this Agreement, the Cash Management Agreements, the Control Agreements, the Copyright Security Agreement, the Disbursement Letter, the Due Diligence Letter, the Fee Letter, the Guaranties, the Letters of Credit, the Officers' Certificate, the Stock Pledge Agreement, the Trademark Security Agreement, the Intercompany Subordination Agreement, the UK Security Documents, the Subsidiary Documents, any note or notes executed by a Borrower in connection with this Agreement and payable to a member of the Lender Group, and any other agreement entered into, now or in the future, by any Borrower and the Lender Group in connection with this Agreement.

"Material Adverse Change" means (a) a material adverse change in the business, operations, results of operations, assets, liabilities or condition (financial or otherwise) of Borrowers taken as a whole, (b) a material impairment of a Borrower's ability to perform its obligations under the Loan Documents to which it is a party or of the Lender Group's ability to enforce the Obligations or realize upon the Collateral, or (c) a material impairment of the enforceability or priority of the Agent's Liens with respect to the Collateral as a result of an action or failure to act on the part of a Borrower.

"Maturity Date" has the meaning set forth in Section 3.4.

"Maximum Australia Amount" means, upon execution of an amendment to this Agreement by HH Australia, in form and content satisfactory to Agent in its Permitted Discretion, pursuant to which HH Australia shall become a Borrower hereunder, an amount equal to \$15,000,000.

"Maximum Canada Amount" means, upon execution of an amendment to this Agreement by HH Canada, in form and content satisfactory to Agent in its Permitted Discretion, pursuant to which HH Australia shall become a Borrower hereunder, an amount equal to \$5,000,000.

"Maximum Revolver Amount" means \$50,000,000.

"Maximum UK Amount" means \$25,000,000.

"Minimum Availability" has the meaning set forth in Section 7.21.

"Negotiable Collateral" means all of Borrowers' now owned and hereafter acquired right, title, and interest with respect to letters of credit, letter of credit rights, instruments, promissory notes, drafts, documents, and chattel paper (including electronic chattel paper and tangible chattel paper), and any and all supporting obligations in respect thereof.

"Obligations" means all loans, Advances, debts, principal, interest (including any interest that, but for the provisions of the Bankruptcy Code, would have accrued), contingent reimbursement obligations with respect to outstanding Letters of Credit, premiums, liabilities

(including all amounts charged to Borrowers' Loan Account pursuant hereto), obligations, fees (including the fees provided for in the Fee Letter), charges, costs, Lender Group Expenses (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued), lease payments, guaranties, covenants, and duties of any kind and description owing by Borrowers to the Lender Group pursuant to or evidenced by the Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all Lender Group Expenses that Borrowers are required to pay or reimburse by the Loan Documents, by law, or otherwise. Any reference in this Agreement or in the Loan Documents to the Obligations shall include all amendments, changes, extensions, modifications, renewals replacements, substitutions, and supplements, thereto and thereof, as applicable, both prior and subsequent to any Insolvency Proceeding.

"Officers' Certificate" means the representations and warranties of officers form submitted by Agent to Administrative Borrower, together with Borrowers' and Guarantors' completed responses to the inquiries set forth therein, the form and substance of such responses to be satisfactory to Agent.

"Originating Lender" has the meaning set forth in Section 14.1(e).

"Overadvance" has the meaning set forth in Section 2.5.

"Parent" has the meaning set forth in the preamble to this Agreement.

"Participant" has the meaning set forth in Section 14.1(e).

"Permitted Discretion" means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Dispositions" means (a) sales or other dispositions by Borrowers of Equipment that is substantially worn, damaged, or obsolete in the ordinary course of the applicable Borrower's business, (b) sales by Borrowers of Inventory to buyers in the ordinary course of business, (c) the use or transfer of money or Cash Equivalents by Borrowers in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents, (d) transfers of assets from a Guarantor to a Guarantor, or a Guarantor to a Borrower, or a Borrower to a Borrower organized in the same country as the Borrower transferring such assets, provided Agent has received thirty days prior notice (five days at all times prior to the Activation Date) and (e) the licensing by Borrowers, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of the applicable Borrower's business.

"Permitted Investments" means (a) investments in Cash Equivalents, (b) investments in negotiable instruments for collection, (c) advances made in connection with purchases of goods or services in the ordinary course of business, (d) investments by any Borrower in any other Borrower provided that if any such investment is in the form of

Indebtedness, such Indebtedness investment shall be subject to the terms and conditions of the Intercompany Subordination Agreement, and (e) advances, loans and other investments by Borrowers in Guarantors in an aggregate amount not exceeding at any one time outstanding an amount to be determined by Agent upon Borrowers' request prior to the Activation Date.

"Permitted Liens" means (a) Liens held by Agent for the benefit of Agent and the Lenders, (b) Liens for unpaid taxes that either (i) are not yet delinquent, or (ii) do not constitute an Event of Default hereunder and are the subject of Permitted Protests, (c) Liens set forth on Schedule P-1, (d) the interests of lessors under operating leases, (e) purchase money Liens or the interests of lessors under Capital Leases to the extent that such Lien or interests secure Permitted Purchase Money Indebtedness and so long as such Lien attaches only to the asset purchased or acquired and the proceeds thereof, (f) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of Borrowers' business and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet delinquent, or (ii) are the subject of Permitted Protests, (g) Liens arising from deposits made in connection with obtaining worker's compensation or other unemployment insurance, (h) Liens or deposits to secure performance of bids, tenders, or leases incurred in the ordinary course of Borrowers' business and not in connection with the borrowing of money, (i) Liens granted as security for surety or appeal bonds in connection with obtaining such bonds in the ordinary course of Borrowers' business, (j) Liens resulting from any judgment or award that is not an Event of Default hereunder, (k) Liens with respect to the Real Property Collateral that are exceptions to the commitments for title insurance issued in connection with the Mortgages, as accepted by Agent, and (l) with respect to any Real Property that is not part of the Real Property Collateral, easements, rights of way, and zoning restrictions that do not materially interfere with or impair the use or operation thereof by Borrowers.

"Permitted Protest" means the right of the applicable Borrower to protest any Lien (other than any such Lien that secures the Obligations), taxes (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on the Books in such amount as is required under GAAP, (b) any such protest is instituted promptly and prosecuted diligently by the applicable Borrower in good faith, and (c) Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of the Agent's Liens.

"Permitted Purchase Money Indebtedness" means, as of any date of determination, Purchase Money Indebtedness incurred after the Closing Date in an aggregate amount outstanding at any one time not in excess of \$20,000,000.

"Person" means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"Personal Property Collateral" means all Collateral other than Real Property.

"Projections" means Parent's forecasted (a) balance sheets, (b) profit and loss statements, and (c) cash flow statements, all prepared on a consistent basis with Parent's historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means, with respect to all matters (including the indemnification obligations arising under Section 16.7), the percentage obtained by dividing (i) such Lender's Commitment by (ii) the aggregate amount of Commitments of all Lenders; provided, however, that, in each case, in the event all Commitments have been terminated, Pro Rata Share shall be determined according to the Commitments in effect immediately prior to such termination.

"Purchase Money Indebtedness" means Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within 20 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

"Real Property" means any estates or interests in real property (other than leased real property) now owned or hereafter acquired by any Borrower and the improvements thereto.

"Record" means information that is inscribed on a tangible medium or which is stored in an electronic or other medium and is retrievable in perceivable form.

"Remedial Action" means all actions taken to (a) clean up, remove, remediate, contain, treat, monitor, assess, evaluate, or in any way address Hazardous Materials in the indoor or outdoor environment, (b) prevent or minimize a release or threatened release of Hazardous Materials so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, (c) perform any pre-remedial studies, investigations, or post-remedial operation and maintenance activities, or (d) conduct any other actions authorized by 42 USC ss. 9601.

"Report" has the meaning set forth in Section 16.17.

"Required Availability" means Excess Availability and cash and Cash Equivalents subject to Cash Management Agreements in an amount of not less than \$45,000,000 after payment of all fees, expenses and other charges then due under this Agreement and the other Loan Documents.

"Required Lenders" means, at any time, Lenders whose Pro Rata Shares aggregate 66 2/3% of the Commitments, or if the Total Commitments have been terminated irrevocably, 66 2/3 % of the Obligations then outstanding.

"Reserve Percentage" means, on any day, for any Lender, the maximum percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor

Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that are in effect on such date with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities") of that Lender, but so long as such Lender is not required or directed under applicable regulations to maintain such reserves, the Reserve Percentage shall be zero.

"Revolver Usage" means, as of any date of determination, the sum of (a) the then extant amount of outstanding Advances, plus (b) the then extant amount of the Letter of Credit Usage.

"Risk Participation Liability" means, as to each Letter of Credit, all reimbursement obligations of Borrowers to the Issuing Lender with respect to an L/C Undertaking, consisting of (a) the amount available to be drawn or which may become available to be drawn, (b) all amounts that have been paid by the Issuing Lender to the Underlying Issuer to the extent not reimbursed by Borrowers, whether by the making of an Advance or otherwise, and (c) all accrued and unpaid interest, fees, and expenses payable with respect thereto.

"SEC" means the United States Securities and Exchange Commission and any successor thereto.

"Securities Account" means a "securities account" as that term is defined in the Code.

"Settlement" has the meaning set forth in Section 2.3(f)(i).

"Settlement Date" has the meaning set forth in Section 2.3(f)(i).

"Share Mortgage" means a share mortgage executed or to be executed in favor of Agent by each Subsidiary of Parent which owns any shares in any other Subsidiary of Parent incorporated in England and Wales in respect of such shares.

"Solvent" means, with respect to any Person on a particular date, that such Person is not insolvent (as such term is defined in the Uniform Fraudulent Conveyance Act).

"Spin-Off" means the transaction pursuant to which TMP shall distribute one hundred percent (100%) of the shares of common stock of Parent to its shareholders in a tax-free spin-off in accordance with that certain Information Statement filed by TMP with the SEC on March 14, 2003.

"Stock" means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

"Stock Pledge Agreement" means a stock pledge agreement, in form and substance satisfactory to Agent, executed and delivered by each Borrower that owns Stock of a Subsidiary of Parent.

"Subsidiary" of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity.

"Subsidiary Documents" means the Guaranty, Trademark Security Agreement and General Security Agreement executed by each Guarantor with or in favor of Agent and any other agreement entered into, now or in the future, by any Guarantor and the Lender Group in connection with this Agreement.

"Swing Lender" means Foothill or any other Lender that, at the request of Administrative Borrower and with the consent of Agent agrees, in such Lender's sole discretion, to become the Swing Lender hereunder.

"Swing Loan" has the meaning set forth in Section 2.3(d)(i).

"Syndication Modifications" has the meaning set forth in Section 14.1(h).

"Tangible Net Worth" means, as of any date of determination, the result of (a) the total stockholder's equity of Parent and its Subsidiaries, minus (b) the sum of (i) all Intangible Assets of Parent and its Subsidiaries, (ii) all of Parent's prepaid expenses, and (iii) all amounts due to Parent and its Subsidiaries from Affiliates.

"Taxes" has the meaning set forth in Section 16.11(e).

"TMP" means TMP Worldwide, Inc., a Delaware corporation.

"TMP Documents" means, collectively, the TMP Loan Agreement, the Distribution Agreement, the Transition Services Agreement, the Tax Separation Agreement, and the Security Agreement (if any), all dated on or about March 31, 2003, between Parent and TMP, and any other agreement, instrument, or document executed by Parent and TMP in connection with the Spin-Off or evidencing, governing, or affecting the allocation of assets or business operations of Parent and its Subsidiaries after the Spin-Off.

"TMP Loan Agreement" means that certain Loan Agreement between Parent as borrower and TMP as lender dated on or about March 31, 2003.

"Trademark Security Agreement" means a trademark security agreement executed and delivered by each Borrower to Agent and by each Guarantor, as Agent shall determine, to Agent, the form and substance of which is satisfactory to Agent.



"UK Security Documents" means the Guarantee and Debenture, the Share Mortgages and such other agreements, instruments and documents as may be required by Agent to create and perfect the security interest of Agent on behalf of Lenders in any Collateral located in the United Kingdom.

"Underlying Issuer" means a third Person which is the beneficiary of an L/C Undertaking and which has issued a letter of credit at the request of the Issuing Lender for the benefit of Borrowers.

"Underlying Letter of Credit" means a letter of credit that has been issued by an Underlying Issuer.

"Voidable Transfer" has the meaning set forth in Section 17.7.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Borrowers" or the term "Parent" is used in respect of a financial covenant or a related definition, it shall be understood to mean Parent and its Subsidiaries on a consolidated basis unless the context clearly requires otherwise.

1.3 Code. Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4 Construction. Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document, as the case may be. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in the other Loan Documents to any agreement, instrument, or document shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable (subject to any restrictions on such alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements set forth herein). Any reference herein to any Person shall be construed to include such Person's successors and assigns. Any requirement of a writing contained herein or in the other Loan Documents shall be satisfied by the transmission of a Record and any Record transmitted shall constitute a representation and warranty as to the accuracy and completeness of the information contained therein.

1.5 Schedules and Exhibits. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOAN AND TERMS OF PAYMENT.

2.1 Revolver Advances.

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Lender agrees (severally, not jointly or jointly and severally) to make advances ("Advances") to Borrowers in an amount at any one time outstanding not to exceed such Lender's Pro Rata Share of an amount equal to the lesser of (i) the Maximum Revolver Amount less the Letter of Credit Usage, or (ii) the Borrowing Base less the Letter of Credit Usage. For purposes of this Agreement, "Borrowing Base," as of any date of determination, shall mean the result of:

- (y) 85% of the amount of Eligible Accounts, less the amount, if any, of the Dilution Reserve, minus
- (z) the aggregate amount of reserves, if any, established by Agent under Section 2.1(b).

(b) Anything to the contrary in this Section 2.1 notwithstanding, Agent shall have the right to establish reserves in such amounts, and with respect to such matters, as Agent in its Permitted Discretion shall deem necessary or appropriate, against the Borrowing Base, including reserves with respect to (i) sums that Borrowers are required to pay (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay under any Section of this Agreement or any other Loan Document, (ii) an amount, as determined by Agent in its Permitted Discretion, equal to the aggregate amount of all of Borrowers' then accrued or incurred and unpaid payroll and payroll taxes, which reserve amount, in addition to all of Agent's other rights hereunder, may be increased by Agent from time to time, including for any deviation from any Borrowers' past practices with respect to such payroll and payroll taxes, and (iii) amounts owing by Borrowers to any Person to the extent secured by a Lien on, or trust over, any of the Collateral (other than any existing Permitted Lien set forth on Schedule P-1 which is specifically identified thereon as entitled to have priority over the Agent's Liens), which Lien or trust, in the Permitted Discretion of Agent likely would have a priority superior to the Agent's Liens (such as Liens or trusts in favor of landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers, or Liens or trusts for ad valorem, excise, sales, or other taxes where given priority under applicable law) in and to such item of the Collateral.

(c) The Lenders shall have no obligation to make additional Advances hereunder to the extent such additional Advances would cause the Revolver Usage to exceed (i) the lesser of (x) the Maximum Revolver Amount or (y) the Borrowing Base, or (ii) an amount equal to the aggregate amount of proceeds of Borrowers' Accounts collected, in good and

available funds, during the sixty-five consecutive day period immediately prior to Administrative Borrower's request for such Advance.

(d) Amounts borrowed pursuant to this Section may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement.

2.2 Country Limits. Notwithstanding anything in Section 2.1 or elsewhere in this Agreement to the contrary, and subject to Section 2.16 and Section 2.17 of this Agreement, Revolver Usage by or for the direct benefit or use of (a) HH UK may not exceed the Maximum UK Amount, (b) HH Canada may not exceed the Maximum Canada Amount, and (c) HH Australia may not exceed the Maximum Australia Amount.

### 2.3 Borrowing Procedures and Settlements.

(a) Procedure for Borrowing. Each Borrowing shall be made by an irrevocable written request by an Authorized Person delivered to Agent (which notice must be received by Agent no later than 10:00 a.m. (California time) on the Business Day prior to the date that is the requested Funding Date in the case of a request for an Advance specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day; provided, however, that in the case of a request for Swing Loan in an amount of \$5,000,000, or less, such notice will be timely received if it is received by Agent no later than 10:00 a.m. (California time) on the Business Day that is the requested Funding Date) specifying (i) the amount of such Borrowing, and (ii) the requested Funding Date, which shall be a Business Day. At Agent's election, in lieu of delivering the above-described written request, any Authorized Person may give Agent telephonic notice of such request by the required time, with such telephonic notice to be confirmed in writing within 24 hours of the giving of such notice.

(b) Agent's Election. Promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall elect, in its discretion, to have the terms of Section 2.3(c) apply to such requested Borrowing, or if the Borrowing is for an Advance, to request Swing Lender to make a Swing Loan pursuant to the terms of Section 2.3(d) in the amount of the requested Borrowing; provided, however, that if Swing Lender declines in its sole discretion to make a Swing Loan pursuant to Section 2.3(d), Agent shall elect to have the terms of Section 2.3(c) apply to such requested Borrowing.

#### (c) Making of Advances.

(i) Promptly after receipt of a request for a Borrowing pursuant to Section 2.3(a), Agent shall notify the Lenders, not later than 1:00 p.m. (California time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to Agent in immediately available funds, to Agent's Account, not later than 10:00 a.m. (California time) on the Funding Date applicable thereto. After

Agent's receipt of the proceeds of such Advances, upon satisfaction of the applicable conditions precedent set forth in Section 3 hereof, Agent shall make the proceeds thereof available to Administrative Borrower on the applicable Funding Date by transferring immediately available funds equal to such proceeds received by Agent to Administrative Borrower's Designated Account; provided, however, that, subject to the provisions of Section 2.3(i), Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if Agent shall have actual knowledge that (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (2) the requested Borrowing would exceed the Availability on such Funding Date.

(ii) Unless Agent receives notice from a Lender on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least one (1) Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to Agent for the account of Borrowers the amount of that Lender's Pro Rata Share of the Borrowing, Agent may assume that each Lender has made or will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to Agent in immediately available funds and Agent in such circumstances has made available to Borrowers such amount, that Lender shall on the Business Day following such Funding Date make such amount available to Agent, together with interest at the Defaulting Lender Rate for each day during such period. A notice submitted by Agent to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is so made available, such payment to Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to Agent on the Business Day following the Funding Date, Agent will notify Administrative Borrower of such failure to fund and, upon demand by Agent, Borrowers shall pay such amount to Agent for Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing. The failure of any Lender to make any Advance on any Funding Date shall not relieve any other Lender of any obligation hereunder to make an Advance on such Funding Date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on any Funding Date.

(ii) Agent shall not be obligated to transfer to a Defaulting Lender any payments made by Borrowers to Agent for the Defaulting Lender's benefit, and, in the absence of such transfer to the Defaulting Lender, Agent shall transfer any such payments to each other non-Defaulting Lender member of the Lender Group ratably in accordance with their Commitments (but only to the extent that such Defaulting Lender's Advance was funded by the other members of the Lender Group) or, if so directed by Administrative Borrower and if no Default or Event of Default had occurred and is

continuing (and to the extent such Defaulting Lender's Advance was not funded by the Lender Group), retain same to be re-advanced to Borrowers as if such Defaulting Lender had made Advances to Borrowers. Subject to the foregoing, Agent may hold and, in its Permitted Discretion, re-lend to Borrowers for the account of such Defaulting Lender the amount of all such payments received and retained by it for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero. This Section shall remain effective with respect to such Lender until (x) the Obligations under this Agreement shall have been declared or shall have become immediately due and payable, (y) the non-Defaulting Lenders, Agent, and Administrative Borrower shall have waived such Defaulting Lender's default in writing, or (z) the Defaulting Lender makes its Pro Rata Share of the applicable Advance and pays to Agent all amounts owing by Defaulting Lender in respect thereof. The operation of this Section shall not be construed to increase or otherwise affect the Commitment of any Lender, to relieve or excuse the performance by such Defaulting Lender or any other Lender of its duties and obligations hereunder, or to relieve or excuse the performance by Borrowers of their duties and obligations hereunder to Agent or to the Lenders other than such Defaulting Lender. Any such failure to fund by any Defaulting Lender shall constitute a material breach by such Defaulting Lender of this Agreement and shall entitle Administrative Borrower at its option, upon written notice to Agent, to arrange for a substitute Lender to assume the Commitment of such Defaulting Lender, such substitute Lender to be acceptable to Agent. In connection with the arrangement of such a substitute Lender, the Defaulting Lender shall have no right to refuse to be replaced hereunder, and agrees to execute and deliver a completed form of Assignment and Acceptance Agreement in favor of the substitute Lender (and agrees that it shall be deemed to have executed and delivered such document if it fails to do so) subject only to being repaid its share of the outstanding Obligations (including an assumption of its Pro Rata Share of the Risk Participation Liability) without any premium or penalty of any kind whatsoever; provided further, however, that any such assumption of the Commitment of such Defaulting Lender shall not be deemed to constitute a waiver of any of the Lender Groups' or Borrowers' rights or remedies against any such Defaulting Lender arising out of or in relation to such failure to fund.

(d) Making of Swing Loans.

(i) In the event Agent shall elect, with the consent of Swing Lender, as a Lender, to have the terms of this Section 2.3(d) apply to a requested Borrowing as described in Section 2.3(b), Swing Lender as a Lender shall make such Advance in the amount of such Borrowing (any such Advance made solely by Swing Lender as a Lender pursuant to this Section 2.3(d) being referred to as a "Swing Loan" and such Advances being referred to collectively as "Swing Loans") available to Borrowers on the Funding Date applicable thereto by transferring immediately available funds to Administrative Borrower's Designated Account. Each Swing Loan is an Advance hereunder and shall be subject to all the terms and conditions applicable to other Advances, except that no such

Swing Loan shall be eligible for the LIBOR Option and all payments on any Swing Loan shall be payable to Swing Lender as a Lender solely for its own account (and for the account of the holder of any participation interest with respect to such Swing Loan). Subject to the provisions of Section 2.3(i), Agent shall not request Swing Lender as a Lender to make, and Swing Lender as a Lender shall not make, any Swing Loan if Agent has actual knowledge that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. Swing Lender as a Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making, in its sole discretion, any Swing Loan.

(ii) The Swing Loans shall be secured by the Agent's Liens, shall constitute Advances and Obligations hereunder, and shall bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

(e) Agent Advances.

(i) Agent hereby is authorized by Borrowers and the Lenders, from time to time in Agent's sole discretion, (1) after the occurrence and during the continuance of a Default or an Event of Default, or (2) at any time that any of the other applicable conditions precedent set forth in Section 3 have not been satisfied, to make Advances to Borrowers on behalf of the Lenders that Agent, in its Permitted Discretion deems necessary or desirable (A) to preserve or protect the Collateral, or any portion thereof, (B) to enhance the likelihood of repayment of the Obligations, or (C) to pay any other amount chargeable to Borrowers pursuant to the terms of this Agreement, including Lender Group Expenses and the costs, fees, and expenses described in Section 10 (any of the Advances described in this Section 2.3(e) shall be referred to as "Agent Advances"). Each Agent Advance is an Advance hereunder and shall be subject to all the terms and conditions applicable to other Advances, except that no such Agent Advance shall be eligible for the LIBOR Option and all payments thereon shall be payable to Agent solely for its own account (and for the account of the holder of any participation interest with respect to such Agent Advance).

(ii) The Agent Advances shall be repayable on demand and secured by the Agent's Liens granted to Agent under the Loan Documents, shall constitute Advances and Obligations hereunder, and shall bear interest at the rate applicable from time to time to Advances that are Base Rate Loans.

(f) Settlement. It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, Agent, Swing Lender, and the other Lenders agree (which agreement shall not be for the benefit of or enforceable by Borrowers) that in order to facilitate the administration of this Agreement and the other Loan Documents,

settlement among them as to the Advances, the Swing Loans, and the Agent Advances shall take place on a periodic basis in accordance with the following provisions:

(i) Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis if so determined by Agent, (1) on behalf of Swing Lender, with respect to each outstanding Swing Loan, (2) for itself, with respect to each Agent Advance, and (3) with respect to Collections received, as to each by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 2:00 p.m. (California time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Advances, Swing Loans, and Agent Advances for the period since the prior Settlement Date. Subject to the terms and conditions contained herein (including Section 2.3(c)(iii)): (y) if a Lender's balance of the Advances, Swing Loans, and Agent Advances exceeds such Lender's Pro Rata Share of the Advances, Swing Loans, and Agent Advances as of a Settlement Date, then Agent shall, by no later than 12:00 p.m. (California time) on the Settlement Date, transfer in immediately available funds to the account of such Lender as such Lender may designate, an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances, Swing Loans and Agent Advances, and (z) if a Lender's balance of the Advances, Swing Loans, and Agent Advances is less than such Lender's Pro Rata Share of the Advances, Swing Loans, and Agent Advances as of a Settlement Date, such Lender shall no later than noon (California time) on the Settlement Date transfer in immediately available funds to the Agent's Account, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances, Swing Loans, and Agent Advances. Such amounts made available to Agent under clause (z) of the immediately preceding sentence shall be applied against the amounts of the applicable Swing Loan or Agent Advance and, together with the portion of such Swing Loan or Agent Advance representing Swing Lender's Pro Rata Share thereof, shall constitute Advances of such Lenders. If any such amount is not made available to Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate.

(ii) In determining whether a Lender's balance of the Advances, Swing Loans, and Agent Advances is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances, Swing Loans, and Agent Advances as of a Settlement Date, Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by Agent with respect to principal, interest, fees payable by Borrowers and allocable to the Lenders hereunder, and proceeds of Collateral. To the extent that a net amount is owed to any such Lender after such application, such net amount shall be distributed by Agent to that Lender as part of such next Settlement.

(iii) Between Settlement Dates, Agent, to the extent no Agent Advances or Swing Loans are outstanding, may pay over to Swing Lender any payments received by Agent, that in accordance with the terms of this Agreement would be applied to the reduction of the Advances, for application to Swing Lender's Pro Rata Share of the Advances. If, as of any Settlement Date, Collections received since the then immediately preceding Settlement Date have been applied to Swing Lender's Pro Rata Share of the Advances other than to Swing Loans, as provided for in the previous sentence, Swing Lender shall pay to Agent for the accounts of the Lenders, and Agent shall pay to the Lenders, to be applied to the outstanding Advances of such Lenders, an amount such that each Lender shall, upon receipt of such amount, have, as of such Settlement Date, its Pro Rata Share of the Advances. During the period between Settlement Dates, Swing Lender with respect to Swing Loans, Agent with respect to Agent Advances, and each Lender (subject to the effect of letter agreements between Agent and individual Lenders) with respect to the Advances other than Swing Loans and Agent Advances, shall be entitled to interest at the applicable rate or rates payable under this Agreement on the daily amount of funds employed by Swing Lender, Agent, or the Lenders, as applicable.

(g) Notation. Agent shall record on its books the principal amount of the Advances owing to each Lender, including the Swing Loans owing to Swing Lender, and Agent Advances owing to Agent, and the interests therein of each Lender, from time to time. In addition, each Lender is authorized, at such Lender's option, to note the date and amount of each payment or prepayment of principal of such Lender's Advances in its books and records, including computer records, such books and records constituting conclusive evidence, absent manifest error, of the accuracy of the information contained therein.

(h) Lenders' Failure to Perform. All Advances (other than Swing Loans and Agent Advances) shall be made by the Lenders contemporaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advance (or other extension of credit) hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligations hereunder, and (ii) no failure by any Lender to perform its obligations hereunder shall excuse any other Lender from its obligations hereunder.

(i) Optional Overadvances. Any contrary provision of this Agreement notwithstanding, the Lenders hereby authorize Agent or Swing Lender, as applicable, and Agent or Swing Lender, as applicable, may, but is not obligated to, knowingly and intentionally, continue to make Advances (including Swing Loans) to Borrowers notwithstanding that an Overadvance exists or thereby would be created, so long as (i) after giving effect to such Advances (including a Swing Loan), the Revolver Usage does not exceed the Borrowing Base by more than \$3,000,000, (ii) after giving effect to such Advances (including a Swing Loan) the outstanding Revolver Usage (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) does not exceed the Maximum Revolver Amount, and (iii) at the time of the making of any such Advance (including a Swing Loan), Agent does not believe, in good faith, that the Overadvance created by such Advance will be outstanding for



more than 90 days. The foregoing provisions are for the exclusive benefit of Agent, Swing Lender, and the Lenders and are not intended to benefit Borrowers in any way. The Advances and Swing Loans, as applicable, that are made pursuant to this Section 2.3(i) shall be subject to the same terms and conditions as any other Advance or Swing Loan, as applicable, except that they shall not be eligible for the LIBOR Option and the rate of interest applicable thereto shall be the rate applicable to Advances that are Base Rate Loans under Section 2.6(c) hereof without regard to the presence or absence of a Default or Event of Default.

(i) In the event Agent obtains actual knowledge that the Revolver Usage exceeds the amounts permitted by the preceding paragraph, regardless of the amount of, or reason for, such excess, Agent shall notify Lenders as soon as practicable (and prior to making any (or any additional) intentional Overadvances (except for and excluding amounts charged to the Loan Account for interest, fees, or Lender Group Expenses) unless Agent determines that prior notice would result in imminent harm to the Collateral or its value), and the Lenders thereupon shall, together with Agent, jointly determine the terms of arrangements that shall be implemented with Borrowers and intended to reduce, within a reasonable time, the outstanding principal amount of the Advances to Borrowers to an amount permitted by the preceding paragraph. In the event Agent or any Lender disagrees over the terms of reduction or repayment of any Overadvance, the terms of reduction or repayment thereof shall be implemented according to the determination of the Required Lenders.

(ii) Each Lender shall be obligated to settle with Agent as provided in Section 2.3(f) for the amount of such Lender's Pro Rata Share of any unintentional Overadvances by Agent reported to such Lender, any intentional Overadvances made as permitted under this Section 2.3(i), and any Overadvances resulting from the charging to the Loan Account of interest, fees, or Lender Group Expenses.

#### 2.4 Payments.

##### (a) Payments by Borrowers.

(i) Except as otherwise expressly provided herein, all payments by Borrowers shall be made to Agent's Account for the account of the Lender Group and shall be made in immediately available funds, no later than 11:00 a.m. (California time) on the date specified herein. Any payment received by Agent later than 11:00 a.m. (California time), shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Unless Agent receives notice from Administrative Borrower prior to the date on which any payment is due to the Lenders that Borrowers will not make such payment in full as and when required, Agent may assume that Borrowers have made (or will make) such payment in full to Agent on such date in immediately available funds and Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If

and to the extent Borrowers do not make such payment in full to Agent on the date when due, each Lender severally shall repay to Agent on demand such amount distributed to such Lender, together with interest thereon at the Defaulting Lender Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) Apportionment and Application of Payments.

(i) Except as otherwise provided with respect to Defaulting Lenders and except as otherwise provided in the Loan Documents (including letter agreements between Agent and individual Lenders), aggregate principal and interest payments shall be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each Lender) and payments of fees and expenses (other than fees or expenses that are for Agent's separate account, after giving effect to any letter agreements between Agent and individual Lenders) shall be apportioned ratably among the Lenders having a Pro Rata Share of the type of Commitment or Obligation to which a particular fee relates. All payments shall be remitted to Agent and all such payments (other than payments received while no Default or Event of Default has occurred and is continuing and which relate to the payment of principal or interest of specific Obligations or which relate to the payment of specific fees), and all proceeds of Accounts or other Collateral received by Agent, shall be applied as follows:

(A) first, to pay any Lender Group Expenses then due to Agent under the Loan Documents, until paid in full,

(B) second, to pay any Lender Group Expenses then due to the Lenders under the Loan Documents, on a ratable basis, until paid in full,

(C) third, to pay any fees then due to Agent (for its separate accounts, after giving effect to any letter agreements between Agent and the individual Lenders) under the Loan Documents until paid in full,

(D) fourth, to pay any fees then due to any or all of the Lenders (after giving effect to any letter agreements between Agent and individual Lenders) under the Loan Documents, on a ratable basis, until paid in full,

(E) fifth, to pay interest due in respect of all Agent Advances, until paid in full,

(F) sixth, ratably to pay interest due in respect of the Advances (other than Agent Advances) and the Swing Loans until paid in full,

(G) seventh, to pay the principal of all Agent Advances until paid in full,

(H) eighth, to pay the principal of all Swing Loans until paid in full,

(I) ninth, to pay the principal of all Advances until paid in full,

(J) tenth, if an Event of Default has occurred and is continuing, 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,

(K) eleventh, to pay any other Obligations until paid in full, and

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

(ii) Agent promptly shall distribute to each Lender, pursuant to the applicable wire instructions received from each Lender in writing, such funds as it may be entitled to receive, subject to a Settlement delay as provided in Section 2.3(h).

(iii) In each instance, so long as no Default or Event of Default has occurred and is continuing, Section 2.4(b) shall not be deemed to apply to any payment by Borrowers specified by Borrowers to be for the payment of specific Obligations then due and payable (or prepayable) under any provision of this Agreement.

(iv) For purposes of the foregoing, "paid in full" means payment of all amounts owing under the Loan Documents according to the terms thereof, including loan fees, service fees, professional fees, interest (and specifically including interest accrued after the commencement of any Insolvency Proceeding), default interest, interest on interest, and expense reimbursements, whether or not the same would be or is allowed or disallowed in whole or in part in any Insolvency Proceeding.

(v) In the event of a direct conflict between the priority provisions of this Section 2.4 and other provisions contained in any other Loan Document, it is the intention of the parties hereto that such priority provisions in such documents shall be read together and construed, to the fullest extent possible, to be in concert with each other. In the event of any actual, irreconcilable conflict that cannot be resolved as aforesaid, the terms and provisions of this Section 2.4 shall control and govern.

2.5 Overadvances. If, at any time or for any reason, the amount of Obligations owed by Borrowers to the Lender Group pursuant to Sections 2.1 and 2.12 is greater than either the Dollar or percentage limitations set forth in Sections 2.1, 2.2, or 2.12, (an "Overadvance"), Borrowers immediately shall pay to Agent, in cash, the amount of such excess, which amount shall be used by Agent to reduce the Obligations in accordance with the priorities set forth in Section 2.4(b). In addition, Borrowers hereby promise to pay the Obligations (including principal, interest, fees, costs, and expenses) in Dollars in full to the Lender Group as and when due and payable under the terms of this Agreement and the other Loan Documents.

2.6 Interest Rates and Letter of Credit Fee: Rates, Payments, and Calculations.

(a) Interest Rates. Except as provided in clause (c) below, all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof as follows (i) if the relevant Obligation is an Advance that is a LIBOR Rate Loan, at a per annum rate equal to the LIBOR Rate plus the LIBOR Rate Margin, and (ii) otherwise, at a per annum rate equal to the Base Rate plus the Base Rate Margin.

The foregoing notwithstanding, at no time shall any portion of the Obligations bear interest on the Daily Balance thereof at a per annum rate less than 4.25%. To the extent that interest accrued hereunder at the rate set forth herein would be less than the foregoing minimum daily rate, the interest rate chargeable hereunder for such day automatically shall be deemed increased to the minimum rate.

(b) Letter of Credit Fee. Borrowers shall pay Agent (for the ratable benefit of the Lenders with a Commitment, subject to any letter agreement between Agent and individual Lenders), a Letter of Credit fee (in addition to the charges, commissions, fees, and costs set forth in Section 2.12(e)) which shall accrue at a rate equal to 2.5% per annum times the Daily Balance of the undrawn amount of all outstanding Letters of Credit.

(c) Default Rate. Upon the occurrence and during the continuation of an Event of Default (and at the election of Agent or the Required Lenders),

(i) all Obligations (except for undrawn Letters of Credit) that have been charged to the Loan Account pursuant to the terms hereof shall bear interest on the Daily Balance thereof at a per annum rate equal to 4 percentage points above the per annum rate otherwise applicable hereunder, and

(ii) the Letter of Credit fee provided for above shall be increased to 4 percentage points above the per annum rate otherwise applicable hereunder.

(d) Payment. Interest, Letter of Credit fees, and all other fees payable hereunder shall be due and payable, in arrears, on the first day of each month at any time that Obligations or Commitments are outstanding. Borrowers hereby authorize Agent, from time to time, without prior notice to Borrowers, to charge such interest and fees, all Lender Group Expenses (as and when incurred), the charges, commissions, fees, and costs provided for in Section 2.12(e) (as and when accrued or incurred), the fees and costs provided for in Section 2.11 (as and when accrued or incurred), and all other payments as and when due and payable under any Loan Document to Borrowers' Loan Account, which amounts thereafter constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances hereunder. Any interest not paid when due shall be compounded by being charged to Borrowers' Loan Account and shall thereafter constitute Advances hereunder and shall accrue interest at the rate then applicable to Advances that are Base Rate Loans hereunder.

(e) Computation. All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year for the actual number of days

elapsed. In the event the Base Rate is changed from time to time hereafter, the rates of interest hereunder based upon the Base Rate automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(f) Intent to Limit Charges to Maximum Lawful Rate. In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. Borrowers and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, however, that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto, as of the date of this Agreement, Borrowers are and shall be liable only for the payment of such maximum as allowed by law, and payment received from Borrowers in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

## 2.7 Cash Management.

(a) Borrowers shall establish and maintain cash management services of a type and on terms satisfactory to Agent at one or more of the banks set forth on Schedule 2.7(a) (each a "Cash Management Bank"), and shall request in writing and otherwise take such reasonable steps to ensure that all of its Account Debtors forward payment of the amounts owed by them directly to such Cash Management Bank, and (ii) deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all Collections (including those sent directly by Account Debtors to a Cash Management Bank) into bank accounts subject to Cash Management Agreements (each a "Cash Management Account") at one of the Cash Management Banks.

(b) Each Cash Management Bank shall establish and maintain Cash Management Agreements with Agent and Borrowers, in form and substance acceptable to Agent. Each such Cash Management Agreement shall provide, among other things, that (i) all items of payment deposited in such Cash Management Account and proceeds thereof are held by such Cash Management Bank agent or bailee-in-possession for Agent, (ii) the Cash Management Bank has no rights of setoff or recoupment or any other claim against the applicable Cash Management Account, other than for payment of its service fees and other charges directly related to the administration of such Cash Management Account and for returned checks or other items of payment, and (iii) upon receipt of written notice from Agent, such Cash Management Bank immediately will forward by daily sweep all amounts in the applicable Cash Management Account to the Agent's Account. Agent will not exercise its control over (1) Cash Management Accounts located in the United States until such time as Revolver Usage exceeds \$15,000,000, and (2) all other Cash Management Accounts, together with Cash Management Accounts located inside the United States, until such time as Revolver Usage exceeds \$20,000,000.

(c) So long as no Default or Event of Default has occurred and is continuing, Administrative Borrower may amend Schedule 2.7(a) or (b) to add or replace a Cash

Management Account Bank or Cash Management Account; provided, however, that such prospective Cash Management Bank shall be satisfactory to Agent and Agent shall have consented in writing in advance to the opening of such Cash Management Account with the prospective Cash Management Bank, and prior to the time of the opening of such Cash Management Account, Borrowers and such prospective Cash Management Bank shall have executed and delivered to Agent a Cash Management Agreement. Borrowers shall close any of their Cash Management Accounts (and establish replacement cash management accounts in accordance with the foregoing sentence) promptly and in any event within 30 days of notice from Agent that the creditworthiness of any Cash Management Bank is no longer acceptable in Agent's reasonable judgment, or as promptly as practicable and in any event within 60 days of notice from Agent that the operating performance, funds transfer, or availability procedures or performance of the Cash Management Bank with respect to Cash Management Accounts or Agent's liability under any Cash Management Agreement with such Cash Management Bank is no longer acceptable in Agent's reasonable judgment.

(d) The Cash Management Accounts shall be cash collateral accounts, with all cash, checks and similar items of payment in such accounts securing payment of the Obligations, and in which Borrowers are hereby deemed to have granted a Lien to Agent.

2.8 Crediting Payments; Float Charge. The receipt of any payment item by Agent (whether from transfers to Agent by the Cash Management Banks pursuant to the Cash Management Agreements or otherwise) shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to the Agent's Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then Borrowers shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by Agent only if it is received into the Agent's Account on a Business Day on or before 11:00 a.m. (California time). If any payment item is received into the Agent's Account on a non-Business Day or after 11:00 a.m. (California time) on a Business Day, it shall be deemed to have been received by Agent as of the opening of business on the immediately following Business Day. From and after the Closing Date, Agent shall be entitled to charge Borrowers for one (1) Business Day of "clearance" or "float" at the rate applicable to Base Rate Loans under Section 2.6 on all Collections that are received by Borrowers and Guarantors (regardless of whether forwarded by the Cash Management Banks to Agent). This across-the-board one (1) Business Day clearance or float charge on all Collections is acknowledged by the parties to constitute an integral aspect of the pricing of the financing of Borrowers and shall apply irrespective of whether or not there are any outstanding monetary Obligations; the effect of such clearance or float charge being the equivalent of charging one (1) Business Day of interest on such Collections. The parties acknowledge and agree that the economic benefit of the foregoing provisions of this Section 2.8 shall be for the exclusive benefit of Agent.

2.9 Designated Account. Agent is authorized to make the Advances and Issuing Lender is authorized to issue the Letters of Credit, under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person, or without

instructions if pursuant to Section 2.6(d). Administrative Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by Borrowers and made by Agent or the Lenders hereunder. Unless otherwise agreed by Agent and Administrative Borrower, any Advance, Agent Advance, or Swing Loan requested by Borrowers and made by Agent or the Lenders hereunder shall be made to the Designated Account.

2.10 Maintenance of Loan Account; Statements of Obligations. Agent shall maintain an account on its books in the name of Borrowers (the "Loan Account") on which Borrowers will be charged with all Advances (including Agent Advances and Swing Loans) made by Agent, Swing Lender, or the Lenders to Borrowers or for Borrowers' account, the Letters of Credit issued by Issuing Lender for Borrowers' account, and with all other payment Obligations hereunder or under the other Loan Documents, including, accrued interest, fees and expenses, and Lender Group Expenses. In accordance with Section 2.8, the Loan Account will be credited with all payments received by Agent from Borrowers or for Borrowers' account, including all amounts received in the Agent's Account from any Cash Management Bank. Agent shall render statements regarding the Loan Account to Administrative Borrower, including principal, interest, fees, and including an itemization of all charges and expenses constituting Lender Group Expenses owing, and such statements shall be presumed to be correct and accurate and constitute an account stated between Borrowers and the Lender Group absent manifest error unless, within 30 days after receipt thereof by Administrative Borrower, Administrative Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

2.11 Fees. Borrowers shall pay to Agent the following fees and charges, which fees and charges shall be non-refundable when paid (irrespective of whether this Agreement is terminated thereafter) and shall be apportioned among the Lenders in accordance with the terms of letter agreements between Agent and individual Lenders:

(a) Unused Line Fee. On the first day of each month during the term of this Agreement, an unused line fee in the amount equal to .50% per annum times the result of (a) the Maximum Revolver Amount, less (b) the sum of (i) the average Daily Balance of Advances that were outstanding during the immediately preceding month, plus (ii) the average Daily Balance of the Letter of Credit Usage during the immediately preceding month,

(b) Fee Letter Fees. As and when due and payable under the terms of the Fee Letter, Borrowers shall pay to Agent the fees set forth in the Fee Letter, and

(c) Audit, Appraisal, and Valuation Charges. For the separate account of Agent, audit, appraisal, and valuation fees and charges as follows, a fee of \$850 pay day, per auditor, plus out-of-pocket expenses for each financial audit of a Borrower performed by personnel employed by Agent, and the actual charges paid or incurred by Agent if it elects to employ the services of one or more third Persons to perform financial audits of Borrowers, to establish electronic collateral reporting systems for Borrowers, or to assess a Borrower's business valuation. Prior to the occurrence of a Default or an Event of Default, audits of

Collateral shall be performed by Agent or its designees on a calendar quarterly basis, or more frequently as determined by Agent in its Permitted Discretion.

## 2.12 Letters of Credit.

(a) Subject to the terms and conditions of this Agreement, the Issuing Lender agrees to issue letters of credit for the account of Borrowers (each, an "L/C") or to purchase participations or execute indemnities or reimbursement obligations (each such undertaking, an "L/C Undertaking") with respect to letters of credit issued by an Underlying Issuer (as of the Closing Date, the prospective Underlying Issuer is to be Wells Fargo) for the account of Borrowers. To request the issuance of an L/C or an L/C Undertaking (or the amendment, renewal, or extension of an outstanding L/C or L/C Undertaking), Administrative Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Lender) to the Issuing Lender and Agent (reasonably in advance of the requested date of issuance, amendment, renewal, or extension) a notice requesting the issuance of an L/C or L/C Undertaking, or identifying the L/C or L/C Undertaking to be amended, renewed, or extended, the date of issuance, amendment, renewal, or extension, the date on which such L/C or L/C Undertaking is to expire, the amount of such L/C or L/C Undertaking, the name and address of the beneficiary thereof (or of the Underlying Letter of Credit, as applicable), and such other information as shall be necessary to prepare, amend, renew, or extend such L/C or L/C Undertaking. If requested by the Issuing Lender, Borrowers also shall be an applicant under the application with respect to any Underlying Letter of Credit that is to be the subject of an L/C Undertaking. The Issuing Lender shall have no obligation to issue a Letter of Credit if any of the following would result after giving effect to the requested Letter of Credit:

(i) the Letter of Credit Usage would exceed the Borrowing Base less the then extant amount of outstanding Advances, or

(ii) the Letter of Credit Usage would exceed \$20,000,000, or

(iii) the Letter of Credit Usage would exceed the Maximum Revolver Amount less the then extant amount of outstanding Advances.

Borrowers and the Lender Group acknowledge and agree that certain Underlying Letters of Credit may be issued to support letters of credit that already are outstanding as of the Activation Date. Each Letter of Credit (and corresponding Underlying Letter of Credit) shall have an expiry date no later than 30 days prior to the Maturity Date and all such Letters of Credit (and corresponding Underlying Letter of Credit) shall be in form and substance acceptable to the Issuing Lender (in the exercise of its Permitted Discretion), including the requirement that the amounts payable thereunder must be payable in Dollars. If Issuing Lender is obligated to advance funds under a Letter of Credit, Borrowers immediately shall reimburse such L/C Disbursement to Issuing Lender by paying to Agent an amount equal to such L/C Disbursement not later than 11:00 a.m.,



California time, on the date that such L/C Disbursement is made, if Administrative Borrower shall have received written or telephonic notice of such L/C Disbursement prior to 10:00 a.m., California time, on such date, or, if such notice has not been received by Administrative Borrower prior to such time on such date, then not later than 11:00 a.m., California time, on (i) the Business Day that Administrative Borrower receives such notice, if such notice is received prior to 10:00 a.m., California time, on the date of receipt, and, in the absence of such reimbursement, the L/C Disbursement immediately and automatically shall be deemed to be an Advance hereunder and, thereafter, shall bear interest at the rate then applicable to Advances that are Base Rate Loans under Section 2.6. To the extent an L/C Disbursement is deemed to be an Advance hereunder, Borrowers' obligation to reimburse such L/C Disbursement shall be discharged and replaced by the resulting Advance. Promptly following receipt by Agent of any payment from Borrowers pursuant to this paragraph, Agent shall distribute such payment to the Issuing Lender or, to the extent that Lenders have made payments pursuant to Section 2.12(c) to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interest may appear.

(b) Promptly following receipt of a notice of L/C Disbursement pursuant to Section 2.12(a), each Lender agrees to fund its Pro Rata Share of any Advance deemed pursuant to the foregoing subsection on the same terms and conditions as if Borrowers had requested such Advance and Agent shall promptly pay to Issuing Lender the amounts so received by it from the Lenders. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Lender or the Lenders, the Issuing Lender shall be deemed to have granted to each Lender, and each Lender shall be deemed to have purchased, a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of the Risk Participation Liability of such Letter of Credit, and each Lender agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of any payments made by the Issuing Lender under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to Agent, for the account of the Issuing Lender, such Lender's Pro Rata Share of each L/C Disbursement made by the Issuing Lender and not reimbursed by Borrowers on the date due as provided in clause (a) of this Section, or of any reimbursement payment required to be refunded to Borrowers for any reason. Each Lender acknowledges and agrees that its obligation to deliver to Agent, for the account of the Issuing Lender, an amount equal to its respective Pro Rata Share pursuant to this Section 2.12(b) shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3 hereof. If any Lender fails to make available to Agent the amount of such Lender's Pro Rata Share of any payments made by the Issuing Lender in respect of such Letter of Credit as provided in this Section, Agent (for the account of the Issuing Lender) shall be entitled to recover such amount on demand from such Lender together with interest thereon at the Defaulting Lender Rate until paid in full.

(c) Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group harmless from any loss, cost, expense, or liability, and reasonable attorneys fees incurred by the Lender Group arising out of or in connection with any Letter of Credit; provided, however, that no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability that is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group. Each Borrower agrees to be bound by the Underlying Issuer's regulations and interpretations of any Underlying Letter of Credit or by Issuing Lender's interpretations of any L/C issued by Issuing Lender to or for such Borrower's account, even

though this interpretation may be different from such Borrower's own, and each Borrower understands and agrees that the Lender Group shall not be liable for any error, negligence, or mistake, whether of omission or commission, in following Borrowers' instructions or those contained in the Letter of Credit or any modifications, amendments, or supplements thereto. Each Borrower understands that the L/C Undertakings may require Issuing Lender to indemnify the Underlying Issuer for certain costs or liabilities arising out of claims by Borrowers against such Underlying Issuer. Each Borrower hereby agrees to indemnify, save, defend, and hold the Lender Group harmless with respect to any loss, cost, expense (including reasonable attorneys fees), or liability incurred by the Lender Group under any L/C Undertaking as a result of the Lender Group's indemnification of any Underlying Issuer; provided, however, that no Borrower shall be obligated hereunder to indemnify for any loss, cost, expense, or liability that is caused by the gross negligence or willful misconduct of the Issuing Lender or any other member of the Lender Group.

(d) Each Borrower hereby authorizes and directs any Underlying Issuer to deliver to the Issuing Lender all instruments, documents, and other writings and property received by such Underlying Issuer pursuant to such Underlying Letter of Credit and to accept and rely upon the Issuing Lender's instructions with respect to all matters arising in connection with such Underlying Letter of Credit and the related application.

(e) Any and all charges, commissions, fees, and costs incurred by the Issuing Lender relating to Underlying Letters of Credit shall be Lender Group Expenses for purposes of this Agreement and immediately shall be reimbursable by Borrowers to Agent for the account of the Issuing Lender.

(f) If by reason of (i) any change in any applicable law, treaty, rule, or regulation or any change in the interpretation or application thereof by any Governmental Authority, or (ii) compliance by the Underlying Issuer or the Lender Group with any direction, request, or requirement (irrespective of whether having the force of law) of any Governmental Authority or monetary authority including, Regulation D of the Federal Reserve Board as from time to time in effect (and any successor thereto):

(i) any reserve, deposit, or similar requirement is or shall be imposed or modified in respect of any Letter of Credit issued hereunder, or

(ii) there shall be imposed on the Underlying Issuer or the Lender Group any other condition regarding any Underlying Letter of Credit or any Letter of Credit issued pursuant hereto;

and the result of the foregoing is to increase, directly or indirectly, the cost to the Lender Group of issuing, making, guaranteeing, or maintaining any Letter of Credit or to reduce the amount receivable in respect thereof by the Lender Group, then, and in any such case, Agent may, at any time within a reasonable period after the additional cost is incurred or the amount received is reduced, notify Administrative Borrower, and Borrowers shall pay on demand such amounts as Agent may specify to be necessary to compensate the Lender Group for such additional cost or reduced receipt, together with interest on such amount from the date of such demand until

payment in full thereof at the rate then applicable to Base Rate Loans hereunder. The determination by Agent of any amount due pursuant to this Section, as set forth in a certificate setting forth the calculation thereof in reasonable detail, shall, in the absence of manifest or demonstrable error, be final and conclusive and binding on all of the parties hereto.

#### 2.13 LIBOR Option.

(a) Interest and Interest Payment Dates. In lieu of having interest charged at the rate based upon the Base Rate, Borrowers shall have the option (the "LIBOR Option") to have interest on all or a portion of the Advances charged at the LIBOR Rate. Interest on LIBOR Rate Loans shall be payable on the earliest of (i) the last day of the Interest Period applicable thereto, (ii) the occurrence of an Event of Default in consequence of which the Required Lenders or Agent on behalf thereof elect to accelerate the maturity of the Obligations, (iii) termination of this Agreement pursuant to the terms hereof, or (iv) the first day of each month that such LIBOR Rate Loan is outstanding. On the last day of each applicable Interest Period, unless Administrative Borrower properly has exercised the LIBOR Option with respect thereto, the interest rate applicable to such LIBOR Rate Loan automatically shall convert to the rate of interest then applicable to Base Rate Loans of the same type hereunder. At any time that an Event of Default has occurred and is continuing, Borrowers no longer shall have the option to request that Advances bear interest at the LIBOR Rate and Agent shall have the right to convert the interest rate on all outstanding LIBOR Rate Loans to the rate then applicable to Base Rate Loans hereunder.

#### (b) LIBOR Election.

(i) Administrative Borrower may, at any time and from time to time, so long as no Event of Default has occurred and is continuing, elect to exercise the LIBOR Option by notifying Agent prior to 11:00 a.m. (California time) at least 3 Business Days prior to the commencement of the proposed Interest Period (the "LIBOR Deadline"). Notice of Administrative Borrower's election of the LIBOR Option for a permitted portion of the Advances and an Interest Period pursuant to this Section shall be made by delivery to Agent of a LIBOR Notice received by Agent before the LIBOR Deadline, or by telephonic notice received by Agent before the LIBOR Deadline (to be confirmed by delivery to Agent of a LIBOR Notice received by Agent prior to 5:00 p.m. (California time) on the same day. Promptly upon its receipt of each such LIBOR Notice, Agent shall provide a copy thereof to each of the Lenders.

(ii) Each LIBOR Notice shall be irrevocable and binding on Borrowers. In connection with each LIBOR Rate Loan, each Borrower shall indemnify, defend, and hold Agent and the Lenders harmless against any loss, cost, or expense incurred by Agent or any Lender as a result of (a) the payment of any principal of any LIBOR Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any LIBOR Rate Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any LIBOR Rate Loan on the date specified in any LIBOR Notice delivered pursuant hereto (such losses, costs, and expenses, collectively, "Funding

Losses"). Funding Losses shall, with respect to Agent or any Lender, be deemed to equal the amount determined by Agent or such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such LIBOR Rate Loan had such event not occurred, at the LIBOR Rate that would have been applicable thereto, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period therefor), minus (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate which Agent or such Lender would be offered were it to be offered, at the commencement of such period, Dollar deposits of a comparable amount and period in the London interbank market. A certificate of Agent or a Lender delivered to Administrative Borrower setting forth any amount or amounts that Agent or such Lender is entitled to receive pursuant to this Section shall be conclusive absent manifest error.

(iii) Borrowers shall have not more than 5 LIBOR Rate Loans in effect at any given time. Borrowers only may exercise the LIBOR Option for LIBOR Rate Loans of at least \$1,000,000 and integral multiples of \$500,000 in excess thereof.

(c) Prepayments. Borrowers may prepay LIBOR Rate Loans at any time; provided, however, that in the event that LIBOR Rate Loans are prepaid on any date that is not the last day of the Interest Period applicable thereto, including as a result of any automatic prepayment through the required application by Agent of proceeds of Collections in accordance with Section 2.4(b) or for any other reason, including early termination of the term of this Agreement or acceleration of the Obligations pursuant to the terms hereof, each Borrower shall indemnify, defend, and hold Agent and the Lenders and their Participants harmless against any and all Funding Losses in accordance with clause (b) above.

(d) Special Provisions Applicable to LIBOR Rate.

(i) The LIBOR Rate may be adjusted by Agent with respect to any Lender on a prospective basis to take into account any additional or increased costs to such Lender of maintaining or obtaining any eurodollar deposits or increased costs due to changes in applicable law occurring subsequent to the commencement of the then applicable Interest Period, including changes in tax laws (except changes of general applicability in corporate income tax laws) and changes in the reserve requirements imposed by the Board of Governors of the Federal Reserve System (or any successor), excluding the Reserve Percentage, which additional or increased costs would increase the cost of funding loans bearing interest at the LIBOR Rate. In any such event, the affected Lender shall give Administrative Borrower and Agent notice of such a determination and adjustment and Agent promptly shall transmit the notice to each other Lender and, upon its receipt of the notice from the affected Lender, Administrative Borrower may, by notice to such affected Lender (y) require such Lender to furnish to Administrative Borrower a statement setting forth the basis for adjusting such LIBOR Rate and the method for determining the amount of such adjustment, or (z) repay the LIBOR Rate Loans with respect to which such adjustment is made (together with any amounts due under clause (b)(ii) above).

(ii) In the event that any change in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation of application thereof, shall at any time after the date hereof, in the reasonable opinion of any Lender, make it unlawful or impractical for such Lender to fund or maintain LIBOR Advances or to continue such funding or maintaining, or to determine or charge interest rates at the LIBOR Rate, such Lender shall give notice of such changed circumstances to Agent and Administrative Borrower and Agent promptly shall transmit the notice to each other Lender and (y) in the case of any LIBOR Rate Loans of such Lender that are outstanding, the date specified in such Lender's notice shall be deemed to be the last day of the Interest Period of such LIBOR Rate Loans, and interest upon the LIBOR Rate Loans of such Lender thereafter shall accrue interest at the rate then applicable to Base Rate Loans, and (z) Borrowers shall not be entitled to elect the LIBOR Option until such Lender determines that it would no longer be unlawful or impractical to do so.

(e) No Requirement of Matched Funding. Anything to the contrary contained herein notwithstanding, neither Agent, nor any Lender, nor any of their Participants, is required actually to acquire eurodollar deposits to fund or otherwise match fund any Obligation as to which interest accrues at the LIBOR Rate. The provisions of this Section shall apply as if each Lender or its Participants had match funded any Obligation as to which interest is accruing at the LIBOR Rate by acquiring eurodollar deposits for each Interest Period in the amount of the LIBOR Rate Loans.

2.14 Capital Requirements. If, after the date hereof, any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitments hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change, or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, then such Lender may notify Administrative Borrower and Agent thereof. Following receipt of such notice, Borrowers agree to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 90 days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods.

#### 2.15 Joint and Several Liability of Borrowers.

(a) Each of Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Agent and the Lenders under this Agreement, for the mutual benefit, directly and indirectly, of each of Borrowers and in consideration of the undertakings of the other Borrowers to accept joint and several liability for the Obligations.

(b) Each of Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a co-debtor, joint and several liability with the other Borrowers, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this Section 2.15), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each Person composing Borrowers without preferences or distinction among them.

(c) If and to the extent that any of Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then in each such event the other Persons composing Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each Person composing Borrowers under the provisions of this Section 2.15 constitute the absolute and unconditional, full recourse Obligations of each Person composing Borrowers enforceable against each such Borrower to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or any other circumstances whatsoever.

(e) Except as otherwise expressly provided in this Agreement, each Person composing Borrowers hereby waives notice of acceptance of its joint and several liability, notice of any Advances or Letters of Credit issued under or pursuant to this Agreement, notice of the occurrence of any Default, Event of Default, or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by Agent or Lenders under or in respect of any of the Obligations, any requirement of diligence or to mitigate damages and, generally, to the extent permitted by applicable law, all demands, notices and other formalities of every kind in connection with this Agreement (except as otherwise provided in this Agreement). Each Person composing Borrowers hereby assents to, and waives notice of, any extension or postponement of the time for the payment of any of the Obligations, the acceptance of any payment of any of the Obligations, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by Agent or Lenders at any time or times in respect of any default by any Person composing Borrowers in the performance or satisfaction of any term, covenant, condition or provision of this Agreement, any and all other indulgences whatsoever by Agent or Lenders in respect of any of the Obligations, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of the Obligations or the addition, substitution or release, in whole or in part, of any Person composing Borrowers. Without limiting the generality of the foregoing, each of Borrowers assents to any other action or delay in acting or failure to act on the part of any Agent or Lender with respect to the failure by any Person composing Borrowers to comply with any of its respective Obligations, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder, which might, but for the provisions of this Section 2.15 afford grounds for terminating, discharging or relieving any Person composing Borrowers, in whole or in part, from any of its Obligations under this Section 2.15, it being the intention of each Person composing Borrowers that, so long as any of the Obligations hereunder remain unsatisfied, the Obligations of such Person composing Borrowers under this Section 2.15 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Person composing Borrowers under this Section 2.15 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any Person composing Borrowers or any Agent or Lender. The joint and several liability of the Persons composing Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, constitution or place of formation of any of the Persons composing Borrowers or any Agent or Lender.

(f) Each Person composing Borrowers represents and warrants to Agent and Lenders that such Borrower is currently informed of the financial condition of Borrowers and of all other circumstances which a diligent inquiry would reveal and which bear upon the risk of nonpayment of the Obligations. Each Person composing Borrowers further represents and warrants to Agent and Lenders that such Borrower has read and understands the terms and conditions of the Loan Documents. Each Person composing Borrowers hereby covenants that such Borrower will continue to keep informed of Borrowers' financial condition, the financial condition of other guarantors, if any, and of all other circumstances which bear upon the risk of nonpayment or nonperformance of the Obligations.

(g) The provisions of this Section 2.15 are made for the benefit of the Agent, the Lenders and their respective successors and assigns, and may be enforced by it or them from time to time against any or all of the Persons composing Borrowers as often as occasion therefor may arise and without requirement on the part of any such Agent, Lender, successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against any of the other Persons composing Borrowers or to exhaust any remedies available to it or them against any of the other Persons composing Borrowers or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.15 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied. If at any time, any payment, or any part thereof, made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Agent or Lender upon the insolvency, bankruptcy or reorganization of any of the Persons composing Borrowers, or otherwise, the provisions of this Section 2.15 will forthwith be reinstated in effect, as though such payment had not been made.

(h) Each of the Persons composing Borrowers hereby agrees that it will not enforce any of its rights of contribution or subrogation against the other Persons composing Borrowers with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to the Agent or the Lenders with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been paid in full in cash. Any claim which any Borrower may have against any other Borrower with respect to any payments to any Agent or Lender hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full in cash of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full in cash before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(i) Each of the Persons composing Borrowers hereby agrees that, after the occurrence and during the continuance of any Default or Event of Default, the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations. Each Borrower hereby agrees that after the occurrence and during the continuance of any Default or Event of Default, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for the Lender Group, and such Borrower shall deliver any such amounts to Agent for application to the Obligations in accordance with Section 2.4(b).

2.16 Additional Borrowers. HH Australia and HH Canada may, with the consent of Agent and Lenders, join this Agreement as a Borrower (an "Additional Borrower") for all purposes hereunder (expressly including, without limitation, all purposes set forth in and subject to all terms and conditions of Section 2.15), upon delivery to the Agent of (i) an appropriate



amendment or instrument of joinder and (ii) such items described in Section 3.1 and Section 3.2 as are applicable to such Additional Borrower. Agent and Lenders may, in their sole and absolute discretion, establish maximum amounts for Revolver Usage by Additional Borrowers that are Foreign Borrowers as provided in Section 2.2. Nothing herein shall be deemed to commit Agent or Lenders to consent to the addition or joinder of any particular or individual Additional Borrower.

2.17 Foreign Currencies. All Advances shall be made and all Letters of Credit denominated in Dollars. Agent and Lenders shall permit the conversion by Borrower of any Advance made by or for or Letter of Credit issued for the direct benefit or use of a Foreign Borrower to a currency other than Dollars by means of a foreign exchange facility provided by an Affiliate of Agent, provided that (a) such currency is freely available for purchase or exchange in international currency markets, (b) the making of such Advance or issuance of such Letter of Credit does not otherwise violate any term or condition of this Agreement or the other Loan Documents, and (c) for purposes of determining Revolver Usage, all amounts of Advances and Letters of Credit to or for the direct benefit or use of Foreign Borrowers shall be calculated in Dollar equivalents as of the date such Advance is made.

2.18 Foreign Accounts. Agent may, in its discretion, discount the amount of any Accounts that are not payable in Dollars by an amount deemed appropriate in Agent's sole and absolute discretion to account for currency exchange risks and such other factors affecting perfection, enforceability, collection, credit risk, or political risk or other risks as Agent may determine, or create or apply such reserves in respect of Accounts not payable in Dollars as Agent deems appropriate in its Permitted Discretion.

### 3. CONDITIONS; TERM OF AGREEMENT.

3.1 Conditions Precedent to Agreement. The obligation of the Lender Group (or any member thereof) to enter into this Agreement and to provide the Commitments hereunder is subject to the fulfillment, to the satisfaction of Agent as determined in its Permitted Discretion, of each of the conditions precedent set forth below:

(a) the Closing Date shall occur on or before March 31, 2003,

(b) Agent shall have received all financing statements required by Agent, in form and content satisfactory to Agent, with respect to the Collateral and authorized to be filed by the Borrowers,

(c) Agent shall have received each of the following documents, in form and substance satisfactory to Agent, duly executed, and each such document shall be in full force and effect:

(i) the Due Diligence Letter responses with respect to the Borrowers,

(ii) the Fee Letter,

(iii) the Guarantee and Debenture duly executed by HH UK, and

(iv) the Officers' Certificate for each Borrower.

(d) Agent shall have received a certificate from the Secretary of each Borrower attesting to the resolutions of such Borrower's Board of Directors authorizing its execution, delivery, and performance of this Agreement and the other Loan Documents to which such Borrower is a party and authorizing specific officers or agents of such Borrower to execute the same;

(e) Agent shall have received copies of each Borrower's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Borrower;

(f) Agent shall have received a certificate of status with respect to each Borrower, dated within 10 days of the Closing Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Borrower, which certificate shall indicate that such Borrower is in good standing in such jurisdiction;

(g) Agent shall have received certificates of status with respect to each Borrower, each dated within 30 days of the Closing Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Borrower) in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that such Borrower is in good standing in such jurisdictions;

(h) Agent shall have received copies of the executed TMP Documents in form and substance satisfactory to Agent, certified as true and correct and in full force and effect by an authorized officer of Parent;

(i) TMP and Parent shall have received all necessary consents to the Spin-Off and the Spin-Off shall have become effective;

(j) Agent shall have received opinions of counsel to Borrowers in form and substance satisfactory to Agent;

(k) Agent shall have received satisfactory evidence (including a certificate of the chief financial officer of Parent) that all tax returns required to be filed by Borrowers have been timely filed and all taxes upon Borrowers or their properties, assets, income, and franchises (including Real Property taxes and payroll taxes) have been paid prior to delinquency, except such taxes that are the subject of a Permitted Protest;

(l) Agent shall have completed its business, legal, and collateral due diligence, including a collateral audit and review of Borrowers' books and records and verification of Borrowers' representations and warranties to the Lender Group, the results of which shall be satisfactory to Agent;

(m) TMP shall have agreed to provide or continue all letters of credit required by Borrower as of the Closing Date;

(n) Parent shall have in place a capital and legal structure satisfactory to Agent in all respects;

(o) Agent shall have received Borrowers' Closing Date Business Plan and projections together with a certificate of the chief financial officer of Parent stating that the Closing Date Business Plan has been prepared on a reasonable basis and in good faith and is based on assumptions believed by Parent to be reasonable at the time made and from the best information then available to Parent;

(p) Borrowers shall have received all licenses, approvals or evidence of other actions required by any Governmental Authority in connection with the execution and delivery by Borrowers of this Agreement or any other Loan Document or with the consummation of the transactions contemplated hereby and thereby;

(q) that certain Third Amended and Restated Accounts Receivable Management and Security Agreement by and among GMAC Commercial Finance LLC as successor in interest to BNY Financial Corporation and TMP dated November 5, 1998, as modified, amended, or supplemented, shall have terminated;

(r) No Default or Event of Default shall have occurred and be continuing on the Closing Date, nor shall either result from the effectiveness of this Agreement;

(s) no Material Adverse Change shall have occurred; and

(t) Borrowers shall pay all costs, fees and expenses owing to Agent and Lenders on and as of the Closing Date.

3.2 Conditions Precedent to the Initial Extension of Credit. The obligation of the Lender Group (or any member thereof) to make the initial Advance (or otherwise to extend any credit provided for hereunder), is subject to the fulfillment, to the satisfaction of Agent in its Permitted Discretion, of each of the conditions precedent set forth below; provided that, if all of the conditions set forth in this Section 3.2 are not satisfied as determined by Agent in its Permitted Discretion, on or before the date that is 90 days after the Closing Date, then this Agreement and the other Loan Documents shall be automatically terminated and the Lender Group shall have no further obligations of any kind hereunder or thereunder:

(a) the Activation Date shall occur on or before the date occurring ninety (90) days after the Closing Date;

(b) Each of the conditions set forth in Section 3.1 shall have been and continue at all times to be satisfied and Agent shall have received a certificate of the chief executive officer of Parent dated as of the Activation Date stating the same;

(c) Agent shall have completed a takeover audit of Borrowers by the Activation Date, the results of which shall be satisfactory to Agent in its Permitted Discretion.

(d) Agent shall have received all financing statements required by Agent, duly authorized for filing by the Domestic Guarantors, and Agent shall have received searches reflecting the filing of all such financing statements;

(e) Agent shall have received each of the following documents, in form and substance satisfactory to Agent, duly executed or authorized to be filed, as appropriate, and each such document shall be in full force and effect:

(i) the Stock Pledge Agreements, together with all certificates representing the shares of Stock pledged thereunder for each direct and indirect Subsidiary of any Borrower, as well as Stock powers with respect thereto endorsed in blank,

(ii) the Trademark Security Agreements,

(iii) the Share Mortgage together with all share certificates and executed transfers in blank in respect of all shares charged by it and the Guarantee and Debenture,

(iv) the Control Agreements,

(v) the Cash Management Agreements together with verifications of the balances of the Cash Management Accounts subject thereto as of the Activation Date, it being acknowledged and agreed by Borrowers that, as an additional condition to the Activation Date, as of the Activation Date not less than \$25,000,000 of Borrowers' cash shall be subject to Cash Management Agreements,

(vi) UCC termination statements and other documentation evidencing the termination by any prior secured parties of their respective Liens in and to the properties and assets of Borrowers and each Guarantor,

(vii) the Guaranties and the Subsidiary Documents,

(viii) Collateral Access Agreements from all lessors of Real Property where any Borrower maintains its Chief Executive Office and Equipment maintaining Books and Records or keeps its Books and Records for its business or operations, and

(ix) Collateral Access Agreements in favor of Agent from all of Borrowers' information technology lessors;

(f) Agent shall have received completed reference checks with respect to Borrowers' senior management, the results of which are satisfactory to Agent in its sole discretion;

(g) Agent shall have received a certificate of insurance, together with the endorsements thereto, as are required by Section 6.8, the form and substance of which shall be satisfactory to Agent;

(h) Agent shall have received a certificate from the Secretary of each Guarantor attesting to the resolutions of such Guarantor's Board of Directors authorizing its execution, delivery, and performance of the Loan Documents to which such Guarantor is a party and authorizing specific officers of such Guarantor to execute the same;

(i) Agent shall have received copies of each Guarantor's Governing Documents, as amended, modified, or supplemented to the Closing Date, certified by the Secretary of such Guarantor;

(j) Agent shall have received a certificate of status with respect to each Guarantor, dated within 10 days of the Activation Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of such Guarantor, which certificate shall indicate that such Guarantor is in good standing in such jurisdiction;

(k) Agent shall have received certificates of status with respect to each Guarantor, each dated within 30 days of the Activation Date, such certificates to be issued by the appropriate officer of the jurisdictions (other than the jurisdiction of organization of such Guarantor) in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that such Guarantor is in good standing in such jurisdictions;

(l) Agent shall have received additional opinions of counsel to Borrowers (including, without limitation, HH Australia and HH Canada) and Guarantors pertaining to such matters as Agent may determine as of the Activation Date, in form and substance satisfactory to Agent;

(m) Borrowers shall have the Required Availability as of the Activation Date after giving effect to the payment of all costs, fees and expenses then due to Agent and/or any Lender hereunder or under the other Loan Documents and the contemplated initial Advances hereunder;

(n) Borrower shall deliver to Agent, in form and content satisfactory to Agent, an opening balance sheet as of the effective date of the Spin-Off, reviewed by an independent certified public accountant and in form and content satisfactory to Agent in its Permitted Discretion, together with evidence satisfactory to Agent in its Permitted Discretion that Borrowers and their Subsidiaries have had available cash and Cash Equivalents in an aggregate amount not less than \$40,000,000 at some time prior to the Activation Date;

(o) Agent shall have received UCC, tax lien, and judgment searches for all domestic jurisdictions (and the non-domestic equivalents of such searches) in which Borrower and each Guarantor and Collateral may be located, the results of which searches show the recording of Agent's security interests and otherwise shall be satisfactory to Agent in its Permitted Discretion;

(p) The TMP Loan Agreement and, if any, Security Agreement between Company and TMP entered into in contemplation of the Spin-Off shall have been terminated, all

obligations to TMP thereunder shall have been indefeasibly paid and satisfied in full and all liens granted thereunder shall have been terminated;

(q) The Borrowers shall have executed and delivered all documents required by Agent and shall have satisfied all other conditions established by Agent in its Permitted Discretion to cause HH Australia and HH Canada to become Borrowers hereunder;

(r) Agent shall have received and reviewed all of Borrowers' material contracts including without limitation all seller notes payable by a Borrower or any of its Subsidiaries and the results of such review shall be satisfactory to Agent in its Permitted Discretion;

(s) Agent shall have received identifications of the Designated Account and the Designated Account Bank from Administrative Borrower prior to the Activation Date;

(t) Agent and Borrowers shall have agreed to a mutually acceptable maximum amount for Permitted Investments by Borrowers in Guarantors and to the basis for the financial statements described in the ending language to Section 6.3 prior to the Activation Date;

(u) Borrowers shall have delivered to Agent an organizational chart for Borrowers and their Subsidiaries that is true and correct as of the Activation Date,

(v) No material adverse change shall have occurred in Borrowers financial condition or prospects or in the value of the Collateral,

(w) No default or event which, with the giving of notice or passage of time, or both, would be a default shall have occurred and be continuing under any agreement governing indebtedness of any Borrower or any other material agreement of any Borrower; and

(x) all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to Agent.

3.3 Conditions Precedent to all Extensions of Credit. The obligation of the Lender Group (or any member thereof) to make all Advances (or to extend any other credit hereunder) shall be subject to the following conditions precedent:

(a) the aggregate cash on hand of Borrowers and their Subsidiaries is less than \$15,000,000;

(b) the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such extension of credit, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(c) no Default or Event of Default shall have occurred and be continuing on the date of such extension of credit, nor shall either result from the making thereof;

(d) no injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the extending of such credit shall have been issued and remain in force by any Governmental Authority against any Borrower, Agent, any Lender, or any of their Affiliates; and

(e) no Material Adverse Change shall have occurred.

3.4 Term. This Agreement shall become effective upon the execution and delivery hereof by Borrowers, Agent, and the Lenders and shall continue in full force and effect for a term ending on March 31, 2006 (the "Maturity Date"). The foregoing notwithstanding, the Lender Group, upon the election of the Required Lenders, shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default.

3.5 Effect of Termination. On the date of termination of this Agreement, all Obligations (including contingent reimbursement obligations of Borrowers with respect to any outstanding Letters of Credit) immediately shall become due and payable without notice or demand. No termination of this Agreement, however, shall relieve or discharge Borrowers of their duties, Obligations, or covenants hereunder and the Agent's Liens in the Collateral shall remain in effect until all Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit hereunder have been terminated. When this Agreement has been terminated and all of the Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, Agent will, at Borrowers' sole expense, execute and deliver any UCC termination statements, lien releases, mortgage releases, re-assignments of trademarks, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the Agent's Liens and all notices of security interests and liens previously filed by Agent with respect to the Obligations.

3.6 Early Termination by Borrowers. Borrowers have the option, at any time upon 90 days prior written notice by Administrative Borrower to Agent, to terminate this Agreement by paying to Agent, for the benefit of the Lender Group, in cash, the Obligations (including either (i) providing cash collateral to be held by Agent in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender), in full, together with the Applicable Prepayment Premium (to be allocated based upon letter agreements between Agent and individual Lenders). If Administrative Borrower has sent a notice of termination pursuant to the provisions of this Section, then the Commitments shall terminate and Borrowers shall be obligated to repay the Obligations (including either (i) providing cash collateral to be held by Agent in an amount equal to 105% of the then extant Letter of Credit Usage, or (ii) causing the original Letters of Credit to be returned to the Issuing Lender), in full, together with the Applicable Prepayment Premium, on the date set forth as the date of termination of this Agreement in such notice. In the event of the termination of this Agreement and repayment of the Obligations at any time prior to the Maturity Date, for any other reason, including (a) termination upon the election of the Required Lenders to terminate after the occurrence of an Event of Default, (b) foreclosure and sale of Collateral, (c)

sale of the Collateral in any Insolvency Proceeding, or (iv) restructure, reorganization or compromise of the Obligations by the confirmation of a plan of reorganization, or any other plan of compromise, restructure, or arrangement in any Insolvency Proceeding, then, in view of the impracticability and extreme difficulty of ascertaining the actual amount of damages to the Lender Group or profits lost by the Lender Group as a result of such early termination, and by mutual agreement of the parties as to a reasonable estimation and calculation of the lost profits or damages of the Lender Group, Borrowers shall pay the Applicable Prepayment Premium to Agent (to be allocated based upon letter agreements between Agent and individual Lenders), measured as of the date of such termination.

#### 4. CREATION OF SECURITY INTEREST.

4.1 Grant of Security Interest. Each Borrower hereby grants to Agent, for the benefit of the Lender Group, a continuing security interest in all of its right, title, and interest in all currently existing and hereafter acquired or arising Personal Property Collateral in order to secure prompt repayment of any and all of the Obligations in accordance with the terms and conditions of the Loan Documents and in order to secure prompt performance by Borrowers of each of their covenants and duties under the Loan Documents. The Agent's Liens in and to the Personal Property Collateral shall attach to all Personal Property Collateral without further act on the part of Agent or Borrowers. Anything contained in this Agreement or any other Loan Document to the contrary notwithstanding, except for Permitted Dispositions, Borrowers have no authority, express or implied, to dispose of any item or portion of the Collateral.

4.2 Negotiable Collateral. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, and if and to the extent that perfection or priority of Agent's security interest is dependent on or enhanced by possession, the applicable Borrower, immediately upon the request of Agent, shall endorse and deliver physical possession of such Negotiable Collateral to Agent.

4.3 Collection of Accounts, General Intangibles, and Negotiable Collateral .. At any time after the occurrence and during the continuation of an Event of Default, Agent or Agent's designee may (a) notify Account Debtors of Borrowers that the Accounts, chattel paper, or General Intangibles have been assigned to Agent or that Agent has a security interest therein, or (b) collect the Accounts, chattel paper, or General Intangibles directly and charge the collection costs and expenses to the Loan Account. Each Borrower agrees that it will hold in trust for the Lender Group, as the Lender Group's trustee, any Collections that it receives and immediately will deliver said Collections to Agent or a Cash Management Bank in their original form as received by the applicable Borrower.

4.4 Delivery of Additional Documentation Required. At any time upon the request of Agent, Borrowers shall execute and deliver to Agent, any and all financing statements, original financing statements in lieu of continuation statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title, and all other documents (the "Additional Documents") that Agent may request in its Permitted Discretion, in form and substance satisfactory to Agent, to perfect and continue perfected or better perfect the Agent's Liens in the Collateral (whether now owned or hereafter arising or acquired), to create and



perfect Liens in favor of Agent in any Real Property acquired after the Closing Date, and in order to fully consummate all of the transactions contemplated hereby and under the other Loan Documents. To the maximum extent permitted by applicable law, each Borrower authorizes Agent to execute any such Additional Documents in the applicable Borrower's name and authorize Agent to file such executed Additional Documents in any appropriate filing office. In addition, on such periodic basis as Agent shall require, Borrowers shall (a) provide Agent with a report of all new patentable, copyrightable, or trademarkable materials acquired or generated by Borrowers during the prior period, (b) cause all patents, copyrights, and trademarks acquired or generated by Borrowers that are not already the subject of a registration with the appropriate filing office (or an application therefor diligently prosecuted) to be registered with such appropriate filing office in a manner sufficient to impart constructive notice of Borrowers' ownership thereof, and (c) cause to be prepared, executed, and delivered to Agent supplemental schedules to the applicable Loan Documents to identify such patents, copyrights, and trademarks as being subject to the security interests created thereunder.

4.5 Power of Attorney. Each Borrower hereby irrevocably makes, constitutes, and appoints Agent (and any of Agent's officers, employees, or agents designated by Agent) as such Borrower's true and lawful attorney, with power to (a) if such Borrower refuses to, or fails timely to execute and deliver any of the documents described in Section 4.4, sign the name of such Borrower on any of the documents described in Section 4.4, (b) at any time that an Event of Default has occurred and is continuing, sign such Borrower's name on any invoice or bill of lading relating to the Collateral, drafts against Account Debtors, or notices to Account Debtors, (c) send requests for verification of Accounts, (d) endorse such Borrower's name on any Collection item that may come into the Lender Group's possession, (e) at any time that an Event of Default has occurred and is continuing, make, settle, and adjust all claims under such Borrower's policies of insurance and make all determinations and decisions with respect to such policies of insurance, and (f) at any time that an Event of Default has occurred and is continuing, settle and adjust disputes and claims respecting the Accounts, chattel paper, or General Intangibles directly with Account Debtors, for amounts and upon terms that Agent determines to be reasonable, and Agent may cause to be executed and delivered any documents and releases that Agent determines to be necessary. The appointment of Agent as each Borrower's attorney, and each and every one of its rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully and finally repaid and performed and the Lender Group's obligations to extend credit hereunder are terminated.

4.6 Right to Inspect. Agent and each Lender (through any of their respective officers, employees, or agents) shall have the right, from time to time hereafter to inspect the Books and to check, test, and appraise the Collateral in order to verify Borrowers' financial condition or the amount, quality, value, condition of, or any other matter relating to, the Collateral.

4.7 Control Agreements. Each Borrower agrees that it will not transfer assets out of any Securities Accounts other than as permitted under Section 7.19 and, if to another securities intermediary, unless each of the applicable Borrower, Agent, and the substitute securities intermediary have entered into a Control Agreement. No arrangement contemplated hereby or by any Control Agreement in respect of any Securities Accounts or other Investment Property

shall be modified by Borrowers without the prior written consent of Agent. Upon the occurrence and during the continuance of a Default or Event of Default, Agent may notify any securities intermediary to liquidate the applicable Securities Account or any related Investment Property maintained or held thereby and remit the proceeds thereof to the Agent's Account.

## 5 REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, each Borrower makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects, as of the date hereof, and shall be true, correct, and complete, in all material respects, as of the Closing Date, and at and as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

5.1 No Encumbrances. Each Borrower has good and indefeasible title to its Collateral and the Real Property, and as of the Activation Date, all Collateral shall be free and clear of Liens except for Permitted Liens.

5.2 Eligible Accounts. The Eligible Accounts are bona fide existing payment obligations of Account Debtors created by the sale and delivery of Inventory or the rendition of services to such Account Debtors in the ordinary course of Borrowers' business, owed to Borrowers without defenses, disputes, offsets, counterclaims, or rights of return or cancellation. As to each Eligible Account, such Account is not:

(a) owed by an employee, Affiliate, or agent of a Borrower,

(b) on account of a transaction wherein goods were placed on consignment or were sold pursuant to a guaranteed sale, a sale or return, a sale on approval, a bill and hold, or on any other terms by reason of which the payment by the Account Debtor may be conditional,

(c) payable in a currency other than Dollars (except as provided under Section 2.18),

(d) owed by an Account Debtor that has or has asserted a right of setoff, has disputed its liability, or has made any claim with respect to its obligation to pay the Account,

(e) owed by an Account Debtor that is subject to any Insolvency Proceeding or is not Solvent or as to which a Borrower has received notice of an imminent Insolvency Proceeding or a material impairment of the financial condition of such Account Debtor,

(f) on account of a transaction as to which the goods giving rise to such Account have not been shipped and billed to the Account Debtor or the services giving rise to such Account have not been performed and accepted by the Account Debtor,

(g) a right to receive progress payments or other advance billings that are due prior to the completion of performance by the applicable Borrower of the subject contract for goods or services, and

(h) an Account that has not been billed to the customer.

5.3 Locations; Leases. Borrowers conduct their respective businesses and maintain or store their respective Books and Records at the locations set forth on Schedule 5.3. Each such location is leased by Parent or a Borrower and each Borrower's chief executive office and locations of Books and Records are or will be by the Activation Date subject to Collateral Access Agreements executed by the applicable lessor in favor of Agent granting Agent such access and other rights as it deems necessary and appropriate in its sole discretion in order to protect the interests of Agent and the Lenders in the Collateral. Each such lease is set forth on Schedule 5.3.

5.4 Equipment. All of the Equipment is used or held for use in Borrowers' business and is fit for such purposes.

5.5 Location of Inventory and Equipment. The Equipment is not stored with a bailee, warehouseman, or similar party and is located only at the locations identified on Schedule 5.5.

5.6 Inventory Records. Each Borrower keeps correct and accurate records itemizing and describing the type, quality, and quantity of its Inventory and the book value thereof.

5.7 Location of Chief Executive Office; FEIN. The chief executive office of each Borrower is located at the address indicated in Schedule 5.7 and each Borrower's FEIN (or, with respect to each Foreign Borrower, any comparable national identification number) is identified in Schedule 5.7.

5.8 Due Organization and Qualification; Subsidiaries.

(a) Each Borrower is duly organized and existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change.

(b) Set forth on Schedule 5.8(b), is a complete and accurate description of the authorized capital Stock of each Borrower, by class, and, as of the Closing Date, a description of the number of shares of each such class that are issued and outstanding. Other than as described on Schedule 5.8(b), there are no subscriptions, options, warrants, or calls relating to any shares of each Borrower's capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. No Borrower is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

(c) Set forth on Schedule 5.8(c), is a complete and accurate list of each Borrower's direct and indirect Subsidiaries, showing: (i) the jurisdiction of their organization;

(ii) the number of shares of each class of common and preferred Stock authorized for each of such Subsidiaries; and (iii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by the applicable Borrower. All of the outstanding capital Stock of each such Subsidiary has been validly issued and is fully paid and non-assessable.

(d) Except as set forth on Schedule 5.8(c), there are no subscriptions, options, warrants, or calls relating to any shares of any Borrower's Subsidiaries' capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. No Borrower or any of its respective Subsidiaries is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of any Borrower's Subsidiaries' capital Stock or any security convertible into or exchangeable for any such capital Stock.

#### 5.9 Due Authorization; No Conflict.

(a) As to each Borrower, the execution, delivery, and performance by such Borrower of this Agreement and the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Borrower.

(b) As to each Borrower, the execution, delivery, and performance by such Borrower of this Agreement and the Loan Documents to which it is a party do not and will not (i) violate any provision of federal, national, state, or local law or regulation applicable to any Borrower, the Governing Documents of any Borrower, or any order, judgment, or decree of any court or other Governmental Authority binding on any Borrower, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of any Borrower, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of Borrower, other than Permitted Liens, or (iv) require any approval of any Borrower's interestholders or any approval or consent of any Person under any material contractual obligation of any Borrower.

(c) Other than the filing of financing statements, fixture filings, and NASDAQ disclosure statements, the execution, delivery, and performance by each Borrower of this Agreement and the Loan Documents to which such Borrower is a party do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person.

(d) As to each Borrower, this Agreement and the other Loan Documents to which such Borrower is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Borrower will be the legally valid and binding obligations of such Borrower, enforceable against such Borrower in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) The Agent's Liens are validly created, perfected, and first priority Liens, subject only to Permitted Liens.

(f) The execution, delivery, and performance by each Guarantor of the Loan Documents to which it is a party have been duly authorized by all necessary action on the part of such Guarantor.

(g) The execution, delivery, and performance by each Guarantor of the Loan Documents to which it is a party do not and will not (i) violate any provision of federal, national, state, or local law or regulation applicable to such Guarantor, the Governing Documents of such Guarantor, or any order, judgment, or decree of any court or other Governmental Authority binding on such Guarantor, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of such Guarantor, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of such Guarantor, other than Permitted Liens, or (iv) require any approval of such Guarantor's interestholders or any approval or consent of any Person under any material contractual obligation of such Guarantor.

(h) The execution, delivery, and performance by each Guarantor of the Loan Documents to which such Guarantor is a party do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person.

(i) The Loan Documents to which each Guarantor is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Guarantor will be legally valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

5.10 Litigation. Other than those matters disclosed on Schedule 5.10, there are no actions, suits, or proceedings pending or, to the best knowledge of Borrowers, threatened against Borrowers, or any of their Subsidiaries, as applicable, except for (a) matters that are fully covered by insurance (subject to customary deductibles), and (b) matters arising after the Closing Date that, if decided adversely to Borrowers, or any of their Subsidiaries, as applicable, reasonably could not be expected to result in a Material Adverse Change.

5.11 No Material Adverse Change. All financial statements relating to Borrowers or Guarantors that have been delivered by Borrowers or Guarantors to the Lender Group have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and present fairly in all material respects, Borrowers' (or Guarantors', as applicable) financial condition as of the date thereof and results of operations for the period then ended. There has not been a Material Adverse Change with respect to Borrowers (or Guarantors, as applicable) since the date of the latest financial statements submitted to the Lender Group on or before the Closing Date.

5.12 Fraudulent Transfer.

(a) each Borrower is Solvent.

(b) No transfer of property is being made by any Borrower and no obligation is being incurred by any Borrower in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of Borrowers.

5.13 Employee Benefits. Except as set forth on Schedule 5.13, none of Borrowers, any of their Subsidiaries, or any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

5.14 Environmental Condition. Except as set forth on Schedule 5.14, (a) to Borrowers' knowledge, none of Borrowers' properties or assets has ever been used by Borrowers or by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials, where such production, storage, handling, treatment, release or transport was in violation, in any material respect, of applicable Environmental Law, (b) to Borrowers' knowledge, none of Borrowers' properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, (c) none of Borrowers have received notice that a Lien arising under any Environmental Law has attached to any revenues or to any Real Property owned or operated by Borrowers, and (d) none of Borrowers have received a summons, citation, notice, or directive from the Environmental Protection Agency or any other federal or state governmental agency concerning any action or omission by any Borrower resulting in the releasing or disposing of Hazardous Materials into the environment.

5.15 Brokerage Fees. Except as set forth on Schedule 5.15, Borrowers have not utilized the services of any broker or finder in connection with Borrowers' obtaining financing from the Lender Group under this Agreement and no brokerage commission or finders fee is payable by Borrowers in connection herewith.

5.16 Intellectual Property. Each Borrower owns, or holds licenses in, all trademarks, trade names, copyrights, patents, patent rights, and licenses that are necessary to the conduct of its business as currently conducted. Attached hereto as Schedule 5.16 is a true, correct, and complete listing of all material patents, patent applications, trademarks, trademark applications, copyrights, and copyright registrations as to which each Borrower is the owner or is an exclusive licensee.

5.17 Leases. Borrowers enjoy peaceful and undisturbed possession under all leases material to the business of Borrowers and to which Borrowers are a party or under which Borrowers are operating. All of such leases are valid and subsisting and no material default by Borrowers exists under any of them.

5.18 DDAs. Set forth on Schedule 5.18 are all of the DDAs of each Borrower, including, with respect to each depository (i) the name and address of that depository, and (ii) the account numbers of the accounts maintained with such depository. Borrower shall from time to time update Schedule 5.18 on not less than thirty (30) days advance written notice to Agent.

5.19 Complete Disclosure. All factual information (taken as a whole) furnished by or on behalf of Borrowers in writing to Agent or any Lender (including all information contained in the Schedules hereto or in the other Loan Documents) for purposes of or in connection with this Agreement, the other Loan Documents or any transaction contemplated herein or therein is, and all other such factual information (taken as a whole) hereafter furnished by or on behalf of Borrowers in writing to the Agent or any Lender will be, true and accurate in all material respects on the date as of which such information is dated or certified and not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was provided. On the Closing Date, the Closing Date Projections represent, and as of the date on which any other Projections are delivered to Agent, such additional Projections represent Borrowers' good faith best estimate of its future performance for the periods covered thereby.

5.20 Indebtedness. Set forth on Schedule 5.20 is a true and complete list of all Indebtedness of each Borrower outstanding immediately prior to the Closing Date that is to remain outstanding after the Closing Date and such Schedule accurately reflects the aggregate principal amount of such Indebtedness and the principal terms thereof. On the Activation Date, Borrowers shall provide Agent with an updated Schedule 5.20, in form and content satisfactory to Agent in its Permitted Discretion, accurately reflecting the aggregate principal amount of such Indebtedness that is to remain outstanding after the Activation Date and the principal terms thereof.

6. AFFIRMATIVE COVENANTS.

Each Borrower covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, Borrowers shall and shall cause each of their respective Subsidiaries to do all of the following:

6.1 Accounting System. Maintain a system of accounting that enables Borrowers to produce financial statements in accordance with GAAP and maintain records pertaining to the Collateral that contain information as from time to time reasonably may be requested by Agent.

6.2 Collateral Reporting. Provide Agent (and if so requested by Agent, with copies for each Lender) with the following documents at the following times in form satisfactory to Agent:

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Daily (a) notice of all disputes or claims in excess of  
\$1,000,000.  
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<p>-----</p> <p>Monthly (not later than the 10th day of each month)</p>	<p>(a) a detailed calculation of the Borrowing Base (including detail regarding those Accounts that are not Eligible Accounts),</p> <p>(b) a detailed aging, by total, of the Accounts, together with a reconciliation to the detailed calculation of the Borrowing Base previously provided to Agent,</p> <p>(c) a calculation of Dilution for the prior month,</p> <p>(d) a statement of Collections for the prior month, and</p> <p>(e) a summary from HH UK of its preferential creditors, and</p> <p>(f) a summary of Borrowers' accounts payable (segregated between payroll and other) and any book overdraft.</p>
<p>-----</p> <p>Quarterly</p>	<p>a report regarding each Borrower's due and payable value added taxes,</p>
<p>-----</p> <p>Upon request by Agent</p>	<p>(a) copies of invoices in connection with the Accounts, credit memos, remittance advices, deposit slips, shipping and delivery documents in connection with the Accounts and, for Equipment acquired by Borrowers, purchase orders and invoices,</p> <p>(b) such other reports as to the Collateral, or the financial condition of Borrowers as Agent may request, and</p> <p>(c) a detailed listing of each Borrower's customers, which customer information is specifically identified and requested by Agent from time to time.</p>

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and, with respect to Accounts, a sales journal for each Borrower, collection journal for each Borrower and each Subsidiary, and credit register for each Borrower since the most recent such report and a calculation of the Borrowing Base as of such date, in accordance with the following schedule:

<p>-----</p> <p>At all times from the Closing Date through the date occurring 90 days after the Activation Date</p>	<p>-----</p> <p>Monthly for all Borrowers</p>
<p>-----</p> <p>Thereafter:</p>	<p>-----</p>
<p>-----</p> <p>At all times the Account Report Base is greater than \$35,000,000</p>	<p>-----</p> <p>Monthly for all Borrowers</p>



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At all times the Account Report Base is equal to  
or less than \$35,000,000 but greater than  
\$25,000,000  
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Biweekly for HH US and HH UK  
Monthly for HH Australia and HH Canada  
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At all times the Account Report Base is equal to  
or less than \$25,000,000 but greater than  
\$20,000,000  
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Weekly for HH US and HH UK  
Biweekly for HH Australia and HH Canada  
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At all times the Account Report Base is equal to  
or less than \$20,000,000  
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Daily for HH US and HH UK  
Weekly for HH Australia and HH Canada  
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In addition, each Borrower agrees, at each such Borrower's expense, to cooperate fully with Agent to facilitate and implement a system of electronic collateral reporting in order to provide electronic reporting of each of the items set forth above. All costs, fees and expenses incurred by Agent in connection with the facilitation and implementation of such electronic collateral reporting system shall be reimbursed to Agent by Borrowers on Agent's demand, shall constitute part of the Obligations and shall be secured by the Collateral.

6.3 Financial Statements, Reports, Certificates. Deliver to Agent, with copies to each Lender:

(a) as soon as available, but in any event within 30 days (45 days in the case of a month that is the end of one of the first 3 fiscal quarters in a fiscal year) after the end of each month during each of Parent's fiscal years,

(i) a company prepared consolidated balance sheet, income statement, and statement of cash flow covering Parent's and its Subsidiaries' operations during such period,

(ii) a certificate signed by the chief financial officer of Parent to the effect that:

(A) the financial statements delivered hereunder have been prepared in accordance with GAAP (except for the lack of footnotes and being subject to year-end audit adjustments) and fairly present in all material respects the financial condition of Parent and its Subsidiaries,

(B) the representations and warranties of Borrowers contained in this Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of such certificate, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date), and

(C) there does not exist any condition or event that constitutes a Default or Event of Default (or, to the extent of any non-compliance, describing such non-compliance as to which he or she may have knowledge and what action Borrowers have taken, are taking, or propose to take with respect thereto), and

(D) there are no unpaid payroll or payroll taxes that have become due from any Borrower or Guarantor and stating the accrued amount of unpaid payroll and payroll taxes that have not yet become due, and

(iii) for each month that is the date on which a financial covenant in Section 7.20 is to be tested, a Compliance Certificate demonstrating, in reasonable detail, compliance at the end of such period with the applicable financial covenants contained in Section 7.20, and

(b) as soon as available, but in any event within 90 days after the end of each of Parent's fiscal years,

(i) financial statements of Parent and its Subsidiaries for each such fiscal year, audited by independent certified public accountants reasonably acceptable to Agent and certified, without any qualifications, by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, and statement of cash flow and, if prepared, such accountants' letter to management),

(ii) a certificate of such accountants addressed to Agent and the Lenders stating that such accountants do not have knowledge of the existence of any Default or Event of Default under Section 7.20,

(c) as soon as available, but in any event within 30 days prior to the start of each of Parent's fiscal years,

(i) copies of Borrowers' Projections, in form and substance (including as to scope and underlying assumptions) satisfactory to Agent, in its sole discretion, for the forthcoming 3 years, year by year, and for the forthcoming fiscal year, month by month, certified by the chief financial officer of Parent as being such officer's good faith best estimate of the financial performance of Parent and its Subsidiaries during the period covered thereby,

(d) if and when filed by any Borrower,

(i) 10-Q quarterly reports, Form 10-K annual reports, and Form 8-K current reports,

(ii) any other filings made by any Borrower with the SEC or any comparable Governmental Authority having regulatory jurisdiction over any Foreign Borrower,

(iii) copies of Borrowers' federal income tax returns, and any amendments thereto, filed with the Internal Revenue Service or, with respect to any Foreign Borrower, any comparable Governmental Authority responsible for internal revenue, and

(iv) any other information that is provided by Parent to its shareholders generally,

(e) if and when filed by any Borrower and as requested by Agent, satisfactory evidence of payment of applicable excise taxes in each jurisdiction in which (i) any Borrower conducts business or is required to pay any such excise tax, (ii) where any Borrower's failure to pay any such applicable excise tax would result in a Lien on the properties or assets of any Borrower, or (iii) where any Borrower's failure to pay any such applicable excise tax reasonably could be expected to result in a Material Adverse Change,

(f) as soon as a Borrower has knowledge of any event or condition that constitutes a Default or an Event of Default, notice thereof and a statement of the curative action that Borrowers propose to take with respect thereto.

(g) upon the request of Agent, any other report reasonably requested relating to the financial condition of Borrowers.

(h) In addition to the financial statements referred to above, Borrowers agree to deliver financial statements prepared on a basis to be determined prior to the Activation Date and that no Borrower, or any Subsidiary of a Borrower, will have a fiscal year different from that of Parent. Borrowers agree that their independent certified public accountants are authorized to communicate with Agent and to release to Agent whatever financial information concerning Borrowers that Agent reasonably may request. Each Borrower waives the right to assert a confidential relationship, if any, it may have with any accounting firm or service bureau in connection with any information requested by Agent pursuant to or in accordance with this Agreement, and agree that Agent may contact directly any such accounting firm or service bureau in order to obtain such information.

6.4 Guarantor Reports. Cause Guarantor to deliver its annual financial statements at the time when Parent provides its audited financial statements to Agent and copies of all federal income tax returns (or comparable national returns for Foreign Guarantors) as soon as the same are available and in any event no later than 30 days after the same are required to be filed by law.

6.5 Allowance. Cause allowances as between Borrowers and their Account Debtors, to be on the same basis and in accordance with the usual customary practices of the applicable Borrower, as they exist at the time of the execution and delivery of this Agreement.

6.6 Maintenance of Properties. Maintain and preserve all of its properties which are necessary or useful in the proper conduct to its business in good working order and condition, ordinary wear and tear excepted, and comply at all times with the provisions of all leases to which it is a party as lessee, so as to prevent any loss or forfeiture thereof or thereunder.

6.7 Taxes. Cause all assessments and taxes, whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against Borrowers or any of their assets to be paid in full, before delinquency or before the expiration of any extension period, except to the extent that the validity of such assessment or tax shall be the subject of a Permitted Protest.

Borrowers will make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, or other taxes as may be applicable to any Foreign Borrower, and will, upon request, furnish Agent with proof satisfactory to Agent indicating that the applicable Borrower has made such payments or deposits. Borrowers shall deliver satisfactory evidence of payment of applicable excise taxes in each jurisdictions in which any Borrower is required to pay any such excise tax.

#### 6.8 Insurance.

(a) At Borrowers' expense, maintain insurance respecting its property and assets wherever located, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Borrowers also shall maintain business interruption, public liability, and product liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such policies of insurance shall be in such amounts and with such insurance companies as are reasonably satisfactory to Agent. Borrowers shall deliver copies of all such policies to Agent with a satisfactory lender's loss payable endorsement naming Agent as sole loss payee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days prior written notice to Agent in the event of cancellation of the policy for any reason whatsoever.

(b) Administrative Borrower shall give Agent prompt notice of any loss covered by such insurance. After the occurrence and during the continuation of an Event of Default, Agent shall have the exclusive right to adjust any losses payable under any such insurance policies in excess of \$50,000, without any liability to Borrowers whatsoever in respect of such adjustments. Any monies received as payment for any loss under any insurance policy mentioned above (other than liability insurance policies) or as payment of any award or compensation for condemnation or taking by eminent domain, shall be paid over to Agent to be applied at the option of the Required Lenders either to the prepayment of the Obligations or shall be disbursed to Administrative Borrower under staged payment terms reasonably satisfactory to the Required Lenders for application to the cost of repairs, replacements, or restorations. Any such repairs, replacements, or restorations shall be effected with reasonable promptness and shall be of a value at least equal to the value of the items or property destroyed prior to such damage or destruction.

(c) Borrowers shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained under this Section 6.8, unless Agent is included thereon as named insured with the loss payable to Agent under a lender's loss payable endorsement or its equivalent. Administrative Borrower immediately shall notify Agent whenever such separate insurance is taken out, specifying the insurer thereunder and full particulars as to the policies evidencing the same, and copies of such policies promptly shall be provided to Agent.

6.9 Location of Equipment. Keep the Equipment used in the maintenance or storage of Borrowers' Books and Records only at the locations identified on Schedule 5.5;

provided, however, that Administrative Borrower may amend Schedule 5.5 so long as such amendment occurs by written notice to Agent not less than 30 days prior to the date on which such Equipment is moved to such new location, so long as such new location is within the continental United States with respect to HH US and within the applicable home countries of Borrowers organized and operating outside the United States, and so long as, at the time of such written notification, the applicable Borrower provides any financing statements, fixture filings or other instruments or documents necessary to perfect and continue perfected the Agent's Liens on such assets and also provides to Agent a Collateral Access Agreement.

6.10 Compliance with Laws. Comply with the requirements of all applicable laws, rules, regulations, and orders of any Governmental Authority, including the Fair Labor Standards Act and the Americans With Disabilities Act, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, would not result in and reasonably could not be expected to result in a Material Adverse Change.

6.11 Leases. Pay when due all rents and other amounts payable under any leases to which any Borrower is a party or by which any Borrower's properties and assets are bound, unless such payments are the subject of a Permitted Protest.

6.12 Brokerage Commissions. Pay any and all brokerage commission or finders fees incurred in connection with or as a result of Borrowers' obtaining financing from the Lender Group under this Agreement. Borrowers agree and acknowledge that payment of all such brokerage commissions or finders fees shall be the sole responsibility of Borrowers, and each Borrower agrees to indemnify, defend, and hold Agent and the Lender Group harmless from and against any claim of any broker or finder arising out of Borrowers' obtaining financing from the Lender Group under this Agreement.

6.13 Existence. At all times preserve and keep in full force and effect each Borrower's valid existence and good standing and any rights and franchises material to Borrowers' businesses.

6.14 Environmental.

(a) Keep any property either owned or operated by any Borrower free of any Environmental Liens or post bonds or other financial assurances sufficient to satisfy the obligations or liability evidenced by such Environmental Liens, (b) comply, in all material respects, with Environmental Laws and provide to Agent documentation of such compliance which Agent reasonably requests, (c) promptly notify Agent of any release of a Hazardous Material of any reportable quantity from or onto property owned or operated by any Borrower and take any Remedial Actions required to abate said release or otherwise to come into compliance with applicable Environmental Law, and (d) promptly provide Agent with written notice within 10 days of the receipt of any of the following: (i) notice that an Environmental Lien has been filed against any of the real or personal property of any Borrower, (ii) commencement of any Environmental Action or notice that an Environmental Action will be filed against any Borrower, and (iii) notice of a violation, citation, or other administrative order which reasonably could be expected to result in a Material Adverse Change.

6.15 Disclosure Updates. Promptly and in no event later than 5 Business Days after obtaining knowledge thereof, (a) notify Agent if any written information, exhibit, or report furnished to the Lender Group contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and (b) correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgment, filing, or recordation thereof.

6.16 Pro Forma Statements. Deliver to Agent, in form and content satisfactory to Agent, a pro forma balance sheet for Borrowers, which pro forma balance sheet shall be in form and content satisfactory to Agent in its Permitted Discretion, and which pro forma balance sheet shall reflect that, after giving effect to the initial Advances hereunder, Borrowers are Solvent. Contemporaneously therewith, Borrowers shall deliver a writing to Agent, in form and substance satisfactory to Agent, confirming that Borrowers are paying their debts as they become due, acknowledging and confirming the enforceability of the Loan Documents as against Borrowers and that Borrowers are jointly and severally bound hereunder, without offset, defense or counterclaim, and ratifying Agent's first priority, perfected security interests in and liens upon the Collateral.

## 7 NEGATIVE COVENANTS.

Each Borrower covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, Borrowers will not and will not permit any of their respective Subsidiaries to do any of the following:

7.1 Indebtedness. Create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except:

(a) Indebtedness evidenced by this Agreement and the other Loan Documents, together with Indebtedness owed to Underlying Issuers with respect to Underlying Letters of Credit;

(b) Indebtedness set forth on Schedule 5.20;

(c) Permitted Purchase Money Indebtedness;

(d) refinancings of Indebtedness incurred under this Agreement and the other Loan Documents by HH Australia; and

(e) refinancings, renewals, or extensions of Indebtedness permitted under clauses (b) and (c) of this Section 7.1 (and continuance or renewal of any Permitted Liens associated therewith) so long as: (i) the terms and conditions of such refinancings, renewals, or extensions do not, in Agent's judgment, materially impair the prospects of repayment of the Obligations by Borrowers or materially impair Borrowers' creditworthiness, (ii) such refinancings, renewals, or extensions do not result in an increase in the principal amount of, or interest rate with respect to, the Indebtedness so refinanced, renewed, or extended, (iii) such refinancings, renewals, or extensions do not result in a shortening of the average weighted

maturity of the Indebtedness so refinanced, renewed, or extended, nor are they on terms or conditions, that, taken as a whole, are materially more burdensome or restrictive to the applicable Borrower, and (iv) if the Indebtedness that is refinanced, renewed, or extended was subordinated in right of payment to the Obligations, then the terms and conditions of the refinancing, renewal, or extension Indebtedness must be include subordination terms and conditions that are at least as favorable to the Lender Group as those that were applicable to the refinanced, renewed, or extended Indebtedness.

(f) Indebtedness composing Permitted Investments.

(g) guaranties of obligations of Subsidiaries in an aggregate amount not exceeding \$10,000,000 outstanding at any one time.

7.2 Liens. Create, incur, assume, or permit to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens (including Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is refinanced, renewed, or extended under Section 7.1(d) and so long as the replacement Liens only encumber those assets that secured the refinanced, renewed, or extended Indebtedness).

7.3 Restrictions on Fundamental Changes.

(a) Enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Stock.

(b) Liquidate, windup, or dissolve itself (or suffer any liquidation or dissolution), 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, a Borrower or Guarantor may (x) merge or consolidate with a Borrower provided an existing Borrower is the surviving company, (y) merge or consolidate with a Guarantor, provided any existing Borrower involved in such merger or consolidation is the surviving company, or (z) liquidate, windup, or dissolve within a reasonable period of time after the conveyance of all of its assets to either another Borrower or a Guarantor, provided that a Borrower may not convey all or substantially all of its assets to a Guarantor.

(c) Convey, sell, lease, license, assign, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its assets except as expressly permitted under this Agreement.

(d) Cause or suffer any Guarantor to enter into any merger or consolidation other than with a Borrower or another Guarantor.

(e) Cause or suffer any Guarantor to convey, sell, lease, license, assign, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its assets other than to a Borrower or another Guarantor or as otherwise expressly permitted under this Agreement.

7.4 Disposal of Assets. Other than Permitted Dispositions, convey, sell, lease, license, assign, transfer, or otherwise dispose of any of the assets of any Borrower.

7.5 Change Name. Change any Borrower's or Guarantor's name, FEIN (or comparable identification number with respect to any Foreign Borrower or Foreign Guarantor), corporate structure or identity, or add any new fictitious name; provided, however, that a Borrower or Guarantor may change its name upon at least 30 days (but at all times prior to the Activation Date 5 days) prior written notice by Administrative Borrower to Agent of such change and so long as, at the time of such written notification, such Borrower provides any financing statements or fixture filings necessary to perfect and continue perfected Agent's Liens.

7.6 Guarantee. Guarantee or otherwise become in any way liable with respect to the obligations of any third Person except by endorsement of instruments or items of payment for deposit to the account of Borrowers or which are transmitted or turned over to Agent or guarantees of Subsidiary obligations permitted under Section 7.1(g).

7.7 Nature of Business. Make any change in the principal nature of Borrowers' business.

7.8 Prepayments and Amendments.

(a) Except in connection with a refinancing permitted by Section 7.1(d), prepay, redeem, defease, purchase, or otherwise acquire any Indebtedness of any Borrower, other than the Obligations in accordance with this Agreement, and

(b) Except in connection with a refinancing permitted by Section 7.1(d), directly or indirectly, amend, modify, alter, increase, or change any of the terms or conditions of any agreement, instrument, document, indenture, or other writing evidencing or concerning Indebtedness permitted under Sections 7.1(b) or (c).

7.9 Change of Control. Cause, permit, or suffer, directly or indirectly, any Change of Control.

7.10 Subsidiaries. Organize or create any Subsidiary.

7.11 Distributions. Other than distributions or declaration and payment of dividends by a Borrower to another Borrower or by a Subsidiary to a Borrower or a Guarantor, make any distribution or declare or pay any dividends (in cash or other property, other than common Stock) on, or purchase, acquire, redeem, or retire any of any Borrower's Stock, of any class, whether now or hereafter outstanding.

7.12 Accounting Methods. Modify or change its method of accounting (other than as may be required to conform to GAAP) or enter into, modify, or terminate any agreement currently existing, or at any time hereafter entered into with any third party accounting firm or service bureau for the preparation or storage of Borrowers' or Guarantors' accounting records without said accounting firm or service bureau agreeing to provide Agent information regarding the Collateral or Borrowers' or Guarantors' financial condition.



7.13 Investments. Except for Permitted Investments, directly or indirectly, make or acquire any Investment, or incur any liabilities (including contingent obligations) for or in connection with any Investment; provided, however, that Borrowers shall not have Permitted Investments (other than accounts subject to Control Agreements) in excess of \$500,000 outstanding at any one time unless the applicable Borrower and the applicable securities intermediary or bank have entered into Control Agreements or similar arrangements governing such Permitted Investments, as Agent shall determine in its Permitted Discretion, to perfect (and further establish) the Agent's Liens in such Permitted Investments.

7.14 Transactions with Affiliates or TMP. Directly or indirectly enter into or permit to exist any transaction with any Affiliate of any Borrower or TMP or any Affiliate of TMP except for transactions that are in the ordinary course of Borrowers' business, upon fair and reasonable terms, that are fully disclosed to Agent, and that are no less favorable to Borrowers than would be obtained in an arm's length transaction with a non-Affiliate. It is expressly acknowledged and agreed that the Transaction Services Agreement between TMP and Parent dated on or about March 31, 2003 is not violative of this Section 7.14.

7.15 Suspension. Suspend or go out of a substantial portion of its business.

7.16 [INTENTIONALLY OMITTED].

7.17 Use of Proceeds. Use the proceeds of the Advances for any purpose other than (a) on the Closing Date, (i) to support the Spin-Off and (ii) to pay transactional fees, costs, and expenses incurred in connection with this Agreement, the other Loan Documents, and the transactions contemplated hereby and thereby, and (b) thereafter, consistent with the terms and conditions hereof, for its lawful and permitted purposes.

7.18 Change in Location of Chief Executive Office; Equipment with Bailees. Relocate its chief executive office to a new location without Administrative Borrower providing 30 days prior written notification thereof to Agent and so long as, at the time of such written notification, the applicable Borrower provides any financing statements or fixture filings necessary to perfect and continue perfected the Agent's Liens and also provides to Agent a Collateral Access Agreement with respect to such new location. The Equipment shall not at any time now or hereafter be stored with a bailee, warehouseman, or similar party without Agent's prior written consent.

7.19 Securities Accounts. Establish or maintain any Securities Account unless Agent shall have received a Control Agreement in respect of such Securities Account. Borrowers agree to not transfer assets out of any Securities Account; provided, however, that, so long as no Event of Default has occurred and is continuing or would result therefrom, Borrowers may use such assets (and the proceeds thereof) to the extent not prohibited by this Agreement.

7.20 Financial Covenants.

(a) Fail to maintain:

(i) Minimum EBITDA. EBITDA, measured on a month-end or quarter-end basis as set forth below, of not less than the required amount set forth in the following table for the applicable month set forth opposite thereto;

Applicable Amount 2003	Applicable Amount 2004	Applicable Amount 2005	Applicable Month
NA	(\$25,895)	\$14,000	January
NA	(\$27,363)	\$15,000	February
NA	(\$20,600)	\$17,100	March
(\$7,425)	(\$15,359)	\$18,000	April
(\$11,547)	(\$10,534)	\$19,000	May
(\$11,000)	(\$5,000)	\$20,400	June
(\$15,869)	(\$1,109)	\$21,000	July
(\$20,313)	\$1,734	\$22,000	August
(\$16,750)	\$4,800	\$24,950	September
(\$17,329)	\$7,508	\$26,000	October
(\$17,035)	\$10,250	\$27,000	November
(\$18,750)	\$13,000	\$30,000	December

Prior to the first month-end occurring on or after the Activation Date, EBITDA shall be measured (x) on a month-end basis at all times that the Account Report Base is less than \$20,000,000 and (y) on a quarter-end basis at all other times. From and after the first month-end occurring on or after the Activation Date, EBITDA shall be measured (x) on a month-end basis at all times that the Account Report Base is less than \$30,000,000 and (y) on a quarter-end basis at all other times.

(a) Make:

(i) Capital Expenditures. Capital expenditures in any fiscal year in excess of (x) \$8,800,000 for Borrowers' fiscal 2003, (y) \$8,800,000 for Borrowers' fiscal 2004, and (z) \$8,800,000 for Borrowers' fiscal 2005. So long as, as of the end of any fiscal year of Borrowers, no Event of Default then exists or has occurred and is continuing, the amount of capital expenditures permitted in such fiscal year which remains unused may be added to the permitted amount of capital expenditures in the immediately following fiscal year.

7.21 Minimum Availability. Immediately prior to and at all times after giving effect to the making of any Advance or the issuance of any L/C or L/C Undertaking under this

Agreement, fail to maintain an unused Borrowing Base, after giving effect to any Requested Revolver Usage, of not less than \$15,000,000 ("Minimum Availability"); provided, that if Borrowers fail to achieve \$10,000,000 of Availability from Eligible Accounts generated solely by HH Canada and HH Australia on or before the Activation Date, in addition to Agent's other rights and remedies hereunder, Agent may increase the Minimum Availability set forth in this Section in its Permitted Discretion.

#### 8. EVENTS OF DEFAULT.

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

8.1 If Borrowers or any Guarantors fail to pay when due and payable or when declared due and payable, all or any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts), fees and charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts constituting Obligations); it being acknowledged that, prior to the earliest to occur of a Default, an Event of Default or the Activation Date, notwithstanding anything to the contrary set forth herein on in any of the other Loan Documents, it shall not be an Event of Default hereunder if all fees and charges payable to the Lender Group, the reimbursement of the Lender Group Expenses and other amounts constituting Obligations are paid by Borrowers to Agent in good and available funds five (5) Business Day after the date on which Agent provides Borrowers with notice from time to time of the amounts of such Obligations due;

8.2 If Borrowers or any Guarantors fail to perform, keep, or observe any term, provision, condition, covenant, or agreement contained in this Agreement or in any of the other Loan Documents;

8.3 If any material portion of any Borrower's or any of its Subsidiaries' assets is attached, seized, subjected to a writ or distress warrant, levied upon, or comes into the possession of any third Person;

8.4 If an Insolvency Proceeding is commenced by any Borrower or any of its Subsidiaries;

8.5 If an Insolvency Proceeding is commenced against any Borrower, or any of its Subsidiaries, and any of the following events occur: (a) the applicable Borrower or the Subsidiary consents to the institution of the Insolvency Proceeding against it, (b) the petition commencing the Insolvency Proceeding is not timely controverted, (c) the petition commencing the Insolvency Proceeding is not dismissed within 45 calendar days of the date of the filing thereof; provided, however, that, during the pendency of such period, Agent (including any successor agent) and each other member of the Lender Group shall be relieved of their obligation to extend credit hereunder, (d) an interim trustee is appointed to take possession of all or any substantial portion of the properties or assets of, or to operate all or any substantial portion of the

business of, any Borrower or any of its Subsidiaries, or (e) an order for relief shall have been entered therein;

8.6 If any Borrower or any of its Subsidiaries is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

8.7 If a notice of Lien, levy, or assessment is filed of record with respect to any Borrower's or any of its Subsidiaries' assets by the United States, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or by and foreign government or governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a Lien, whether choate or otherwise, upon any Borrower's or any of its Subsidiaries' assets and the same is not paid on the payment date thereof;

8.8 If a judgment or other claim in excess of \$250,000 becomes a Lien or encumbrance upon any material portion of any Borrower's or any of its Subsidiaries' properties or assets;

8.9 If there is a default in any material agreement to which any Borrower or any of its Subsidiaries is a party (including, without limitation, the TMP Documents) and such default (a) occurs at the final maturity of the obligations thereunder, or (b) results in a right by the other party thereto, irrespective of whether exercised, to accelerate the maturity of the applicable Borrower's or its Subsidiaries' obligations thereunder, to terminate such agreement, or to refuse to renew such agreement pursuant to an automatic renewal right therein;

8.10 If any Borrower or any of its Subsidiaries makes any payment on account of Indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent such payment is permitted by the terms of the subordination provisions applicable to such Indebtedness;

8.11 If any misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or Record made to the Lender Group by any Borrower, its Subsidiaries, or any officer, employee, agent, or director of any Borrower or any of its Subsidiaries;

8.12 If the obligation of any Guarantor under its Guaranty is limited or terminated by operation of law or by such Guarantor thereunder;

8.13 If this Agreement or any other Loan Document that purports to create a Lien, shall, for any reason, fail or cease to create a valid and perfected and, except to the extent permitted by the terms hereof or thereof, first priority Lien on or security interest in the Collateral covered hereby or thereby; or

8.14 Any provision of any Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Borrower, or a proceeding shall be commenced by any Borrower, or by any Governmental Authority

having jurisdiction over any Borrower, seeking to establish the invalidity or unenforceability thereof, or any Borrower shall deny that any Borrower has any liability or obligation purported to be created under any Loan Document.

## 9 THE LENDER GROUP'S RIGHTS AND REMEDIES.

9.1 Rights and Remedies. Upon the occurrence, and during the continuation, of an Event of Default, the Required Lenders (at their election but without notice of their election and without demand) may authorize and instruct Agent to do any one or more of the following on behalf of the Lender Group (and Agent, acting upon the instructions of the Required Lenders, shall do the same on behalf of the Lender Group), all of which are authorized by Borrowers:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable;

(b) Cease advancing money or extending credit to or for the benefit of Borrowers under this Agreement, under any of the Loan Documents, or under any other agreement between Borrowers and the Lender Group;

(c) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of the Lender Group, but without affecting any of the Agent's Liens in the Collateral and without affecting the Obligations;

(d) Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Agent considers advisable, and in such cases, Agent will credit the Loan Account with only the net amounts received by Agent in payment of such disputed Accounts after deducting all Lender Group Expenses incurred or expended in connection therewith;

(e) Without notice to or demand upon any Borrower or Guarantor, make such payments and do such acts as Agent considers necessary or reasonable to protect its security interests in the Collateral. Each Borrower agrees to assemble the Personal Property Collateral if Agent so requires, and to make the Personal Property Collateral available to Agent at a place that Agent may designate which is reasonably convenient to both parties. Each Borrower authorizes Agent to enter the premises where the Personal Property Collateral is located, to take and maintain possession of the Personal Property Collateral, or any part of it, and to pay, purchase, contest, or compromise any Lien that in Agent's determination appears to conflict with the Agent's Liens and to pay all expenses incurred in connection therewith and to charge Borrowers' Loan Account therefor. With respect to any of Borrowers' owned or leased premises, each Borrower hereby grants Agent a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of the Lender Group's rights or remedies provided herein, at law, in equity, or otherwise;

(f) Without notice to any Borrower (such notice being expressly waived), and without constituting a retention of any collateral in satisfaction of an obligation (within the meaning of the Code), set off and apply to the Obligations any and all (i) balances and deposits of any Borrower held by the Lender Group (including any amounts received in the Cash

Management Accounts), or (ii) Indebtedness at any time owing to or for the credit or the account of any Borrower held by the Lender Group;

(g) Hold, as cash collateral, any and all balances and deposits of any Borrower held by the Lender Group, and any amounts received in the Cash Management Accounts, to secure the full and final repayment of all of the Obligations;

(h) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Personal Property Collateral. Each Borrower hereby grants to Agent a license or other right to use, without charge, such Borrower's labels, patents, copyrights, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Personal Property Collateral, in completing production of, advertising for sale, and selling any Personal Property Collateral and such Borrower's rights under all licenses and all franchise agreements shall inure to the Lender Group's benefit;

(i) Sell the Personal Property Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrowers' premises) as Agent determines is commercially reasonable. It is not necessary that the Personal Property Collateral be present at any such sale;

(j) Agent shall give notice of the disposition of the Personal Property Collateral as follows:

(i) Agent shall give Administrative Borrower (for the benefit of the applicable Borrower) a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Personal Property Collateral, the time on or after which the private sale or other disposition is to be made; and

(ii) The notice shall be personally delivered or mailed, postage prepaid, to Administrative Borrower as provided in Section 12, at least 10 days before the earliest time of disposition set forth in the notice; no notice needs to be given prior to the disposition of any portion of the Personal Property Collateral that is perishable or threatens to decline speedily in value or that is of a type customarily sold on a recognized market;

(k) Agent, on behalf of the Lender Group may credit bid and purchase at any public sale;

(l) Agent may seek the appointment of a receiver or keeper to take possession of all or any portion of the Collateral or to operate same and, to the maximum extent permitted by law, may seek the appointment of such a receiver without the requirement of prior notice or a hearing;

(m) The Lender Group shall have all other rights and remedies available to it at law or in equity pursuant to any other Loan Documents; and

(n) Any deficiency that exists after disposition of the Personal Property Collateral as provided above will be paid immediately by Borrowers. Any excess will be returned, without interest and subject to the rights of third Persons, by Agent to Administrative Borrower (for the benefit of the applicable Borrower).

9.2 Remedies Cumulative. The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

#### 10 TAXES AND EXPENSES.

If any Borrower fails to pay any monies (whether taxes, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, Agent, in its sole discretion and without prior notice to any Borrower, may do any or all of the following: (a) make payment of the same or any part thereof, (b) set up such reserves in Borrowers' Loan Account as Agent deems necessary to protect the Lender Group from the exposure created by such failure, or (c) in the case of the failure to comply with Section 6.8 hereof, obtain and maintain insurance policies of the type described in Section 6.8 and take any action with respect to such policies as Agent deems prudent. Any such amounts paid by Agent shall constitute Lender Group Expenses and any such payments shall not constitute an agreement by the Lender Group to make similar payments in the future or a waiver by the Lender Group of any Event of Default under this Agreement. Agent need not inquire as to, or contest the validity of, any such expense, tax, or Lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

#### 11 WAIVERS; INDEMNIFICATION.

11.1 Demand; Protest; etc. Each Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which each such Borrower may in any way be liable.

11.2 The Lender Group's Liability for Collateral. Each Borrower hereby agrees that: (a) so long as the Lender Group complies with its obligations, if any, under the Code, Agent shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral, (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause, (iii) any diminution in the value thereof, or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person, and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by Borrowers.

11.3 Indemnification. Each Borrower shall pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons with respect to each Lender, each Participant, and each of their respective officers, directors, employees, agents, and attorneys-in-fact (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, and damages, and all reasonable attorneys fees and disbursements and other costs and expenses actually incurred in connection therewith (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them (a) in connection with or as a result of or related to the execution, delivery, enforcement, performance, or administration of this Agreement, any of the other Loan Documents, or the transactions contemplated hereby or thereby, and (b) with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event, or circumstance in any manner related thereto (all the foregoing, collectively, the "Indemnified Liabilities"). The foregoing notwithstanding, Borrowers shall have no obligation to any Indemnified Person under this Section 11.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability as to which Borrowers were required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by Borrowers with respect thereto. WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNIFIED PERSON WITH RESPECT TO INDEMNIFIED LIABILITIES WHICH IN WHOLE OR IN PART CAUSED BY OR ARISE OUT OF ANY NEGLIGENT ACT OR OMISSION OF SUCH INDEMNIFIED PERSON OR OF ANY OTHER PERSON.

## 12 NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by Borrowers or Agent to the other relating to this Agreement or any other Loan Document shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail (postage prepaid, return receipt requested), overnight courier, electronic mail (at such email addresses as the Administrative Borrower or Agent, as applicable, may designate to each other in accordance herewith), or telefacsimile to Borrowers in care of Administrative Borrower or to Agent, as the case may be, at its address set forth below:

If to Administrative  
Borrower:

HUDSON HIGHLAND GROUP, INC.  
622 Third Avenue  
New York, New York 10017  
Attn: Richard Pehlke  
Executive Vice President and  
Chief Executive Officer  
Fax No. 917-256-8403



with copies to: FOLEY & LARDNER  
777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-5306  
Attn: Benjamin Garmer III, Esq.  
Fax No. 414.297.4900

If to Agent: FOOTHILL CAPITAL CORPORATION  
One Boston Place, 18th Floor  
Boston, Massachusetts 02108  
Attn: Business Finance Division Manager  
Fax No. 617.523.1697

with copies to: OTTERBOURG, STEINDLER, HOUSTON  
& ROSEN, P.C.  
230 Park Avenue  
New York, New York 10169  
Attn: Andrew M. Kramer, Esq.  
Fax No. 212.682.6104

Agent and Borrowers may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other party. All notices or demands sent in accordance with this Section 12, other than notices by Agent in connection with enforcement rights against the Collateral under the provisions of the Code, shall be deemed received on the earlier of the date of actual receipt or 3 Business Days after the deposit thereof in the mail. Each Borrower acknowledges and agrees that notices sent by the Lender Group in connection with the exercise of enforcement rights against Collateral under the provisions of the Code shall be deemed sent when deposited in the mail or personally delivered, or, where permitted by law, transmitted by telefacsimile or any other method set forth above.

13. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

(a) THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE

STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWERS AND THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13(b).

BORROWERS AND THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWERS AND THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

14. ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.

14.1 Assignments and Participations.

(a) Any Lender may, with the written consent of Agent (provided that no written consent of Agent shall be required in connection with any assignment and delegation by a Lender to an Eligible Transferee), assign and delegate to one or more assignees (each an "Assignee") all, or any ratable part of all, of the Obligations, the Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount of \$5,000,000; provided, however, that Borrowers and Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses, and related information with respect to the Assignee, have been given to Administrative Borrower and Agent by such Lender and the Assignee, (ii) such Lender and its Assignee have delivered to Administrative Borrower and Agent an Assignment and Acceptance in form and substance satisfactory to Agent, and (iii) the assignor Lender or Assignee has paid to Agent for Agent's separate account a processing fee in the amount of \$5,000. Anything contained herein to the contrary notwithstanding, the consent of Agent shall not be required (and payment of any fees shall not be required) if such assignment is in connection with any merger, consolidation, sale, transfer, or other disposition of all or any substantial portion of the business or loan portfolio of such Lender.

(b) From and after the date that Agent notifies the assignor Lender (with a copy to Administrative Borrower) that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 11.3 hereof) and be released from its obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto), and such assignment shall affect a novation between Borrowers and the Assignee.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (1) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto, (2) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers or the performance or observance by Borrowers of any of their obligations under this Agreement or any other Loan Document furnished pursuant hereto, (3) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance, (4) such Assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, (5) such Assignee appoints and authorizes Agent to take such actions and to exercise such powers under this Agreement as are delegated to Agent, by the terms hereof, together with such powers as are reasonably incidental thereto, and (6) such Assignee agrees that it will perform all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance and receipt and acknowledgment by Agent of such fully executed Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(e) Any Lender may at any time, with the written consent of Agent, sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of such Lender (a "Participant") participating interests in its Obligations, the Commitment, and the other rights and interests of that Lender (the "Originating Lender") hereunder and under the other Loan

Documents (provided that no written consent of Agent shall be required in connection with any sale of any such participating interests by a Lender to an Eligible Transferee); provided, however, that (i) the Originating Lender shall remain a "Lender" for all purposes of this Agreement and the other Loan Documents and the Participant receiving the participating interest in the Obligations, the Commitments, and the other rights and interests of the Originating Lender hereunder shall not constitute a "Lender" hereunder or under the other Loan Documents and the Originating Lender's obligations under this Agreement shall remain unchanged, (ii) the Originating Lender shall remain solely responsible for the performance of such obligations, (iii) Borrowers, Agent, and the Lenders shall continue to deal solely and directly with the Originating Lender in connection with the Originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating, (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating, (C) release all or a material portion of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating, (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender, or (E) change the amount or due dates of scheduled principal repayments or prepayments or premiums; and (v) all amounts payable by Borrowers hereunder shall be determined as if such Lender had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the Originating Lender with whom such Participant participates and no Participant shall have any rights under this Agreement or the other Loan Documents or any direct rights as to the other Lenders, Agent, Borrowers, the Collections, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation, a Lender may disclose all documents and information which it now or hereafter may have relating to Borrowers or Borrowers' business.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR ss.203.14, and such Federal Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

(h) Notwithstanding anything to the contrary contained herein, Borrowers hereby acknowledges that as of the date of this Agreement, Agent is attempting to syndicate up to \$20,000,000 of the Maximum Revolver Amount from Persons, other than Foothill, to provide financial accommodations as a "Lender" hereunder and, in connection therewith, certain modifications or amendments to this Agreement and the other Loan Documents may be required if Agent determines, in its Permitted Discretion, that the structure, terms, pricing or amount of the financial accommodations provided for hereunder are necessary for Agent to successfully syndicate the transactions hereunder ("Syndication Modifications"). Borrowers hereby agree that each Borrower and its Subsidiaries shall enter into an amendment to this Agreement with Agent and Lenders reflecting such Syndication Modifications, which amendment shall be in form and substance satisfactory to Agent and Lenders in all respects. Borrowers acknowledges that Agent and Lenders are entering into this Agreement on the date hereof in reliance upon the Borrower's Agreements set forth in this Section 14.1(h).

14.2 Successors. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrowers may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void ab initio. No consent to assignment by the Lenders shall release any Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 14.1 hereof and, except as expressly required pursuant to Section 14.1 hereof, no consent or approval by any Borrower is required in connection with any such assignment.

## 15 AMENDMENTS; WAIVERS.

15.1 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by Borrowers therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent at the written request of the Required Lenders) and Administrative Borrower (on behalf of all Borrowers) and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all of the Lenders affected thereby and Administrative Borrower (on behalf of all Borrowers) and acknowledged by Agent, do any of the following:

(a) increase or extend any Commitment of any Lender,

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees, or other amounts due hereunder or under any other Loan Document,

(c) reduce the principal of, or the rate of interest on, any loan or other extension of credit hereunder, or reduce any fees or other amounts payable hereunder or under any other Loan Document,

(d) change the percentage of the Commitments that is required to take any action hereunder,

(e) amend this Section or any provision of the Agreement providing for consent or other action by all Lenders,

(f) release Collateral other than as permitted by Section 16.12,

(g) change the definition of "Required Lenders",

(h) contractually subordinate any of the Agent's Liens,

(i) release any Borrower or Guarantor from any obligation for the payment of money, or

(j) change the definition of Borrowing Base or the definitions of Eligible Accounts, Maximum US Amount, Maximum UK Amount, Maximum Canada Amount, Maximum Australia Amount or Maximum Revolver Amount or change Section 2.1(b), or

(k) amend any of the provisions of Section 16.

and, provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by Agent, Issuing Lender, or Swing Lender, affect the rights or duties of Agent, Issuing Lender, or Swing Lender, as applicable, under this Agreement or any other Loan Document. The foregoing notwithstanding, any amendment, modification, waiver, consent, termination, or release of, or with respect to, any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of Borrowers, shall not require consent by or the agreement of Borrowers.

15.2 Replacement of Holdout Lender. If any action to be taken by the Lender Group or Agent hereunder requires the unanimous consent, authorization, or agreement of all Lenders, and a Lender ("Holdout Lender") fails to give its consent, authorization, or agreement, then Agent, upon at least 5 Business Days prior irrevocable notice to the Holdout Lender, may permanently replace the Holdout Lender with one or more substitute Lenders (each, a "Replacement Lender"), and the Holdout Lender shall have no right to refuse to be replaced hereunder. Such notice to replace the Holdout Lender shall specify an effective date for such replacement, which date shall not be later than 15 Business Days after the date such notice is given.

Prior to the effective date of such replacement, the Holdout Lender and each Replacement Lender shall execute and deliver an Assignment and Acceptance Agreement, subject only to the Holdout Lender being repaid its share of the outstanding Obligations (including an assumption of its Pro Rata Share of the Risk Participation Liability) without any premium or penalty of any kind whatsoever. If the Holdout Lender shall refuse or fail to execute and deliver any such Assignment and Acceptance Agreement prior to the effective date of such

replacement, the Holdout Lender shall be deemed to have executed and delivered such Assignment and Acceptance Agreement. The replacement of any Holdout Lender shall be made in accordance with the terms of Section 14.1. Until such time as the Replacement Lenders shall have acquired all of the Obligations, the Commitments, and the other rights and obligations of the Holdout Lender hereunder and under the other Loan Documents, the Holdout Lender shall remain obligated to make the Holdout Lender's Pro Rata Share of Advances and to purchase a participation in each Letter of Credit, in an amount equal to its Pro Rata Share of the Risk Participation Liability of such Letter of Credit.

15.3 No Waivers; Cumulative Remedies. No failure by Agent or any Lender to exercise any right, remedy, or option under this Agreement or, any other Loan Document, or delay by Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by Agent or any Lender on any occasion shall affect or diminish Agent's and each Lender's rights thereafter to require strict performance by Borrowers of any provision of this Agreement. Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy that Agent or any Lender may have.

## 16 AGENT; THE LENDER GROUP.

16.1 Appointment and Authorization of Agent. Each Lender hereby designates and appoints Foothill as its representative under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as such on the express conditions contained in this Section 16. The provisions of this Section 16 are solely for the benefit of Agent, and the Lenders, and Borrowers shall have no rights as a third party beneficiary of any of the provisions contained herein. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent; it being expressly understood and agreed that the use of the word "Agent" is for convenience only, that Foothill is merely the representative of the Lenders, and only has the contractual duties set forth herein. Except as expressly otherwise provided in this Agreement, Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions that Agent expressly is entitled to take or assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to Agent, Lenders agree that Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Obligations, the Collateral, the Collections, and related matters, (b) execute or file any and all financing or similar

statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents, (c) make Advances, for itself or on behalf of Lenders as provided in the Loan Documents, (d) exclusively receive, apply, and distribute the Collections as provided in the Loan Documents, (e) open and maintain such bank accounts and cash management accounts as Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections, (f) perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to Borrowers, the Obligations, the Collateral, the Collections, or otherwise related to any of same as provided in the Loan Documents, and (g) incur and pay such Lender Group Expenses as Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

16.2 Delegation of Duties. Agent may execute any of its duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made without gross negligence or willful misconduct.

16.3 Liability of Agent. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by any Borrower or any Subsidiary or Affiliate of any Borrower, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Borrower or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Books or properties of Borrowers or the books or records or properties of any of Borrowers' Subsidiaries or Affiliates.

16.4 Reliance by Agent. Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrowers or counsel to any Lender), independent accountants and other experts selected by Agent. Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, Agent shall act, or refrain from acting, as it deems advisable. If Agent so requests, it shall first be indemnified to its reasonable satisfaction by Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Agent shall in all cases be fully protected



in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

16.5 Notice of Default or Event of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to Agent for the account of the Lenders, except with respect to Events of Default of which Agent has actual knowledge, unless Agent shall have received written notice from a Lender or Administrative Borrower referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." Agent promptly will notify the Lenders of its receipt of any such notice or of any Event of Default of which Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 16.4, Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, however, that unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable.

16.6 Credit Decision. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Borrowers and their Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and any other Person (other than the Lender Group) party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers and any other Person (other than the Lender Group) party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrowers and any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons.

16.7 Costs and Expenses; Indemnification. Agent may incur and pay Lender Group Expenses to the extent Agent reasonably deems necessary or appropriate for the performance and

fulfillment of its functions, powers, and obligations pursuant to the Loan Documents, including court costs, reasonable attorneys fees and expenses, costs of collection by outside collection agencies and auctioneer fees and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not Borrowers are obligated to reimburse Agent or Lenders for such expenses pursuant to the Loan Agreement or otherwise. Agent is authorized and directed to deduct and retain sufficient amounts from Collections received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders. In the event Agent is not reimbursed for such costs and expenses from Collections received by Agent, each Lender hereby agrees that it is and shall be obligated to pay to or reimburse Agent for the amount of such Lender's Pro Rata Share thereof. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrowers and without limiting the obligation of Borrowers to do so), according to their Pro Rata Shares, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct nor shall any Lender be liable for the obligations of any Defaulting Lender in failing to make an Advance or other extension of credit hereunder. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for such Lender's ratable share of any costs or out-of-pocket expenses (including attorneys fees and expenses) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrowers. The undertaking in this Section shall survive the payment of all Obligations hereunder and the resignation or replacement of Agent.

16.8 Agent in Individual Capacity. Foothill and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Borrowers and their Subsidiaries and Affiliates and any other Person (other than the Lender Group) party to any Loan Documents as though Foothill were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, Foothill or its Affiliates may receive information regarding Borrowers or their Affiliates and any other Person (other than the Lender Group) party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms "Lender" and "Lenders" include Foothill in its individual capacity.

16.9 Successor Agent. Agent may resign as Agent upon 45 days notice to the Lenders. If Agent resigns under this Agreement, the Required Lenders shall appoint a successor Agent for the Lenders. If no successor Agent is appointed prior to the effective date of the

resignation of Agent, Agent may appoint, after consulting with the Lenders, a successor Agent. If Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace Agent with a successor Agent from among the Lenders. In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers, and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers, and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. If no successor Agent has accepted appointment as Agent by the date which is 45 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

16.10 Lender in Individual Capacity. Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with Borrowers and their Subsidiaries and Affiliates and any other Person (other than the Lender Group) party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Borrowers or their Affiliates and any other Person (other than the Lender Group) party to any Loan Documents that is subject to confidentiality obligations in favor of Borrowers or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender not shall be under any obligation to provide such information to them. With respect to the Swing Loans and Agent Advances, Swing Lender shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not the sub-agent of the Agent.

#### 16.11 Withholding Taxes.

(a) If any Lender is a "foreign corporation, partnership or trust" within the meaning of the IRC and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the IRC, such Lender agrees with and in favor of Agent and Borrowers, to deliver to Agent and Administrative Borrower:

(i) if such Lender claims an exemption from withholding tax pursuant to its portfolio interest exception, (a) a statement of the Lender, signed under penalty of perjury, that it is not (I) a "bank" as described in Section 881(c)(3)(A) of the IRC, (II) a 10% shareholder (within the meaning of Section 881(c)(3)(B) of the IRC), or (III) a controlled foreign corporation described in Section 881(c)(3)(C) of the IRC, and (B) a properly completed IRS Form W-8BEN, before the first payment of any interest under

this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(ii) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Form W-8BEN before the first payment of any interest under this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(iii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form W-8ECI before the first payment of any interest is due under this Agreement and at any other time reasonably requested by Agent or Administrative Borrower;

(iv) such other form or forms as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees promptly to notify Agent and Administrative Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8BEN and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of Borrowers to such Lender, such Lender agrees to notify Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of Borrowers to such Lender. To the extent of such percentage amount, Agent will treat such Lender's IRS Form W-8BEN as no longer valid.

(c) If any Lender is entitled to a reduction in the applicable withholding tax, Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to Agent, then Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(d) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify and hold Agent harmless for all amounts paid, directly or indirectly, by Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent under this Section, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of Agent.

(e) All payments made by Borrowers hereunder or under any note or other Loan Document will be made without setoff, counterclaim, or other defense, except as required by applicable law other than for Taxes (as defined below). All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction (other than the United States) or by any political subdivision or taxing authority thereof or therein (other than of the United States) with respect to such payments (but excluding, any tax imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (i) measured by or based on the net income or net profits of a Lender, or (ii) to the extent that such tax results from a change in the circumstances of the Lender, including a change in the residence, place of organization, or principal place of business of the Lender, or a change in the branch or lending office of the Lender participating in the transactions set forth herein) and all interest, penalties or similar liabilities with respect thereto (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). If any Taxes are so levied or imposed, each Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any note, including any amount paid pursuant to this Section 16.11(e) after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein; provided, however, that Borrowers shall not be required to increase any such amounts payable to Agent or any Lender (i) that is not organized under the laws of the United States, if such Person fails to comply with the other requirements of this Section 16.11, or (ii) if the increase in such amount payable results from Agent's or such Lender's own willful misconduct or gross negligence. Borrowers will furnish to Agent as promptly as possible after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by Borrowers.

#### 16.12 Collateral Matters.

(a) The Lenders hereby irrevocably authorize Agent, at its option and in its sole discretion, to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by Borrowers of all Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Administrative Borrower certifies to Agent that the sale or disposition is permitted under Section 7.4 of this Agreement or the other Loan Documents (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which no Borrower owned any interest at the time the security interest was granted or at any time thereafter, or (iv) constituting property leased to a Borrower under a lease that has expired or is terminated in a transaction permitted under this Agreement. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders, or (z) otherwise, the Required Lenders. Upon request by Agent or Administrative Borrower at any time, the Lenders will confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 16.12; provided, however, that (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any

consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Borrowers in respect of) all interests retained by Borrowers, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(b) Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by Borrowers or is cared for, protected, or insured or has been encumbered, or that the Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

#### 16.13 Restrictions on Actions by Lenders; Sharing of Payments.

(a) Each of the Lenders agrees that it shall not, without the express consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the request of Agent, set off against the Obligations, any amounts owing by such Lender to Borrowers or any deposit accounts of Borrowers now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so by Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings, to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral the purpose of which is, or could be, to give such Lender any preference or priority against the other Lenders with respect to the Collateral.

(b) If, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff, or otherwise, any proceeds of Collateral or any payments with respect to the Obligations arising under, or relating to, this Agreement or the other Loan Documents, except for any such proceeds or payments received by such Lender from Agent pursuant to the terms of this Agreement, or (ii) payments from Agent in excess of such Lender's ratable portion of all such distributions by Agent, such Lender promptly shall (1) turn the same over to Agent, in kind, and with such endorsements as may be required to negotiate the same to Agent, or in immediately available funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (2) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares; provided, however, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest

except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

16.14 Agency for Perfection. Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting the Agent's Liens in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender obtain possession of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver such Collateral to Agent or in accordance with Agent's instructions.

16.15 Payments by Agent to the Lenders. All payments to be made by Agent to the Lenders shall be made by bank wire transfer or internal transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to Agent. Concurrently with each such payment, Agent shall identify whether such payment (or any portion thereof) represents principal, premium, or interest of the Obligations.

16.16 Concerning the Collateral and Related Loan Documents. Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the benefit of the Lender Group. Each member of the Lender Group agrees that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

16.17 Field Audits and Examination Reports; Confidentiality; Disclaimers by Lenders; Other Reports and Information. By becoming a party to this Agreement, each Lender:

(a) is deemed to have requested that Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by Agent, and Agent shall so furnish each Lender with such Reports,

(b) expressly agrees and acknowledges that Agent does not (i) make any representation or warranty as to the accuracy of any Report, and (ii) shall not be liable for any information contained in any Report,

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that Agent or other party performing any audit or examination will inspect only specific information regarding Borrowers and will rely significantly upon the Books, as well as on representations of Borrowers' personnel,

(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 counsel for and other

advisors, accountants, and auditors to such Lender, (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, that, unless prohibited by applicable law, statute, regulation, or court order, such Lender shall notify Administrative Borrower of any request by any court, governmental or administrative agency, or pursuant to any subpoena or other legal process for disclosure of any such non-public material information concurrent with, or where practicable, prior to the disclosure thereof, and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of Borrowers; and (ii) to pay and protect, and indemnify, defend and hold Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including, attorneys fees and costs) incurred by Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (x) any Lender may from time to time request of Agent in writing that Agent provide to such Lender a copy of any report or document provided by Borrowers to Agent that has not been contemporaneously provided by Borrowers to such Lender, and, upon receipt of such request, Agent shall provide a copy of same to such Lender, (y) to the extent that Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from Borrowers, any Lender may, from time to time, reasonably request Agent to exercise such right as specified in such Lender's notice to Agent, whereupon Agent promptly shall request of Administrative Borrower the additional reports or information reasonably specified by such Lender, and, upon receipt thereof from Administrative Borrower, Agent promptly shall provide a copy of same to such Lender, and (z) any time that Agent renders to Administrative Borrower a statement regarding the Loan Account, Agent shall send a copy of such statement to each Lender.

16.18 Several Obligations; No Liability. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of Agent in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of,



the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 16.7, no member of the Lender Group shall have any liability for the acts or any other member of the Lender Group. No Lender shall be responsible to any Borrower or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for it or on its behalf in connection with its Commitment, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein.

16.19 Legal Representation of Agent. In connection with the negotiation, drafting, and execution of this Agreement and the other Loan Documents, or in connection with future legal representation relating to loan administration, amendments, modifications, waivers, or enforcement of remedies, Otterbourg, Steindler, Houston & Rosen, P.C. ("OSH&R") only has represented and only shall represent Foothill in its capacity as Agent and as a Lender. Each other Lender hereby acknowledges that OSH&R does not represent it in connection with any such matters.

## 17 GENERAL PROVISIONS.

17.1 Effectiveness. This Agreement shall be binding and deemed effective when executed by Borrowers, Agent, and each Lender whose signature is provided for on the signature pages hereof.

17.2 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each Section applies equally to this entire Agreement.

17.3 Interpretation. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the Lender Group or Borrowers, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to accomplish fairly the purposes and intentions of all parties hereto.

17.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

17.5 Amendments in Writing. This Agreement only can be amended by a writing in accordance with Section 15.1.

17.6 Counterparts; Telefacsimile Execution. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed

counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document mutatis mutandis.

17.7 Revival and Reinstatement of Obligations. If the incurrence or payment of the Obligations by any Borrower or Guarantor or the transfer to the Lender Group of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, or other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of Borrowers or Guarantors automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

17.8 Integration. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

17.9 Parent as Agent for Borrowers. Each Borrower hereby irrevocably appoints Parent as the borrowing agent and attorney-in-fact for all Borrowers (the "Administrative Borrower") which appointment shall remain in full force and effect unless and until Agent shall have received prior written notice signed by each Borrower that such appointment has been revoked and that another Borrower has been appointed Administrative Borrower. Each Borrower hereby irrevocably appoints and authorizes the Administrative Borrower (i) to provide Agent with all notices with respect to Advances and Letters of Credit obtained for the benefit of any Borrower and all other notices and instructions under this Agreement and (ii) to take such action as the Administrative Borrower deems appropriate on its behalf to obtain Advances and Letters of Credit and to exercise such other powers as are reasonably incidental thereto to carry out the purposes of this Agreement. It is understood that the handling of the Loan Account and Collateral of Borrowers in a combined fashion, as more fully set forth herein, is done solely as an accommodation to Borrowers in order to utilize the collective borrowing powers of Borrowers in the most efficient and economical manner and at their request, and that Lender Group shall not incur liability to any Borrower as a result hereof. Each Borrower expects to derive benefit, directly or indirectly, from the handling of the Loan Account and the Collateral in a combined fashion since the successful operation of each Borrower is dependent on the continued successful performance of the integrated group. To induce the Lender Group to do so, and in consideration thereof, each Borrower hereby jointly and severally agrees to indemnify each member of the Lender Group and hold each member of the Lender Group harmless against any and all liability, expense, loss or claim of damage or injury, made against the Lender Group by any Borrower or by any third party whosoever, arising from or incurred by reason of (a) the handling of the Loan

Account and Collateral of Borrowers as herein provided, (b) the Lender Group's relying on any instructions of the Administrative Borrower, or (c) any other action taken by the Lender Group hereunder or under the other Loan Documents, except that Borrowers will have no liability to the relevant Agent-Related Person or Lender-Related Person under this Section 17.9 with respect to any liability that has been finally determined by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Agent-Related Person or Lender-Related Person, as the case may be.

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

HUDSON HIGHLAND GROUP, INC.,  
a Delaware corporation, as Parent and a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Senior Vice President, Finance  
-----

HUDSON HIGHLAND GROUP GLOBAL RESOURCES AMERICA, INC.,  
a Florida corporation, as a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Authorized Signatory  
-----

HUDSON HIGHLAND GROUP GLOBAL RESOURCES HOLDINGS, INC.,  
a Delaware corporation, as a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Authorized Signatory  
-----

HUDSON HIGHLAND GROUP GLOBAL RESOURCES MANAGEMENT, INC.,  
a Pennsylvania corporation, as a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Authorized Signatory  
-----

HUDSON GLOBAL RESOURCES LIMITED,  
a company incorporated under the laws of England and  
Wales, as a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Authorized Signatory  
-----

HIGHLAND PARTNERS LIMITED,  
a company incorporated under the laws of England and  
Wales, as a Borrower

By: /s/ Brendan Flood  
-----  
Brendan Flood  
Title: Authorized Signatory  
-----

FOOTHILL CAPITAL CORPORATION,  
a California corporation, as Agent and as a Lender

By: /s/ Stephen Carl  
-----  
Stephen Carl  
Title: Vice President  
-----

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## EXHIBITS AND SCHEDULES

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The Exhibits and Schedules to this Agreement have been omitted. The Exhibits and Schedules to this Agreement will be furnished to the Securities and Exchange Commission supplementally upon request.



TRANSITION SERVICES agreement

by and between

TMP WORLDWIDE inc.

and

Hudson Highland Group, Inc.

Dated as of March 31, 2003

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## TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this "Agreement") is entered into as of March 31, 2003 by and between TMP Worldwide Inc., a Delaware corporation ("TMP"), and Hudson Highland Group, Inc., a Delaware corporation ("HHGI").

### W I T N E S S E T H:

WHEREAS, TMP owned 100% of the outstanding common stock of HHGI prior to the consummation of the Distribution (as defined below);

WHEREAS, TMP will no longer own any of the outstanding common stock of HHGI after the consummation of the Distribution; and

WHEREAS, TMP has heretofore directly or indirectly provided certain administrative, legal, tax and other services to the HHGI Entities (as defined below) and HHGI has heretofore directly or indirectly provided certain administrative and other services to the TMP Entities (as defined below).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, TMP and HHGI, for themselves, their successors and assigns, hereby agree as follows:

### ARTICLE 1 DEFINITIONS

1.01 Definitions. The following terms, as used herein, have the following meanings:

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Common Stock" means the common stock, par value \$.001 per share, of HHGI.

"Confidential Information" has the meaning assigned thereto in the Distribution Agreement.

"Distribution" has the meaning assigned thereto in the Distribution Agreement.

"Distribution Agreement" means the Distribution Agreement, dated as of the date hereof, between TMP and HHGI.

"Distribution Date" has the meaning assigned thereto in the Distribution Agreement.

"HHGI Entities" means HHGI and its Subsidiaries, and "HHGI Entity" shall mean any of the HHGI Entities.

"HHGI Services" means the various services described in the Schedules to be provided by HHGI Entities to TMP Entities or to be procured by HHGI Entities on behalf of TMP Entities.

"Person" means any individual, corporation, limited liability company, partnership, association, trust or other entity or organization, including a governmental or political subdivision or any agency or instrumentality thereof.

"Schedules" means the Schedules attached hereto.

"Service" means any HHGI Service or TMP Service, as the context may require, and "Services" means the HHGI Services or the TMP Services, as the context may require.

"Subsidiary" means, with respect to any Person, any other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"TMP Entities" means TMP and its Subsidiaries, and "TMP Entity" shall mean any of the TMP Entities.

"TMP Services" means the various services described in the Schedules to be provided by TMP Entities to HHGI Entities or to be procured by TMP Entities on behalf of HHGI Entities.

## ARTICLE 2 PURCHASE AND SALE OF SERVICES

### 2.01 Purchase and Sale of Services.

(a) On the terms and subject to the conditions of this Agreement and in consideration of the Service Costs described below:

(i) TMP agrees to provide to HHGI, or procure the provision to HHGI of, and HHGI agrees to purchase from TMP, the TMP Services; and

(ii) HHGI agrees to provide to TMP, or procure the provision to TMP of, and TMP agrees to purchase from HHGI, the HHGI Services.

(b) Unless otherwise specifically agreed by TMP and HHGI, the TMP Services to be provided or procured by TMP hereunder shall be substantially similar in scope, quality, and nature to those customarily provided to, or procured on behalf of, HHGI prior to the Distribution Date, and the HHGI Services to be provided or procured by HHGI hereunder shall be substantially similar in scope, quality, and nature to those customarily provided to, or procured on behalf of, TMP prior to the Distribution Date.

(c) It is understood that:

(i) TMP Services to be provided to HHGI under this Agreement shall, at HHGI's request, be provided to Subsidiaries of HHGI, and TMP may satisfy its obligation to

provide or procure TMP Services hereunder by causing one or more of its Subsidiaries to provide or procure such TMP Services;

(ii) HHGI Services to be provided to TMP under this Agreement shall, at TMP's request, be provided to Subsidiaries of TMP, and HHGI may satisfy its obligation to provide or procure HHGI Services hereunder by causing one or more of its Subsidiaries to provide or procure such HHGI Services;

(iii) with respect to TMP Services provided to, or procured on behalf of, any Subsidiary of HHGI, HHGI agrees to pay on behalf of such Subsidiary all amounts payable by or in respect of such TMP Services pursuant to this Agreement; and

(iv) with respect to HHGI Services provided to, or procured on behalf of, any Subsidiary of TMP, TMP agrees to pay on behalf of such Subsidiary all amounts payable by or in respect of such HHGI Services pursuant to this Agreement.

2.02 Additional Services. To the extent that TMP and HHGI may mutually agree:

(a) in addition to the TMP Services to be provided or procured by TMP in accordance with Section 2.01, if requested by HHGI, TMP shall provide additional services (including services not provided by TMP to the HHGI Entities prior to the Distribution Date) to HHGI; and

(b) in addition to the HHGI Services to be provided or procured by HHGI in accordance with Section 2.01, if requested by TMP, HHGI shall provide additional services (including services not provided by HHGI to the TMP Entities prior to the Distribution Date) to TMP.

The scope of any such additional services, as well as the term, costs, and other terms and conditions applicable to such services, shall be as mutually agreed by TMP and HHGI, and shall be reflected in an additional Schedule to this Agreement (in substantially the form attached hereto) executed by TMP and HHGI.

### ARTICLE 3 SERVICE COSTS; OTHER CHARGES

3.01 Service Costs Generally. The Schedules hereto indicate, with respect to the respective Services listed therein, whether the costs to be charged to HHGI or TMP for such Services are to be determined by (i) the agreed billing method described in Section 3.02 ("Agreed Billing") or (ii) the pass-through billing method described in Section 3.03 ("Pass-Through Billing"). The Agreed Billing and Pass-Through Billing methods applicable to Services provided to HHGI or TMP are collectively referred to herein as the "Service Costs." HHGI agrees to pay to TMP in the manner set forth in Section 3.04 the Service Costs applicable to each of the TMP Services provided or procured by TMP, and TMP agrees to pay to HHGI in the manner set forth in Section 3.04 the Service Costs applicable to each of the HHGI Services provided or procured by HHGI.

3.02 Agreed Billing. The costs of Services as to which the Agreed Billing method applies shall be equal to (i) the costs described in the Schedules hereto (it being understood that from and after the Distribution Date, such costs with respect to TMP Services may be increased by TMP in the exercise of its reasonable judgment, and such costs with respect to HHGI Services may be increased by HHGI in the exercise of its reasonable judgment), plus (ii) any applicable federal, state and local sales, use or similar taxes. Notwithstanding the foregoing, any third-party expenses as well as out-of-pocket expenses incurred by TMP in connection with the provision of any TMP Services as to which the Agreed Billing method applies shall be passed through to HHGI, or incurred by HHGI in connection with the provision of any HHGI Services as to which the Agreed Billing method applies shall be passed through to TMP.

3.03 Pass-Through Billing. The costs of Services as to which the Pass-Through Billing method applies shall be equal to the aggregate amount of third-party, out-of-pocket costs and expenses incurred by any TMP Entity on behalf of any HHGI Entity or by any HHGI Entity on behalf of any TMP Entity (which costs shall include, but not be limited to, the costs incurred in connection with obtaining the consent of any party to a contract or agreement to which, in the case of TMP Services, any TMP Entity is a party, or in the case of HHGI Services, any HHGI Entity is a party, where such consent is related to and reasonably required for the provision of any Service). If a TMP Entity incurs any such costs or expenses on behalf of any HHGI Entity as well as businesses operated by TMP, or if a HHGI Entity incurs any such costs or expenses on behalf of any TMP Entity as well as businesses operated by HHGI, TMP (in the case of such costs or expenses incurred by a TMP Entity) or HHGI (in the case of such costs or expenses incurred by a HHGI Entity) shall allocate any such costs or expenses in good faith between the various businesses on behalf of which such costs or expenses were incurred as such party hereto shall determine in the exercise of its reasonable judgment. Such party hereto shall apply usual and accepted accounting conventions in making such allocations, and such party hereto or its agents shall keep and maintain such books and records as may be reasonably necessary to make such allocations. Such party hereto shall make copies of such books and records available to the other party hereto upon request and with reasonable notice.

3.04 Invoicing and Settlement of Costs. (a) Except as otherwise provided in the Schedules with respect to any Service, TMP shall invoice the Chief Financial Officer of HHGI on a monthly basis (not later than the tenth day of each month) for the Service Costs for TMP Services, and HHGI shall invoice the Chief Financial Officer of TMP on a monthly basis (not later than the tenth day of each month) for the Service Costs for HHGI Services. In connection with the invoicing described in this Section 3.04(a), TMP shall provide to HHGI such billing data and level of detail as may be reasonably requested by HHGI, and HHGI shall provide to TMP such billing data and level of detail as may be reasonably requested by TMP.

(a) Each party hereto agrees to pay on or before 30 days after the date on which the other party hereto invoices it for Service Costs (or the next Business Day, if such day is not a Business Day) (each, a "Payment Date"), by wire transfer of immediately available funds payable to the order of the invoicing party, all amounts invoiced by such invoicing party pursuant to Section 3.04(a) during the preceding calendar month. If the party receiving the invoice fails to pay any monthly payment within 30 days of the relevant Payment Date, such party shall be obligated to pay, in addition to the amount due on such Payment Date, interest on

such amount at the prime rate as reported in The Wall Street Journal on the Payment Date (or the next Business Day on which The Wall Street Journal is published, if such day is not a Business Day on which The Wall Street Journal is published) compounded monthly from the relevant Payment Date through the date of payment. If more than one prime rate is reported, the invoicing party may choose the highest rate. If The Wall Street Journal ceases publication or to publish the prime rate, the invoicing party may use the prime rate published in any other newspaper of general circulation, or the invoicing party may substitute a similar reference rate in its sole discretion.

#### ARTICLE 4 THE SERVICES

4.01 General Standard of Service. Except as otherwise agreed by TMP and HHGI or described in this Agreement, and provided that neither TMP nor HHGI is restricted by contract with third parties or by applicable law, TMP and HHGI each agree that the nature, quality, and standard of care applicable to the delivery of the respective Services to be delivered by each of them hereunder shall be substantially the same as that of the Services which TMP and HHGI provide from time to time throughout their respective businesses. Subject to TMP's and HHGI's express obligations under this Agreement, the management of and control over the provision of the TMP Services shall reside solely with TMP, and the management and control over the provision of the HHGI Services shall reside solely with HHGI. Without limiting the generality of the foregoing, (i) all labor matters relating to employees of TMP and its Subsidiaries (including, without limitation, employees involved in the provision of TMP Services to HHGI) shall be within the exclusive control of TMP, and no HHGI Entity shall take any action affecting such matters, and (ii) all labor matters relating to employees of HHGI and its Subsidiaries (including, without limitation, employees involved in the provision of HHGI Services to TMP) shall be within the exclusive control of HHGI, and no TMP Entity shall take any action affecting such matters.

#### 4.02 Limitation of Liability.

(a) (i) HHGI agrees that none of the TMP Entities and their respective directors, officers, agents, and employees (each, a "TMP Indemnified Person") shall have any liability, whether direct or indirect, in contract or tort or otherwise, to any HHGI Entity or any other Person for or in connection with the TMP Services rendered or to be rendered by any TMP Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any TMP Indemnified Person's actions or inactions in connection with any such TMP Services or transactions, except for damages which have resulted from such TMP Indemnified Person's gross negligence or willful misconduct in connection with any such TMP Services, actions or inactions.

(ii) TMP agrees that none of the HHGI Entities and their respective directors, officers, agents, and employees (each, a "HHGI Indemnified Person") shall have any liability, whether direct or indirect, in contract or tort or otherwise, to any TMP Entity or any other Person for or in connection with the HHGI Services rendered or to be rendered by any HHGI Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any HHGI Indemnified Person's



actions or inactions in connection with any such HHGI Services or transactions, except for damages which have resulted from such HHGI Indemnified Person's gross negligence or willful misconduct in connection with any such HHGI Services, actions or inactions.

(b) Notwithstanding the provisions of Section 4.02(a), none of the TMP Entities shall be liable for any special, indirect, incidental, or consequential damages of any kind whatsoever (including, without limitation, attorneys' fees) in any way due to, resulting from or arising in connection with any of the TMP Services or the performance of or failure to perform TMP's obligations under this Agreement, and none of the HHGI Entities shall be liable for any special, indirect, incidental, or consequential damages of any kind whatsoever (including, without limitation, attorneys' fees) in any way due to, resulting from or arising in connection with any of the HHGI Services or the performance of or failure to perform HHGI's obligations under this Agreement. This disclaimer applies without limitation (i) to claims arising from the provision of the TMP Services (in the case of a claim against TMP) or the HHGI Services (in the case of a claim against HHGI) or any failure or delay in connection therewith; (ii) to claims for lost profits; (iii) regardless of the form of action, whether in contract, tort (including negligence), strict liability, or otherwise; and (iv) regardless of whether such damages are foreseeable or whether TMP (in the case of a claim against TMP) or HHGI (in the case of a claim against HHGI) has been advised of the possibility of such damages.

(c) In addition to the foregoing, HHGI agrees that it shall, in all circumstances, use commercially reasonable efforts to mitigate and otherwise minimize its damages and those of the other HHGI Entities, whether direct or indirect, due to, resulting from or arising in connection with any failure by TMP to comply fully with its obligations under this Agreement, and TMP agrees that it shall, in all circumstances, use commercially reasonable efforts to mitigate and otherwise minimize its damages and those of the other TMP Entities, whether direct or indirect, due to, resulting from or arising in connection with any failure by HHGI to comply fully with its obligations under this Agreement.

(d) Notwithstanding the foregoing provisions of this Section 4.02, (i) in the event of a substantial and continuing failure on the part of TMP to provide or procure any material TMP Services, where such failure is reasonably expected to have a material adverse effect on HHGI and its Subsidiaries, considered as a whole, HHGI shall be entitled to seek specific performance to cause TMP to provide or procure such TMP Services, and (ii) in the event of a substantial and continuing failure on the part of HHGI to provide or procure any material HHGI Services, where such failure is reasonably expected to have a material adverse effect on TMP and its Subsidiaries, considered as a whole, TMP shall be entitled to seek specific performance to cause HHGI to provide or procure such HHGI Services.

4.03 Indemnification of TMP by HHGI. HHGI agrees to indemnify and hold harmless each TMP Indemnified Person from and against any damages, and to reimburse each TMP Indemnified Person for all reasonable expenses as they are incurred (i) in investigating, preparing, pursuing, or defending any claim, action, proceeding, or investigation, whether or not in connection with pending or threatened litigation and whether or not any TMP Indemnified Person is a party (collectively, "TMP Actions"), arising out of or in connection with TMP Services rendered or to be rendered by any TMP Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any TMP Indemnified Person's actions or inactions in

connection with any such TMP Services or transactions; provided that HHGI shall not be responsible for any damages of any TMP Indemnified Person that have resulted from such TMP Indemnified Person's gross negligence or willful misconduct in connection with any of the advice, actions, inactions, or Services referred to above (it being understood and agreed that the provision by any TMP Entity of any of the TMP Services contemplated by the Schedules hereof without obtaining the consent of any party to any contract or agreement to which any TMP Entity is a party as of the date hereof shall not constitute gross negligence or willful misconduct by any TMP Entity; provided that the relevant TMP Entity has used commercially reasonable efforts to obtain the relevant consent), and (ii) in investigating, preparing, or defending any HHGI Action (as defined below), arising out of the gross negligence or willful misconduct of any HHGI Indemnified Person in connection with the HHGI Services rendered or to be rendered pursuant to this Agreement.

4.04 Indemnification of HHGI by TMP. TMP agrees to indemnify and hold harmless each HHGI Indemnified Person from and against any damages, and to reimburse each HHGI Indemnified Person for all reasonable expenses as they are incurred (i) in investigating, preparing, pursuing, or defending any claim, action, proceeding, or investigation, whether or not in connection with pending or threatened litigation and whether or not any HHGI Indemnified Person is a party (collectively, "HHGI Actions"), arising out of or in connection with HHGI Services rendered or to be rendered by any HHGI Indemnified Person pursuant to this Agreement, the transactions contemplated hereby or any HHGI Indemnified Person's actions or inactions in connection with any such HHGI Services or transactions; provided that TMP shall not be responsible for any damages of any HHGI Indemnified Person that have resulted from such HHGI Indemnified Person's gross negligence or willful misconduct in connection with any of the advice, actions, inactions, or HHGI Services referred to above (it being understood and agreed that the provision by any HHGI Entity of any of the HHGI Services contemplated by Schedules hereof without obtaining the consent of any party to any contract or agreement to which any HHGI Entity is a party as of the date hereof shall not constitute gross negligence or willful misconduct by any HHGI Entity; provided that the relevant HHGI Entity has used commercially reasonable efforts to obtain the relevant consent), and (ii) in investigating, preparing, or defending any TMP Action, arising out of the gross negligence or willful misconduct of any TMP Indemnified Person in connection with the TMP Services rendered or to be rendered pursuant to this Agreement.

4.05 Notice of Certain Matters. If either party hereto at any time believes that the other party hereto is not in full compliance with its obligations under Section 4.01 of this Agreement, it shall so notify the other party in writing promptly (but not later than 30 days) after becoming aware of such possible non-compliance by the other party. Such notice (a "Non-Compliance Notice") shall set forth in reasonable detail the basis for the notifying party's belief as well as the notifying party's view as to the steps to be taken by the notified party to address the possible non-compliance. For the 30 days after receipt of such a notice, appropriate representatives of each party shall work in good faith to develop a plan to resolve the matters referred to in the Non-Compliance Notice. In the event such matters are not resolved through such discussions, the notifying party may elect to terminate the notified party's obligation to provide or procure, and its obligation to purchase, the Service or Services referred to in its Non-Compliance Notice in accordance with Section 5.02. In the event such matters are resolved through such discussions

and the notifying party does not elect to terminate such Service or Services within 60 days of the end of the 30-day period referred to in the third sentence of this Section 4.05, the notifying party shall not be entitled to deliver another Non-Compliance Notice or pursue other remedies with respect to same or any substantially similar matter so long as the notified party complies in all material respects with the terms of such resolution. In no event shall any termination of this Agreement pursuant to this Section 4.05 limit or affect either party's right to seek remedies in accordance with Section 6.15 in respect of any breach by the other party of any of its obligations under this Agreement prior to such termination.

ARTICLE 5  
TERM AND TERMINATION

5.01 Term. Except as otherwise provided in this Article 5, in Section 6.06, in the Schedules hereto or as otherwise agreed in writing by the parties, (a) this Agreement shall have a term of one year from the Distribution Date, (b) TMP's obligation to provide or procure, and HHGI's obligation to purchase, any TMP Service shall cease as of the applicable date set forth in the applicable Schedule or such earlier date determined in accordance with Section 5.02 and (c) HHGI's obligation to provide or procure, and TMP's obligation to purchase, any HHGI Service shall cease as of the applicable date set forth in the applicable Schedule or such earlier date determined in accordance with Section 5.02.

5.02 Termination. (a) Except as otherwise provided in any Schedule hereto, (i) HHGI may from time to time terminate this Agreement with respect to one or more of the TMP Services, in whole or in part, upon giving at least 30 days' prior notice to TMP, (ii) TMP may from time to time terminate this Agreement with respect to one or more of the HHGI Services, in whole or in part, upon giving at least 30 days' prior notice to HHGI and (iii) either party hereto may terminate this Agreement at any time upon 30 days' written notice.

(a) TMP may terminate any TMP Service or any HHGI Service at any time if HHGI shall have failed to perform any of its material obligations under this Agreement relating to any such Service, TMP has notified HHGI in writing of such failure and such failure shall have continued for a period of 30 days after receipt of HHGI of written notice of such failure.

(b) HHGI may terminate any HHGI Service or any TMP Service at any time if TMP shall have failed to perform any of its material obligations under this Agreement relating to any such Service, HHGI has notified TMP in writing of such failure and such failure shall have continued for a period of 30 days after receipt of TMP of written notice of such failure.

5.03 Effect of Termination. (a) Other than as required by law, upon termination of any Service pursuant to Section 5.02, or upon termination of this Agreement in accordance with its terms, the party obligated to render such Service hereunder prior to such termination shall have no further obligation to provide the terminated Service (or any Service, in the case of termination of this Agreement) and the party entitled to receive such Service hereunder prior to such termination shall have no obligation to pay any fees relating to such Service or make any other payments hereunder; provided that notwithstanding such termination, (i) each party hereto that received Services from the other party hereto shall remain liable to the other party hereto for fees

owed and payable in respect of such Services provided prior to the effective date of the termination and (ii) the provisions of Articles 4, 5 and 6 shall survive any such termination indefinitely.

(b) Following termination of this Agreement with respect to any TMP Service, TMP and HHGI agree to cooperate in providing for an orderly transition of such TMP Service to HHGI or to a successor service provider. Following termination of this Agreement with respect to any HHGI Service, TMP and HHGI agree to cooperate in providing for an orderly transition of such HHGI Service to TMP or to a successor service provider.

#### ARTICLE 6 MISCELLANEOUS

6.01 Confidential Information. HHGI and TMP hereby covenant and agree to hold in trust and maintain confidential all Confidential Information relating to the other party or any of such other party's Subsidiaries as provided in Section 6.06 of the Distribution Agreement.

6.02 Prior Agreements. In the event there is any inconsistency between the provisions of this Agreement, on the one hand, and provisions of prior services agreements (other than commercial agreements entered into between any TMP Entity and any HHGI Entity as of the Distribution Date), if any, between any TMP Entity and any HHGI Entity (the "Prior Agreements"), on the other hand, the provisions of this Agreement shall govern and such provisions in the Prior Agreements are deemed to be amended so as to conform with this Agreement.

6.03 Future Litigation and Other Proceedings. In the event that HHGI (or any of its Subsidiaries or any of its or their officers or directors) or TMP (or any of its Subsidiaries or any of its or their officers or directors) at any time after the date hereof initiates or becomes subject to any litigation or other proceedings before any governmental authority or arbitration panel with respect to which the parties have no prior agreements (as to indemnification or otherwise), the party (and its Subsidiaries and its and their officers and directors) that has not initiated and is not subject to such litigation or other proceedings shall comply, at the other party's reasonable expense, with any reasonable requests by the other party for assistance in connection with such litigation or other proceedings (including by way of provision of information and making available of employees as witnesses). In the event that HHGI (or any of its Subsidiaries or any of its or their officers or directors) and TMP (or any of its Subsidiaries or any of its or their officers or directors) at any time after the date hereof initiate or become subject to any litigation or other proceedings before any governmental authority or arbitration panel with respect to which the parties have no prior agreements (as to indemnification or otherwise), each party (and its officers and directors) shall, at their own expense, coordinate their strategies and actions with respect to such litigation or other proceedings to the extent such coordination would not be detrimental to their respective interests and shall comply, at the reasonable expense of the requesting party, with any reasonable requests of the other party for assistance in connection therewith (including by way of provision of information and making available of employees as witnesses).

6.04 No Agency. Nothing in this Agreement shall constitute or be deemed to constitute a partnership or joint venture between the parties hereto or constitute or be deemed to constitute any party the agent or employee of the other party for any purpose whatsoever and neither party shall have authority or power to bind the other or to contract in the name of, or create a liability against, the other in any way or for any purpose.

6.05 Subcontractors. Either party hereto may hire or engage one or more subcontractors to perform all or any of its obligations under this Agreement; provided that, subject to Section 4.02, TMP shall in all cases remain primarily responsible for all obligations undertaken by it in this Agreement with respect to the scope, quality and nature of the TMP Services and HHGI shall in all cases remain primarily responsible for all obligations undertaken by it in this Agreement with respect to the scope, quality and nature of the HHGI Services.

6.06 Force Majeure. (a) For purposes of this Section, "Force Majeure" means an event beyond the control of either party, which by its nature could not have been foreseen by such party, or, if it could have been foreseen, was unavoidable, and includes without limitation, acts of God, storms, floods, riots, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) and failure of energy sources.

(a) Without limiting the generality of Section 4.02(a), neither party shall be under any liability for failure to fulfill any obligation under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered, or delayed as a consequence of circumstances of Force Majeure; provided that such party shall have exercised all due diligence to minimize to the greatest extent possible the effect of Force Majeure on its obligations hereunder.

(b) Promptly on becoming aware of Force Majeure causing a delay in performance or preventing performance of any obligations imposed by this Agreement (and termination of such delay), the party affected shall give written notice to the other party giving details of the same, including particulars of the actual and, if applicable, estimated continuing effects of such Force Majeure on the obligations of the party whose performance is prevented or delayed. If such notice shall have been duly given, and actual delay resulting from such Force Majeure shall be deemed not to be a breach of this Agreement, and the period for performance of the obligation to which it relates shall be extended accordingly; provided that if Force Majeure results in the performance of a party being delayed by more than 60 days, the other party shall have the right to terminate this Agreement with respect to any Service affected by such delay forthwith by written notice.

6.07 Information. Subject to applicable law and privileges, each party hereto covenants and agrees to provide the other party with all information regarding itself and transactions under this Agreement that the other party reasonably believes are required to comply with all applicable federal, state, county and local laws, ordinances, regulations and codes, including, but not limited to, securities laws and regulations.

6.08 Notices. All notices and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be deemed given when received addressed as follows:

If to TMP, to:

TMP Worldwide Inc.  
622 Third Avenue, 39th Floor  
New York, New York 10017  
Facsimile: (917) 256-8026  
Attention: Andrew J. McKelvey

With a copy to:

TMP Worldwide Inc.  
622 Third Avenue, 39th Floor  
New York, New York 10017  
Facsimile: (917) 256-8526  
Attention: Myron Olesnyckyj

Fulbright & Jaworski L.L.P.  
666 Fifth Avenue  
New York, New York 10103  
Facsimile: (212) 318-3400  
Attention: Gregg J. Berman, Esq.

If to HHGI, to:

Hudson Highland Group, Inc.  
622 Third Avenue, 38th Floor  
New York, New York 10017  
Facsimile: (917) 256-8403  
Attention: Jon F. Chait

With a copy to:

Hudson Highland Group, Inc.  
225 West Wacker Drive, Suite 2100  
Chicago, Illinois 60606  
Facsimile: (312) 782-1743  
Attention: Latham Williams

Any party may, by written notice so delivered to the other parties, change the address to which delivery of any notice shall thereafter be made.

6.09 Severability. If any provision of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not render the entire Agreement invalid.

Rather, the Agreement shall be construed as if not containing the particular invalid or unenforceable provision, and the rights and obligations of each party shall be construed and enforced accordingly.

#### 6.10 Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by TMP and HHGI, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

6.11 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that neither party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto.

6.12 Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York, without regard to the conflicts of laws rules thereof.

6.13 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

6.14 Entire Agreement. This Agreement (including the Schedules constituting a part of this Agreement) constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

6.15 Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought only in the United States District Court for the Southern District of New York or any other New York State court sitting in New York County, and each of the parties hereby consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the

world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 6.08 shall be deemed effective service of process on such party.

6.16 Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.



IN WITNESS WHEREOF, the parties hereto have caused this Transition Services Agreement to be duly executed by their respective authorized officers as of the date first above written.

TMP WORLDWIDE INC.

By: /s/ Andrew J. McKelvey

-----  
Name: Andrew J. McKelvey

Title: Chairman and CEO

HUDSON HIGHLAND GROUP, INC.

By: /s/ Jon F. Chait

-----  
Name: Jon F. Chait

Title: Chairman, President and CEO

Schedules for Services  
Effective as of the Distribution Date

Schedule #	Service Provider	Functional Area
1	TMP/HHGI	Tax services
2	TMP	Legal services
3	TMP/HHGI	Information technology
4	TMP	Insurance
5	HHGI	Accounting, payroll & administrative
6	HHGI	Facilities
7	HHGI	Information technology
8	TMP	Insurance, human resources, workplace health and safety
9	TMP	Secretarial, property and administrative
10	TMP	Facilities
11	TMP	Accounting services
12	TMP	Facilities
13	TMP	Facilities
14	TMP	Information technology
15	TMP	Accounting services
16	TMP	Legal services
17	HHGI	Insurance
18	HHGI	Human resources
19	TMP	Legal services

The Schedules to this Agreement have been omitted. The Schedules to this Agreement will be furnished to the Securities and Exchange Commission supplementally upon request.



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Estimated total Service Costs to service provider:

Describe Service Cost methodology and factors affecting total Service Costs:

Describe how Service Costs will be adjusted in the event of an increase/decrease in Services provided:

Additional information:

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IN WITNESS WHEREOF, the parties have executed and delivered the foregoing Transition Services Schedule, which is hereby deemed incorporated into and made part of that certain Transition Services Agreement between TMP Worldwide Inc. and Hudson Highland Group, Inc.

Date:

TMP WORLDWIDE INC.

By:  
Name:  
Title:

HUDSON HIGHLAND GROUP, INC.

By:  
Name:  
Title:

TAX SEPARATION AGREEMENT

by and between

TMP Worldwide Inc.  
on behalf of itself and the members  
of the TMP Worldwide Group  
and

Hudson Highland Group, Inc.  
on behalf of itself and the members  
of the Hudson Highland Group

Dated as of March 31, 2003

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TAX SEPARATION AGREEMENT

This Agreement is entered into as of the 31st day of March, 2003 between TMP Worldwide Inc. ("TMP"), a Delaware corporation, on behalf of itself and the members of the TMP Group, and Hudson Highland Group, Inc. ("HHGI"), a Delaware corporation, on behalf of itself and the members of the HHGI Group.

W I T N E S S E T H:

WHEREAS, pursuant to the tax laws of various jurisdictions, certain members of the HHGI Group, as defined below, will file certain tax returns on an affiliated, consolidated, combined, unitary, fiscal unity or other group basis (including as permitted by Section 1501 of the Internal Revenue Code of 1986, as amended (the "Code")) with certain members of the TMP Group, for taxable periods beginning prior to the Spin-off, as defined below;

WHEREAS, TMP and HHGI intend to enter into a Distribution Agreement and Ancillary Agreements providing for the consolidation of the assets and operations of all the "Executive Search" and "eResourcing" businesses owned by TMP and its subsidiaries and affiliates into HHGI and its subsidiaries and affiliates;

WHEREAS, TMP intends to distribute all of the shares of HHGI to its shareholders (the "Spin-off"); and

WHEREAS, TMP and HHGI desire to set forth their agreement on the rights and obligations of TMP, HHGI and the members of the TMP Group and the HHGI Group, respectively, with respect to the handling and allocation of federal, state, local and foreign Taxes incurred in Taxable periods beginning prior to the Spin-off Date, as defined below, Taxes resulting from the Restructuring, as defined below, and various other Tax matters.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the parties agree as follows:

1. DEFINITIONS

(a) As used in this Agreement:

"2003 Short Year" shall mean the short taxable year beginning on the first day of HHGI's first taxable period in 2003 and ending on the Spin-off Date.

"Affiliate" of any Person shall mean (i) any individual, corporation, partnership or other entity directly or indirectly owning more than 50 percent (by vote or value) of,

owned more than 50 percent (by vote or value) by, or under more than 50 percent (by vote or value) common ownership with, such Person, and (ii) any entity that is entitled to the benefit of any Tax Asset of such Person under applicable law, any entity with any Tax Asset to which such Person is entitled to the benefit of under applicable law, or any entity which is entitled or required to transfer or assign income, revenues, receipts, or gains to such Person under applicable law.

"After-Tax Amount" shall mean an additional amount necessary to reflect the hypothetical Tax consequences of the receipt or accrual of any payment, using the maximum statutory rate (or rates, in the case of an item that affects more than one Tax) applicable to the recipient of such payment for the relevant year, reflecting for example, the effect of the deductions available for interest paid or accrued and for Taxes such as state and local income Taxes.

"Ancillary Agreement" shall have the meaning assigned to it in the Distribution Agreement.

"Consolidated Group" shall mean the HHGI Group, the TMP Group and the TMP Consolidated Group.

"Distribution Agreement" shall mean the Distribution Agreement, dated as of the date hereof, between TMP and HHGI.

"Executive Search Business" shall mean any business activity associated with counseling and assisting companies worldwide in the recruitment of high-level executives, normally vice-president and above, including CEOs, COOs, CFOs and board members, as well as operations and staff positions, as determined by the TMP Vice President - Taxes, in accordance with past practices.

"eResourcing Business" shall mean any business activity associated with assisting companies around the world in finding suitable employees in the mid-market selection and temporary contracting industry, excluding any business activity associated with the selection process through the use of interactive media and on-line databases, as determined by the TMP Vice President - Taxes, in accordance with past practices.

"Federal Tax" shall mean any Tax imposed under the Code and any related penalty imposed under Subtitle F of the Code.

"Final Determination" shall mean (i) with respect to Federal Taxes, (A) a "determination" as defined in Section 1313(a) of the Code, or (B) the date of acceptance by or on behalf of the IRS of Form 870-AD (or any successor form thereto), as a final resolution of Tax liability for any Taxable period, except that a Form 870-AD (or successor form thereto) that reserves the right of the taxpayer to file a claim for refund or the right of the IRS to assert a further deficiency shall not constitute a Final Determination with respect to the item or items so reserved; (ii) with respect to Taxes other than Federal Taxes, any final determination of liability in respect of a Tax that,



under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise; (iii) with respect to any Tax, any final disposition by reason of the expiration of the applicable statute of limitations or applicable foreign equivalent; or (iv) with respect to any Tax, the payment of Tax by TMP, HHGI, or any member of the TMP Group or the HHGI Group, whichever is responsible for payment of such Tax under applicable law, with respect to any item disallowed or adjusted by a Taxing Authority, provided that the provisions of Section 9 hereof have been complied with, or, if such section is inapplicable, that the party responsible under the terms of this Agreement for such Tax is notified by the party paying such Tax that it has determined that no action should be taken to recoup such disallowed item, and the other party agrees with such determination.

"HHGI Group" shall mean HHGI and its Affiliates immediately after the Spin-off Date, including any predecessors thereto; PROVIDED, HOWEVER, that for purposes of determining whether an entity is a member of the HHGI Group, a transfer of beneficial ownership of an entity shall be treated as a transfer of title, regardless of whether title has actually passed; PROVIDED FURTHER, that to the extent that TMP or an Affiliate of any member of the TMP Consolidated Group conducted at least one Executive Search Business or eResourcing Business and at least one Non-Executive Search/eResourcing Business, each Executive Search Business and/or eResourcing Business, as applicable, shall be treated for purposes of this Agreement as a separate corporation that is a member of the HHGI Group, unless such Executive Search Business and/or eResourcing Business, as applicable, continues to be conducted by an Affiliate of any member of the TMP Group immediately after the Spin-off Date and each Non-Executive Search/eResourcing Business shall be treated for purposes of this Agreement as a separate corporation that is a member of the TMP Group; PROVIDED FURTHER, that if with respect to any Pre-Spin-off Period any Affiliate of any member of the TMP Group was involved solely in the conduct of an Executive Search Business or eResourcing Business, such member shall be treated as a member of the HHGI Group for such Pre-Spin-off Period, unless such Executive Search Business or eResourcing Business, as applicable, continues to be conducted by an Affiliate of any member of the TMP Group immediately after the Spin-off Date; and PROVIDED FURTHER, that if with respect to any Pre-Spin-off Period any Affiliate of any member of the HHGI Group was not involved in the conduct of an Executive Search Business or eResourcing Business, such member shall not be treated as a member of the HHGI Group for such Pre-Spin-off Period. Notwithstanding anything to the contrary herein, the HHGI Group shall include any entity (and any Affiliate thereof) that is sold by TMP or any member of the TMP Group to HHGI or any member of the HHGI Group prior to the Spin-off Date in connection with the Restructuring.

"HHGI Tax Liability" shall mean, with respect to any Taxable period and subject to Sections 3(e)(ii)-(iv), the HHGI Group's Tax liability for such Taxable period, computed as if the relevant members of the HHGI Group were not and never were part of the TMP Consolidated Group, but rather were a separate affiliated group of corporations filing a similar group Return (PROVIDED, HOWEVER, that transactions with any member of the TMP Group shall not be taken into account until the first Taxable period

in which such transaction is required to be taken into account for Tax purposes under applicable law). Such computation shall be made (A) without regard to the income, deductions (including net operating loss and capital loss deductions) and credits in any year of any member of the TMP Group, except to the extent that a payment was made to any member of the TMP Group with respect thereto, (B) by taking account of any Tax Asset of the HHGI Group, including net operating loss and capital loss carryforwards and carrybacks and minimum Tax credits from earlier years of the HHGI Group, and with reduction for any such Tax Assets used by any member of the TMP Group, (C) by applying the maximum applicable statutory Tax rate in effect under applicable law during the relevant year, (D) reflecting the positions, elections and accounting methods used by the TMP Consolidated Group in preparing the relevant Return for the TMP Consolidated Group, (E) by not permitting the HHGI Group any compensation deductions attributable to the exercise of options to purchase stock of TMP which are held by employees or former employees of the HHGI Group, and (F) without regard to gain attributable to the recognition by TMP of any excess loss account with respect to the stock of HHGI or by HHGI of any excess loss account with respect to the stock of its subsidiaries, in each case as a result of the Restructuring.

"IRS" shall mean the Internal Revenue Service.

"LIBOR" shall be determined on the basis of the offered rates for deposits in U.S. Dollars for a period of 30 days that appear on the Reuters Screen LIBOR Page as of 11:00 a.m., London time. If at least two rates appear on the Reuters Screen LIBOR Page, the rate will be the arithmetic mean of such rates.

"Non-Executive Search/eResourcing Business" shall mean any business activity other than an Executive Search Business and/or an eResourcing Business.

"Person" shall have the meaning ascribed to it in Section 7701(a)(1) of the Code.

"Post-Spin-off Period" shall mean (i) any Taxable period (or portion thereof) beginning after the close of business on the Spin-off Date and (ii) with respect to a Taxable period that begins before and ends after the Spin-off Date, the portion of such Taxable period that commences on the day immediately after the Spin-off Date.

"Pre-Spin-off Period" shall mean (i) any Taxable period ending on or before the close of business on the Spin-off Date and (ii) with respect to a Taxable period that begins before and ends after the Spin-off Date, the portion of such Taxable period ending on and including the Spin-off Date.

"Prime" shall mean the rate announced from time to time as "prime" as reported in the Wall Street Journal's Money Rates table as its prime rate with respect to the applicable currency.

"Restructuring" shall mean the Spin-off, all transactions effected by the Spin-off and all transactions occurring in connection with the Spin-off; including, but not limited

to, any transaction contemplated by the Distribution Agreement or any Ancillary Agreement.

"Return" shall mean any Tax return, statement, report, form, election, claim or surrender (including estimated Tax returns and reports, extension requests and forms, and information returns and reports) required to be filed with any Taxing Authority.

"Spin-off" shall mean the distribution of all the HHGI common stock by TMP to its shareholders.

"Spin-off Date" shall mean the date of closing of the Spin-off.

"Tax" (and the correlative meaning, "Taxes," "Taxing" and "Taxable") shall mean (A) any net income, gross income, gross receipts, alternative or add-on minimum, sales, use, business and occupation, value-added, trade, goods and services, ad valorem, franchise, profits, license, business royalty, withholding, payroll, employment, capital, excise, transfer, recording, severance, stamp, occupation, premium, property, asset, real estate, acquisition, environmental, custom duty, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, including applicable foreign, together with any interest and any penalty, addition to tax or additional amount imposed by a Taxing Authority; (B) any liability of a member of the TMP Group or the HHGI Group, as the case may be, for the payment of any amounts of the type described in clause (A) for any Taxable period resulting from such member being a part of a Consolidated Group pursuant to the application of Treasury Regulation Section 1.1502-6 or any similar provision applicable under state, local or foreign law; or (C) except as otherwise provided in the Distribution Agreement, any liability of a member of the TMP Group or the HHGI Group for the payment of any amounts described in clause (A) as a result of any express or implied obligation to indemnify any other party.

"Tax Asset" shall mean any net operating loss, net capital loss, investment Tax credit, foreign Tax credit, target jobs Tax credit, low income housing credit, research and experimentation credit, charitable deduction, or any other loss, credit or Tax attribute, including additions to basis of property and attributes which reduce or offset value-added Tax liability, which could reduce any Tax (domestic or foreign), including, without limitation, deductions, credits, or alternative minimum net operating loss carryforwards related to alternative minimum Taxes.

"Tax Benefit" shall mean an amount derived with respect to a Tax Asset that is equal to the excess of (A) the amount of Federal Taxes, Foreign Taxes, or State or Local Combined Income Taxes, as the case may be, that would have been payable by the recipient of the Tax Benefit without the use of a Tax Asset (including, but not limited to, a carryback, carryforward, or reattribution of the Tax Asset), over (B) the amount of Federal Taxes, Foreign Taxes or State or Local Combined Income Taxes, as the case may be, actually payable by such recipient. In the case of a tax refund arising out of the use of a Tax Asset, the Tax Benefit shall be equal to the amount of the refund that was actually

received over the amount of the refund that would have been received in the absence of such Tax Asset.

"Tax Item" shall mean any item of income, gain, loss, deduction or credit, or other attribute that may have the effect of increasing or decreasing any Tax.

"Tax Packages" shall mean one or more packages of information that are (i) reasonably necessary for the purpose of preparing Returns of any Consolidated Group with respect to a Pre-Spin-off Period and (ii) completed in all material respects in accordance with the standards that TMP has established for its subsidiaries with respect to the relevant Pre-Spin-off Period.

"Tax Proceeding" shall mean any Tax audit, dispute or proceeding (whether administrative or judicial).

"Taxing Authority" shall mean any governmental authority (domestic or foreign), including, without limitation, any state, municipality, political subdivision or governmental agency, responsible for the imposition of any Tax.

"TMP Consolidated Group" shall mean with respect to any Taxable period, TMP and its Affiliates (including their predecessors and successors), including those Affiliates comprising the HHGI Group.

"TMP Group" shall mean, with respect to any Taxable period, TMP and its Affiliates (including their predecessors and successors) other than those Affiliates comprising the HHGI Group.

"TMP Tax Liability" shall mean, with respect to any Taxable period and subject to Sections 3(e)(ii)-(iv), the TMP Group's Tax liability for such Taxable period, computed as if the relevant members of the TMP Group were not and never were part of the TMP Consolidated Group, but rather were a separate affiliated group of corporations filing a similar group Return (PROVIDED, HOWEVER, that transactions with any member of the HHGI Group shall not be taken into account until the first Taxable period in which such transaction is required to be taken into account for Tax purposes under applicable law). Such computation shall be made (A) without regard to the income, deductions (including net operating loss and capital loss deductions) and credits in any year of any member of the HHGI Group, except to the extent that a Tax Asset of any member of the HHGI Group was used to reduce the TMP Group Tax Liability, (B) by taking account of any Tax Asset of the TMP Group, including net operating loss and capital loss carryforwards and carrybacks and minimum Tax credits from earlier years of the TMP Group, and without reduction for any such Tax Assets used by any member of the HHGI Group, (C) by applying the maximum applicable statutory Tax rate in effect under applicable law during the relevant year, (D) reflecting the positions, elections and accounting methods used by the Consolidated Group in preparing the relevant Return for the Consolidated Group and (E) by taking into account any compensation deductions in accordance with Section 3(g) hereof.

"TMP Vice President-Tax" shall include any successor position or title; PROVIDED, HOWEVER, that if such successor position or title does not have responsibility for Tax matters, then the most senior position or title that has responsibility for Tax matters shall be substituted for the TMP Vice President-Tax in this Agreement.

(b) Any term used in this Agreement which is not defined in this Agreement shall, to the extent the context requires, have the meaning assigned to it in the Code or the applicable Treasury regulations thereunder (as interpreted in administrative pronouncements and judicial decisions) or in comparable provisions of applicable law.

## 2. ADMINISTRATIVE AND COMPLIANCE MATTERS.

(a) Sole Tax Sharing Agreement. Any and all existing Tax sharing agreements or arrangements, written or unwritten, between any member of the TMP Group and any member of the HHGI Group shall be or shall have been terminated as of the date of this Agreement. As of the date of this Agreement, neither the members of the HHGI Group nor the members of the TMP Group shall have any further rights or liabilities thereunder, and this Agreement shall be the sole Tax sharing agreement between members of the HHGI Group and the members of the TMP Group. Notwithstanding the foregoing, if any such termination is not binding on any Taxing Authority, the HHGI Group shall hold the affected member of the TMP Group harmless against any adverse effect which would have been avoided if such termination had been given effect by such Taxing Authority.

(b) Designation of Agent. HHGI and each member of the HHGI Group, hereby irrevocably authorize TMP as its agent, coordinator, and administrator, for the purpose of taking any and all actions (including the execution of waivers of applicable statutes of limitation) necessary or incidental to the filing of any Return, any amended Return, or any claim for refund (even where an item or Tax Asset giving rise to an amended Return or refund claim arises in a Post-Spin-off Period), credit or offset of Tax or any other proceedings, and for the purpose of making payments to, or collecting refunds from, any Taxing Authority, in each case relating only to any Pre-Spin-off Period.

### (c) Pre-Spin-Off Period Returns.

(i) Preparation of Income Tax Returns. TMP will prepare and file, with the assistance of HHGI Group, all Returns of TMP Consolidated Group and all Separate Income Tax Returns of any member of that group for all Pre-Spin-off Periods. TMP shall have the right with respect to such Returns to determine (A) the manner in which such returns, documents or statements shall be prepared and filed, including, without limitation, the manner in which Tax Items shall be reported; (B) whether any extensions should be requested, and (C) the elections that will be made by any member of TMP Group or HHGI Group.

(ii) Audits and Refunds. With respect to all Returns of TMP Consolidated Group and all Separate Income Tax Returns of any member of that group for all Pre-Spin-off Periods, except as otherwise provided in Section 8, TMP shall have the right to (i) contest, compromise or settle any adjustment or deficiency proposed, asserted or assessed as a result of any audit of any Return, (ii) file, prosecute, compromise or settle any claim for refund, (iii) determine whether any refunds to which a Consolidated Group may be entitled shall be received by way of refund or credited against the Tax liability of such Group and (iv) determine whether a deposit will be made with a Taxing Authority to stop the running of interest.

(iii) Delivery of Tax Packages. With respect to the 2002 and 2003 Tax years, HHGI and the members of the HHGI Group shall prepare and deliver to TMP all Tax Packages no later than 90 days prior to the due date of such Returns taking into account duly filed extensions of time.

(iv) Restructuring Tax Liability. To the extent that any Return for a Pre-Spin-off Period reflects any transaction effected in connection with the Restructuring, TMP shall have complete discretion in determining the amount of any Tax liability resulting from the Restructuring that will be shown on such Return. For the purpose of exercising such discretion, any such Return that is filed by a member of the HHGI Group shall be submitted by such member of the HHGI Group to TMP (together with any relevant schedules, statements and, to the extent requested by TMP, supporting documentation) at least 45 days prior to the due date (including extensions) of such Return. To the extent necessary to determine the amount of any Tax liability resulting from the Restructuring which will be shown on such Return, TMP shall have the right to review all work papers and procedures used to prepare such Return. If, within 10 business days after delivery of any such Return, TMP objects to the amount of any Tax liability shown on such Return and resulting from the Restructuring, the Return shall be adjusted in the manner TMP deems appropriate and as so adjusted shall be binding upon the parties without further adjustment.

(d) Ratable Allocation. TMP may, at its option, elect and HHGI will join TMP (if necessary) in electing to ratably allocate items (other than extraordinary items) of the HHGI Group in accordance with relevant provisions of Treasury Regulation Section 1.1502-76. If TMP exercises its option to make the election, each member of the HHGI Group will provide a statement stating its consent to such election as required under the regulations.

(e) Non-Income Tax Returns and Post-Spin-Off Period Returns of the HHGI Group. HHGI shall be solely responsible for the preparation and filing of (i) Income Tax Returns of the HHGI Group for all Post-Spin-off Periods and the separate Foreign, State and Local Returns of HHGI and any member of the HHGI Group, if any, for all Tax periods that end after the Spin-off Date and (ii) the Returns of HHGI Group for Non-Income Taxes for any tax period.

(f) Short-Year Combined State Returns. TMP and HHGI agree that State or Local Returns in which a member of the HHGI Group files such Return with a member of the TMP Group on a consolidated, combined or unitary basis and which was filed for Tax periods beginning prior to the Spin-off Date, will reflect a short taxable year for HHGI ending on the Spin-off Date in any state or local taxing jurisdiction in which such tax year is allowed by administrative practice, whether or not required by law.

### 3. TAX SHARING.

(a) General. Any Return filed by TMP or a member of the TMP Group prior to the Spin-off Date that reflected the income, assets or operations of an Executive Search Business or an eResourcing Business shall be treated as required to be filed by the TMP Group and any payment made prior to the Spin-off Date with respect to such Return shall be treated as having been made by the TMP Group. Any Return filed by HHGI or a member of the HHGI Group prior to the Spin-off date that reflected the income, assets or operations of a Non-Executive Search/eResourcing Business shall be treated as required to be filed by the HHGI Group and any payment made prior to the Spin-off date with respect to such Return shall be treated as having been made by the HHGI Group.

(b) Prior Years. Except as otherwise provided in Section 3(d)-(g), for all Taxable periods of TMP Consolidated Group, for which a Return has been filed on the date of the Spin-off, during which the Tax Asset of the HHGI Group or TMP Group, as appropriate, was included in a Return of such Consolidated Group and the Tax Asset resulted in a reduction of Taxes, neither the HHGI Group nor the TMP Group, as appropriate, is obligated to pay the HHGI Group or the TMP Group, as appropriate, for the Tax Benefit of the use of the Tax Asset in such Return.

(c) 2002 and 2003 Short Year. Except as otherwise provided in Section 3(d)-(g), for the calendar year 2002 and the 2003 Short Year of the TMP Consolidated Group, for which a Return will be filed subsequent to the date of the Spin-off, during which the Tax Asset of the HHGI Group or the TMP Group, as applicable, may be included in a Return of such Consolidated Group and the Tax Asset will result in a reduction of Taxes, neither the HHGI Group or the TMP Group, as applicable, will be obligated to pay the HHGI Group or the TMP Group, as applicable, for the Tax benefit of the use of the Tax Asset in such Return.

(d) Final Determination. If the Final Determination of the TMP Tax Liability with respect to any Consolidated Group reflects a Tax Asset that was not used to reduce the Tax liability of the TMP Group, but may under applicable law be used to reduce the Tax liability of the HHGI Group for any Tax period, HHGI shall pay to TMP the actual Tax saving produced by such Tax Asset within 30 days after such Tax saving is claimed on a Return, and the future Returns of the HHGI Group shall be adjusted to reflect such use. The amount of any such Tax saving for any Tax period shall be the

amount of the reduction in Taxes payable to a Taxing Authority (or the increase in any Tax refund) with respect to such period as compared to the Taxes that would have been payable to a Taxing Authority (or the Tax refund that would have been received) by the Consolidated Group with respect to such period in the absence of such Tax Asset.

(e) Carrybacks and Certain Other Matters.

(i) HHGI and each member of the HHGI Group agrees not to carry back any Tax Asset of the HHGI Group from a Post-Spin-off Period without the advance written consent of TMP. If TMP consents to such carryback, TMP shall not be obligated to pay to HHGI or any member of the HHGI Group the Tax Benefit received by TMP Consolidated Group from the use in any Pre-Spin-Off Period of a carryback of any Tax Asset of HHGI Group from a Post-Spin-Off Period.

(ii) Notwithstanding the definitions of HHGI Tax Liability or TMP Tax Liability or any other provision in this Agreement, any loss recognized upon any sale to any member of the TMP Consolidated Group of any Executive Search Business or eResourcing Business from a Pre-Spin-Off Period, or any Tax Asset used in an Executive Search Business and/or eResourcing Business from a Pre-Spin-Off Period, shall be treated as a Tax Asset of the TMP Group.

(iii) Notwithstanding the definitions of HHGI Tax Liability or TMP Tax Liability or any other provision in this Agreement, any Tax Asset or refund of Tax resulting from the matters relating to the UK Inland Revenue Thin Capitalization examination shall be treated as a Tax Asset of, or a refund of Tax attributable to, the TMP Group, respectively.

(iv) Notwithstanding the definitions of HHGI Tax Liability or TMP Tax Liability or any other provision in this Agreement, any Tax Asset or refund of Tax resulting from the sale or transfer of the stock or assets of the European restructurings, in accordance with the Distribution and Ancillary Agreements, shall be treated as a Tax Asset of, or a refund of Tax attributable to, the TMP Group, respectively.

(f) Treatment of Adjustments and Payments.

(i) Responsibility for Payment. Except as provided in paragraph (f)(ii)-(iv) or in Section 9, TMP shall be responsible for any payment due to any taxing authority as a result of an audit adjustment to any Income Tax Return which relates solely to a Pre-Spin-off Period. HHGI shall be responsible for any payment due to any taxing authority as a result of an adjustment to any Return of HHGI Group which relates solely to a Post-Spin-off period. In the case of any adjustment not covered in the preceding sentence, TMP Vice President-Tax shall determine the amount to be paid by each party in a manner consistent with the principles of this Agreement and with past practices.



(ii) Timing Differences. To the extent that any audit adjustment of an Income Tax Return relating to a Pre-Spin-off period is attributable to timing differences attributable to the HHGI Group, HHGI shall pay to TMP an amount reflecting the timing differences. In the case of a Federal Return, or Foreign Return this amount shall be equal to the actual amount of the adjustment to TMP Consolidated Group Tax liability that is attributable to the timing differences, as determined by TMP Vice President-Tax. In the case of a Combined Income Tax Return or Separate Income Tax Return, the amount shall be equal to the difference between the tax actually due on the adjusted Return and the amount that would have been due on the adjusted Return had HHGI not been included as a member of TMP Consolidated Group, as determined by TMP Vice President-Tax.

(iii) Except as provided in clause (iv) below, if any adjustment by reason of audit, amended return or otherwise is made with respect to a Return filed by a member of the TMP Group which would have increased the HHGI Tax Liability with respect to a Pre-Spin-off Period Return, then within 30 days after any member of the TMP Group makes a payment to a Taxing Authority or makes a deposit with a Taxing Authority to stop the running of interest with respect to such audit adjustment, the HHGI Group shall pay to the TMP Group the additional HHGI Tax Liability.

(iv) Any refunds or credits of Tax (including a return of a deposit described in Section 3(f)(iii)) received by a member of the HHGI Group relating to a Pre-Spin-off Period, to the extent attributable to any Tax Asset of any member of the HHGI Group shall be paid by the HHGI Group to the TMP Group within 30 days of receipt; provided that no such payment shall be required to the extent such refund or credit is attributable to an adjustment for which payment in respect thereof has previously been made pursuant to Section 3(f)(iii) and PROVIDED FURTHER that, in determining the extent to which a refund is attributable to any Tax Asset of a member of the HHGI Group, if the portion of any such refund represents interest with respect to Taxes and the items or Tax attributes to which such interest relates are not readily identifiable, then the TMP Vice President-Tax shall in good faith determine the allocation of such interest among the items and Tax attributes of the members of the HHGI Group.

(g) Deductions and Certain Taxes Related to Options. The TMP Group shall file Returns claiming (x) the Tax deductions attributable to the exercise of options to purchase stock of TMP which are held by employees or former employees of the HHGI Group and (y) any other similar compensation related Tax deductions. Accordingly, (i) the TMP Group shall be entitled to any such Tax deductions, (ii) the Returns of the TMP Group and the HHGI Group shall reflect the entitlement of the TMP Group to such deductions, and (iii) to the extent any such deductions are disallowed, the HHGI Group shall file amended Returns claiming such deductions and shall pay to the TMP Group an amount equal to the actual benefit received by the HHGI Group in respect of such deductions. If, at any time subsequent to a disallowance described in the immediately preceding clause (iii), the TMP Vice President-Tax determines that the HHGI Group shall claim all subsequent Tax deductions attributable to the exercise of options to purchase TMP stock which are held by employees or former employees of the

HHGI Group, (i) the Returns of the TMP Group and the HHGI Group filed after such determination shall reflect such determination, (ii) not later than 3 days prior to the due date of any such Return, HHGI shall notify the TMP Vice President-Tax of the amount of Tax deductions it intends to claim on such Return with respect to such options or other compensation related Tax deductions, and (iii) the HHGI Group shall pay to the TMP Group an amount equal to the actual benefit received by the HHGI Group in respect of such deductions. For purposes of the immediately preceding clause (i), the TMP Vice President-Tax will have the right to determine the amount of such Tax deductions that will be claimed by the HHGI Group on any such Return. For purposes of each of the two immediately preceding clauses (iii), the actual benefit shall be considered equal to the excess of the amount of Tax that would have been payable to a Taxing Authority (or of the Tax refund that would have been receivable) by the HHGI Group in the absence of such deduction over the amount of Tax actually payable to a Taxing Authority (or of the Tax refund actually received) by the HHGI Group. Payment of the amount referred to in the first clause (iii) of this Section 3(g) shall be made within 30 days of the receipt by any member of the HHGI Group of any refund, credit or other offset attributable thereto from the relevant Taxing Authority. Payment of the amount referred to in the second clause (iii) of this section 3(g) shall be made not later than 3 days after the due date of the estimated Tax payment immediately following when any member of the HHGI Group becomes entitled to any refund, credit or other offset attributable to such deduction. HHGI agrees to act as TMP's pay agent for purposes of administering and accounting for TMP stock options held by employees or former employees of the HHGI Group. In addition, upon the exercise of any options to purchase stock of TMP which are held by employees or former employees of the HHGI Group, the HHGI Group (as agent for the TMP Group, where applicable) shall prepare and file all applicable Returns, withhold and remit any required withholding under federal, state, local or foreign income Tax law, and pay the applicable tax liability under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, any state employment Tax law or any equivalent or similar foreign statute in connection with such an event. To the extent a Taxing Authority determines that the TMP Group is liable for withholding Taxes or Taxes under the Federal Insurance Contributions Act, the Federal Unemployment Tax Act, any state employment Tax law or any equivalent or similar foreign statute in connection with the exercise of such an option, the HHGI Group shall pay to the TMP Group an amount equal to the Tax paid by the TMP Group as a result of such Tax liability within 30 days of demand thereof.

#### 4. CERTAIN REPRESENTATIONS AND COVENANTS.

(a) HHGI Representations. HHGI and each member of the HHGI Group represent that as of the date hereof, and covenants that on the Spin-off Date, there is no plan or intention (i) to liquidate, merge or consolidate HHGI or any member of the HHGI Group with any other Person subsequent to the Spin-off Date, (ii) to sell or otherwise dispose of any asset, or cease business operations in any Executive Search Business or eResourcing Business of HHGI, or any member of the HHGI Group, subsequent to the Spin-off Date, in a manner that would result in any increased Tax

liability or reduction of any Tax Asset of the TMP Group or any member thereof or which would not be in the ordinary course of business, (iii) to take any action inconsistent with the information and representations furnished to any Taxing Authority, legal counsel or accounting firm in connection with the request for a ruling or comparable pronouncement by a Taxing Authority, or with the delivery of an opinion by such counsel or accounting firm, with respect to the Restructuring, regardless of whether such information or representations were included in the ruling or pronouncement issued by the Taxing Authority or the opinion delivered by such counsel or accounting firm, (iv) to take any action that contravenes any existing gain recognition agreement or other agreement with a Taxing Authority to which any member of the HHGI Group or the TMP Group is a party (v) to repurchase stock of HHGI in a manner contrary to the requirements of Revenue Procedure 96-30 or in a manner contrary to the representations furnished to any Taxing Authority, legal counsel or accounting firm in connection with the request for a ruling or comparable pronouncement by a Taxing Authority, or with the delivery of an opinion by such counsel or accounting firm, with respect to the Restructuring, or (vi) to enter into any negotiations, agreements, or arrangements with respect to transactions or events (including stock issuances, pursuant to the exercise of options or otherwise, option grants, capital contributions, or acquisitions, but not including the Spin-off) that may cause the Spin-off to be treated as part of a plan pursuant to which one or more persons acquire directly or indirectly HHGI stock representing a "50-percent or greater interest" within the meaning of Section 355(d)(4) of the Code.

(b) HHGI Covenants. HHGI covenants to TMP that, without the prior written consent of the TMP Vice President-Tax,

(i) during the two-year period following the Spin-off Date, neither HHGI nor any member of the HHGI Group will liquidate, merge or consolidate with any other Person,

(ii) during the two-year period following the Spin-off Date neither HHGI nor any member of the HHGI Group will sell, exchange, distribute or otherwise dispose of its assets or cease business operations in any Executive Search Business or eResourcing Business in a manner that would result in any increased Tax liability or reduction of any Tax Asset of the TMP Group or any member thereof or which would not be in the ordinary course of business,

(iii) HHGI will not take any action that contravenes any existing gain recognition agreement or other agreement with a Taxing Authority to which any member of the HHGI Group or the TMP Group is a party,

(iv) on or after the Spin-off Date, HHGI will not, nor will it permit any member of the HHGI Group to, make or change any accounting method, amend any Return or take any Tax position on any Return, take any other action, omit to take any action or enter into any transaction that results in any increased Tax liability or reduction of any Tax Asset of the TMP Group or any member thereof in respect of any Pre-Spin-off Period,

(v) HHGI will not, nor will it permit any member of the HHGI Group to, take any action inconsistent with the information and representations furnished to any Taxing Authority, legal counsel or accounting firm in connection with a request for a ruling or comparable pronouncement by a Taxing Authority or with the delivery of an opinion by such counsel or accounting firm, with respect to the Restructuring, regardless of whether such information or representations were included in the ruling or pronouncement issued by such Taxing Authority or the opinion delivered by such counsel or accounting firm,

(vi) HHGI will for a minimum of two years following the date of such distribution, continue the active conduct of the historic business relied upon to satisfy the requirements of Section 355(b) of the Code,

(vii) HHGI will not repurchase stock of HHGI in a manner contrary to the requirements of Revenue Procedure 96-30 or in a manner contrary to the representations furnished to any Taxing Authority, legal counsel or accounting firm in connection with the request for a ruling or comparable pronouncement by a Taxing Authority, or with the delivery of an opinion by such counsel or accounting firm, with respect to the Restructuring,

(viii) during the applicable period provided in Section 355(e)(2)(B) of the Code with respect to the Spin-off, HHGI will not enter into any transaction or make any change in equity structure (including stock issuances, pursuant to the exercise of options, option grants or otherwise, capital contributions, or acquisitions, but not including the Spin-off) that may cause the Spin-off to be treated as part of a plan pursuant to which one or more persons acquire directly or indirectly HHGI stock representing a "50-percent or greater interest" within the meaning of Section 355(d)(4) of the Code,

(ix) HHGI will file federal consolidated returns with its subsidiaries for the Tax period immediately after the Spin-off Date.

(c) TMP Representations.

(i) TMP represents as of the date hereof that on the date of the Spin-off, there is no plan or intention to take any action inconsistent with the information and representations furnished to the Internal Revenue Service in connection with the request for rulings under Section 355 and 368(a)(1)(D) of the Code.

(ii) Except as otherwise disclosed in public documents, TMP and the members of the TMP Group represent as of the date hereof that on the Spin-off date, neither TMP or the TMP Group is aware of any present plan or intention by the current shareholders of TMP to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, TMP.

5. INDEMNITIES.

(a) HHGI Indemnity. HHGI and each member of the HHGI Group will jointly and severally indemnify TMP and the members of the TMP Group that were members of a Consolidated Group that included such HHGI Affiliate against and hold them harmless from:

(i) any Tax Liability of the HHGI Group;

(ii) any liability or damage resulting from a breach by HHGI or any member of the HHGI Group of any representation or covenant made by HHGI herein;

(iii) any Tax Liability attributable to the Restructuring that is attributable to any action of HHGI or any member of the HHGI Group, without regard to whether the TMP Vice President-Tax or any other TMP officer has consented to such action, including, but not limited to, any Taxes attributable to the failure of the Spin-off to qualify under Section 355 of the Code or attributable to the application of Sections 355(e) or 355(f) of the Code with respect to such Spin-off if (x) for any reason a member or members of the HHGI Group or a shareholder of such member or members is responsible for the Spin-off's failure to qualify under Section 355 or (y) the stock of HHGI is acquired by one or more persons, whether directly or indirectly, such that Section 355(e) causes such stock not to be treated as "qualified property" for purposes of Section 361(c)(2);

(iv) any Tax Liability resulting from the recapture, pursuant to Section 904(f) of the Code, of an overall foreign loss for a Pre-Spin-off Period to the extent that the TMP Vice President-Tax determines that such loss is attributable to operations of the Executive Search Business and/or eResourcing Business in a Pre-Spin-off Period;

(v) any Tax Liability resulting from the recapture, pursuant to Section 367(a)(3)(C) of the Code, of a branch loss for a Pre-Spin-off Period to the extent that the TMP Vice President-Tax determines that such loss is attributable to operations of the Executive Search Business and/or eResourcing Business in a Pre-Spin-off Period;

(vi) any increase in any Tax Liability, or any reduction of any Tax Asset, of any member of the TMP Group resulting from a Final Determination of a Taxing Authority relating to the pricing of services provided by a member of the TMP Group to a member of the HHGI Group; and

(vii) all liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the

imposition, assessment or assertion of any Tax liability or damage described in (i), (ii), (iii), (iv) (v) or (vi) including those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

(b) TMP Indemnity. TMP and each member of the TMP Group will jointly and severally indemnify HHGI and the members of the HHGI Group that were members of a Consolidated Group that included such TMP Affiliate against and hold them harmless from:

(i) any Tax Liability of the TMP Group, other than any such liability described in Section 5(a);

(ii) any Tax Liability resulting from the Restructuring, other than any such liabilities described in Section 5(a);

(iii) any liability or damage resulting from a breach by TMP or any member of the TMP Group of any representation or covenant made by TMP herein;

(iv) any increase in any Tax Liability, or any reduction of any Tax Asset, of any member of the HHGI Group resulting from a Final Determination of a Taxing Authority relating to the pricing of services provided by a member of the HHGI Group to a member of the TMP Group; and

(v) all liabilities, costs, expenses (including, without limitation, reasonable expenses of investigation and attorneys' fees and expenses), losses, damages, assessments, settlements or judgments arising out of or incident to the imposition, assessment or assertion of any Tax liability or damage described in (i), (ii), or (iii), or (iv) including those incurred in the contest in good faith in appropriate proceedings relating to the imposition, assessment or assertion of any such Tax, liability or damage.

If a member of the TMP Group ceases to be an Affiliate of any member of the TMP Group as a result of a sale of its stock to a third party (whether or not treated as a sale or exchange of stock for Tax purposes), such member of the TMP Group shall be released from its obligations under this Agreement upon such sale and neither TMP nor any member of the TMP Group shall have any obligation to indemnify HHGI or any member of the HHGI Group under Section 5(b) for any liability or damage attributable to actions taken by such Affiliate after such sale.

(c) Discharge of Indemnity. HHGI, TMP and the members of the HHGI Group and TMP Group, respectively, shall discharge their obligations under Sections 5(a) and 5(b) hereof, respectively, by paying the relevant amount within 30 days of demand thereof. The TMP Group shall be entitled to make such a demand at any time after a member of the TMP Group makes a payment or deposit in respect of a Tax for

which any member of the HHGI Group has an obligation under Section 5(a). The HHGI Group shall be entitled to make such a demand at any time after a Final Determination of an obligation of any member of the TMP Group under Section 5(b). Any such demand shall include a statement showing the amount due under Section 5(a) or 5(b), as the case may be. Calculation mechanics relating to items described in Section 5(a)(i) and 5(b)(i) are set forth in Section 2(c). Notwithstanding the foregoing, if either HHGI, TMP or any member of the HHGI Group or TMP Group disputes in good faith the fact or the amount of its obligation under Section 5(a) or Section 5(b), then no payment of the amount in dispute shall be required until any such good faith dispute is resolved in accordance with Section 16 hereof; PROVIDED, HOWEVER, that any amount not paid within 30 days of demand thereof shall bear interest as provided in Section 9.

(d) Tax Benefits. If an indemnification obligation of any member of the TMP Group or any member of the HHGI Group, as the case may be, under this Section 5 arises in respect of an adjustment that makes allowable any deduction, amortization, exclusion from income or other allowance (a "Tax Benefit") which would not, but for such adjustment, be allowable, then any payment by any member of the TMP Group or any member of the HHGI Group, respectively, pursuant to this Section 5 shall be an amount equal to (x) the amount otherwise due but for this subsection (d), minus (y) the present value of the product of the Tax Benefit multiplied (i) by the maximum applicable federal, foreign or state, as the case may be, corporate tax rate in effect at the time such Tax Benefit becomes allowable to a member of the HHGI Group or a member of the TMP Group (as the case may be) or (ii) in the case of a credit, by 100 percent. The present value of such product shall be determined by discounting such product from the time the Tax Benefit becomes allowable at a rate equal to Prime.

(e) For purposes of this Section 5, in the case of Taxes that are imposed on a periodic basis and are payable for a Tax period that includes (but does not end on) the Spin-off Date, the portion of such Tax related to the portion of such Tax period ending on the Spin-off Date shall (x) in the case of any Taxes other than Taxes based upon or related to income, sales, gross receipts, or wages, be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on the Spin-off Date and the denominator of which is the number of days in the entire Tax period, and (y) in the case of any Tax based upon or related to income, sales, gross receipts, or wages, be deemed equal to the amount which would be payable if the relevant Tax period ended on the Spin-off Date.

6. PERFORMANCE. TMP agrees and acknowledges that TMP shall be responsible for the performance of the obligations of each member of the TMP Group hereunder applicable to such member. HHGI agrees and acknowledges that HHGI shall be responsible for the performance by each member of the HHGI Group of the obligations hereunder applicable to such member.

7. COMMUNICATION AND COOPERATION.

(a) Consult and Cooperate. HHGI and TMP shall consult and cooperate (and shall cause each member of the HHGI Group or the TMP Group, respectively, to cooperate) fully at such time and to the extent reasonably requested by the other party in connection with all matters subject to this Agreement. Such cooperation shall include, without limitation:

(i) the retention and provision on reasonable request of any and all information including all books, records, documentation or other information pertaining to Tax matters relating to the TMP Group and the HHGI Group, any necessary explanations of information, and access to personnel, until one year after the expiration of the applicable statute of limitation (giving effect to any extension, waiver, or mitigation thereof);

(ii) the execution of any document that may be necessary or helpful in connection with any required Return or in connection with any audit, proceeding, suit or action; and

(iii) the use of the parties' best efforts to obtain any documentation from a governmental authority or a third party that may be necessary or helpful in connection with the foregoing.

(b) Provide Information. TMP and HHGI shall keep each other fully informed with respect to any material development relating to the matters subject to this Agreement.

(c) Tax Attribute Matters. TMP and HHGI shall promptly advise each other with respect to any proposed Tax adjustments relating to a Consolidated Group, which are the subject of an audit or investigation, or are the subject of any proceeding or litigation, and which may affect any Tax liability or any Tax attribute of TMP, HHGI, the TMP Group, the HHGI Group or any member of the HHGI Group or the TMP Group (including, but not limited to, basis in an asset or the amount of earnings and profits).

8. AUDITS AND CONTEST.

(a) Notwithstanding anything in this Agreement to the contrary, TMP shall have full control over all matters relating to any Return or any Tax Proceeding relating to any Tax matters of at least one member of the TMP Group or any Tax liability resulting from the Restructuring. HHGI may, at its own expense, participate in any such Tax Proceeding. TMP Vice President - Tax shall have absolute discretion with respect to any decisions to be made, or the nature of any action to be taken, with respect to any matter described in the preceding sentence.



(b) The indemnified party agrees to give notice to the Indemnitor of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought hereunder within 30 days of such assertion or commencement, or such earlier time that would allow the Indemnitor to timely respond to such claim, suit, action or proceeding.

(c) With respect to Returns relating to Taxes solely attributable to the HHGI Group, HHGI and the members of the HHGI Group shall have full control over all matters relating to any Tax Proceeding in connection therewith. HHGI and the members of the HHGI Group shall have absolute discretion with respect to any decisions to be made, or the nature of any action to be taken, with respect to any matter described in the preceding sentence.

9. PAYMENTS. All payments to be made hereunder shall be made in immediately available funds. Except as otherwise provided, all payments required to be made pursuant to this Agreement will be due 30 days after the receipt of notice of such payment or, where no notice is required, 30 days after the fixing of liability or the resolution of a dispute. Payments shall be deemed made when received. All payments shall be increased to reflect any tax liability of the payee such that the payee receives in addition to such payments otherwise owed the After-Tax Amount of any such payment. Any payment that is not made by the TMP Group when due shall bear interest at LIBOR plus 25 basis points as quoted from time to time, for each day until paid. Any payment that is not made by the HHGI Group when due shall bear interest at LIBOR plus 25 basis points, as quoted from time to time, for each day until paid. If, pursuant to a Final Determination, any amount paid by TMP or the members of the TMP Group, pursuant to this Agreement results in any increased HHGI Tax liability or reduction of any Tax Asset of TMP or any member of the TMP Group, relating to a HHGI Tax Liability, then HHGI, shall indemnify TMP or the TMP Group and hold it harmless from any interest or penalty attributable to such increased Tax liability or the reduction of such Tax Asset and shall pay to TMP or the TMP Group, in addition to amounts otherwise owed, the After-Tax Amount. With respect to any payment required to be made under this Agreement, TMP Vice President - Tax has the right to designate, by written notice to HHGI, which member of the HHGI Group or the TMP Group, as the case may be, will make or receive such payment and in which currency such payment will be made. In addition, the remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any party at law or in equity.

10. NOTICES. All notices and other communications to any party hereunder shall be in writing (including facsimile or similar writing) and shall be deemed given when received addressed as follows:

If to TMP or the TMP Group, to:

Patrick Harrington  
Vice President - Tax  
TMP Worldwide, Inc.  
622 Third Avenue, 39th Floor  
New York, New York 10017  
Facsimile: (917) 256-8526

If to HHGI or the HHGI Group, to:

Hudson Highland Group, Inc.  
622 Third Avenue, 38th Floor  
New York, New York 10017  
Facsimile: (917) 256-8403  
Attention: Jon F. Chait

At such time that HHGI hires a Vice President of Taxes, notices to HHGI or the HHGI Group shall be given to the Vice President of Taxes, or such successor position or title.

#### 11. COSTS AND EXPENSES.

(i) Except as expressly set forth in this Agreement, each party shall bear its own costs and expenses incurred pursuant to this Agreement. For purposes of this Agreement, costs and expenses shall include, but not be limited to, reasonable attorney fees, accountant fees and other related professional fees and disbursements. Notwithstanding anything to the contrary in this Agreement, the HHGI Group will be responsible for its allocable portion, as determined by the TMP Vice President - Tax, of (i) all costs and expenses attributable to filing any Return that reflects the income, assets or operations of the HHGI Group and (ii) all costs and expenses incurred by TMP in complying with the provisions of Section 7 of this Agreement.

(ii) With respect to all Tax Proceedings, costs shall be allocated in good faith by the TMP Vice President - Tax. Each party hereto shall be liable for its allocable portion of such costs as provided in Section 5.

12. EFFECTIVENESS; TERMINATION AND SURVIVAL. This Agreement shall become effective upon the closing of the Spin-off. All rights and obligations arising hereunder with respect to a Pre-Spin-off Tax Period shall survive until they are fully effectuated or performed and, provided, further, that notwithstanding anything in this Agreement to the contrary, this Agreement shall remain in effect and its provisions shall survive for one year after the full period of all applicable statutes of limitation or applicable foreign equivalent (giving effect to any extension, waiver or mitigation thereof) and, with respect to any claim hereunder initiated prior to the end of such period, until such claim has been satisfied or otherwise resolved.

13. SECTION HEADINGS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

14. ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS.

(a) Entire Agreement. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter hereof and thereof.

(b) Amendments and Waivers. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by TMP and HHGI, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

15. GOVERNING LAW AND INTERPRETATION. This Agreement shall be construed and enforced in accordance with the laws of the State of New York without giving effect to laws and principles relating to conflicts of law.

16. DISPUTE RESOLUTION. If the parties hereto are unable to resolve any disagreement or dispute relating to this Agreement, including but not limited to whether a transaction is part of the Restructuring and whether a Tax liability is a TMP Tax Liability or a HHGI Tax Liability, such dispute shall be resolved in good faith by the TMP Vice President - Tax.

17. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

18. ASSIGNMENTS; THIRD PARTY BENEFICIARIES. Except as provided below, this Agreement shall be binding upon and shall inure only to the benefit of the parties hereto and their respective successors and assigns, by merger, acquisition of assets or otherwise (including but not limited to any successor of a party hereto succeeding to the Tax attributes of such party under applicable law). This Agreement is

not intended to benefit any person other than the parties hereto and such successors and assigns, and no such other person shall be a third party beneficiary hereof. If, during the period beginning on the Spin-off Date and ending upon the expiration of the survival period set forth in Section 12, any corporation becomes an Affiliate of any member of the HHGI Group, such Affiliate shall be bound by the terms of this Agreement and HHGI shall provide evidence to TMP of such Affiliate's agreement to be bound by the terms of this Agreement.

19. SEVERABILITY. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable to any extent, the remainder of this Agreement or such provision or the application of such provision to such party or circumstances, other than those determined to be so invalid, illegal or unenforceable, shall remain in full force and effect to the fullest extent permitted by law and shall not be affected by such determination, unless such a construction would be unreasonable.

20. SETOFF. If, at the time HHGI is required to make any payment to TMP under this Agreement, TMP owes HHGI any amount under this Agreement or any Ancillary Agreement (as such term is defined in the Distribution Agreement), then such amounts shall be offset and the excess shall be paid by the party liable for such excess. Similarly, if at the time TMP is required to make any payment to HHGI under this Agreement, HHGI owes TMP any amount under this Agreement or any Ancillary Agreement (as such term is defined in the Distribution Agreement), then such amounts shall be offset and the excess shall be paid by the party liable for such excess.

21. FURTHER ASSURANCES. In addition to the actions specifically provided for elsewhere in this Agreement, TMP and HHGI shall use reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements or otherwise to consummate and make effective their obligations under this Agreement, including, but not limited to, using its reasonable efforts to obtain any consents and approvals and to make any filings and applications necessary or desirable in order to carry out their obligations under this Agreement; provided that no party hereto shall be obligated to pay any consideration therefor (except for filing fees and other similar charges) to any third party from whom such consents or approvals are requested or to take any action or omit to take any action if the taking of or the omission to take such action would be unreasonably burdensome to the party, its Group or its Group's business.

22. AUTHORIZATION, ETC. Each of the parties hereto hereby represents and warrants that it has the power and authority to execute, deliver and

perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such party, that this Agreement constitutes a legal, valid and binding obligation of each such party, and that the execution, delivery and performance of this Agreement by such party does not contravene or conflict with any provision or law or of its charter or bylaws or any agreement, instrument or order binding on such party.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first written above.

TMP on its own behalf and on behalf of  
the members of the TMP Group.

By: /s/ Andrew J. McKelvey  
-----  
Name: Andrew J. McKelvey  
Title: Chairman and CEO

HHGI on its own behalf and on behalf of  
the members of the HHGI Group.

By: /s/ Jon F. Chait  
-----  
Name: Jon F. Chait  
Title: Chairman, President and CEO

## LOAN AGREEMENT

LOAN AGREEMENT, dated as of March 31, 2003, between HUDSON HIGHLAND GROUP, INC., a Delaware corporation having its principal office at 622 Third Avenue, New York, New York 10017 (the "Borrower"), and TMP WORLDWIDE INC., a Delaware corporation having its principal office at 622 Third Avenue, New York, New York 10017 (the "Lender").

### R E C I T A L S :

The Borrower desires the Lender, and the Lender is willing, subject to and upon the terms and conditions set forth in this Agreement and in the "Financing Agreements" (as hereinafter defined), to make cash advances to the Borrower from the date hereof through the Maturity Date ( as hereinafter defined) in the aggregate principal sum not in excess of \$15,000,000 at any one time outstanding, which advances shall be due and payable in full on the Maturity Date.

NOW, THEREFORE, IT IS AGREED:

#### SECTION 1. DEFINITIONS AND ACCOUNTING TERMS.

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings, unless the context otherwise requires:

"Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") when used with respect to any specified Person, shall mean the power to direct or cause the direction of the actions, management or policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise and whether or not such power is actually exercised.

"Agreement" shall mean this Loan Agreement, as amended, modified or supplemented from time to time in accordance with its terms.

"Availability" shall mean \$15,000,000.

"Business Day" shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required to close under the laws of the State of New York, and (ii) when used with respect to any LIBOR Loan, such definition shall also exclude any day on which commercial banks in London are not open for dealing in Dollar deposits in the London Interbank Market.

"Default Rate" shall mean the Prime Rate plus 4.0%.

"Dollars" and the symbol "\$" shall mean lawful currency of the United States of America.

"Financing Agreements" shall mean the following agreements and instruments (as such agreements and instruments may be hereafter amended, modified or supplemented in accordance with their respective terms): (i) the Note and (ii) any other supplementary agreements or instruments now or hereafter delivered to the Lender by the Borrower in connection with the Loans, including without limitation, the Security Agreement.

"GAAP" shall mean U.S. generally accepted accounting principles applied on a consistent basis.

"Loans" shall have the meaning set forth in Section 2.1 hereof.

"Maturity Date" shall mean the date that is the earlier of (i) six months from the date hereof or (ii) 90 days from the date on which the Borrower or any combination of the Borrower's Subsidiaries closes on a credit agreement or credit agreements with a third party or third parties which provides for a total borrowing capacity with such third party or third parties of \$15,000,000 or more, provided, however, that such date shall be accelerated to the date within such 90 day period that the borrowing capacity under such agreement or agreements is actually available.

"Note" shall have the meaning set forth in Section 2.1 hereof.

"Obligations" shall mean all obligations, liabilities and indebtedness of the Borrower to the Lender under this Agreement and the Financing Agreements, whether now existing or hereafter created, direct or indirect, due or not, including, without limitation, all obligations, liabilities and indebtedness of

the Borrower with respect to the Loans and all fees, costs, expenses and indemnity obligations hereunder or thereunder.

"Person" shall mean an individual, partnership, joint venture, firm, corporation, trust, or other business or legal entity.

"Prime Rate" shall mean the rate of interest announced from time to time by Citibank, NA in New York City as its prime rate of interest.

"Security Agreement" shall mean that certain security agreement, dated as of the date hereof, by and among the Borrower, its Subsidiaries and the Lender.

"Subsidiary" shall mean a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by the Borrower.

## SECTION 2. FINANCING.

### 2.1 Loans.

2.1.1 Subject to the terms and conditions set forth in this Agreement, at the Borrower's request the Lender shall make cash advances (each a "Loan" and collectively the "Loans") to the Borrower at any time and from time to time from the date hereof to, but not including, the Maturity Date. Following the Maturity Date, the Borrower shall have no right to request any Loans.

2.1.2 The Borrower may repay any Loans on any Business Day provided each repayment shall be in the minimum principal sum of \$250,000 or in integral multiples of \$250,000 in excess thereof. The Borrower shall be entitled to borrow or re-borrow Loans on any Business Day provided that each of the Loans shall be in the minimum principal sum of \$250,000 or in integral multiples of \$250,000 in excess thereof.

2.1.3 Concurrently with the execution and delivery of this Agreement, the Borrower shall evidence its obligation to pay the principal of and interest on the Loans by executing and delivering to the Lender a promissory note in the principal sum of \$15,000,000 in the form annexed hereto as Exhibit A (the "Note").

2.1.4 The Borrower shall give the Lender notice of each proposed borrowing of Loans, not later than 11:00 a.m., New York City time, on the Business Day of such proposed borrowing. The notice of borrowing shall be given by telephone to Jim Fawcett at (212) 351-7146 and in writing whereby each such borrowing notice shall specify (i) the date of such borrowing (which shall be a Business Day), (ii) the amount thereof (which shall be in accordance with the provisions of this Agreement), and (iii) shall otherwise be in the form of Exhibit B hereto (the "Borrowing Notice"). Each Borrowing Notice shall be effective upon receipt and shall irrevocably commit the Borrower to borrow in accordance with the terms of this Agreement. The Borrower shall give the Lender notice of each repayment not later than 11:00 a.m., New York City time, on the Business Day of such proposed repayment by telephone to Jim Fawcett at (212) 351-7146 and by email to jim.fawcett@tmp.com and dave.trapani@tmp.com specifying the repayment amount thereof (which shall be in accordance with the provisions of this Agreement). All repayments shall be made in immediately available Dollars transferred for good value on the notified repayment date to the following Lender bank account or to such other account as the Lender may specify from time to time in writing: Fifth Third Bank, 38 Fountain Square Plaza, Cincinnati, OH 45263, ABA Number: 042000314, Account Name: TMP Worldwide Inc., Account Number: 99939084.

2.1.5 In no event shall the aggregate principal balance of the Loans at any time outstanding exceed Availability. If, at any time, the aggregate principal balance of the Loans then outstanding shall exceed Availability, the Borrower shall immediately make a prepayment on the Loans in an amount equal to such excess.

2.2 Term Out of Principal. The principal sum of the Loans outstanding on the Maturity Date shall be paid in one installment on the Maturity Date.

2.3 Interest Rate and Other Charges.



2.3.1 Prime Rate. Except as otherwise expressly provided in this Section 2.3, the Borrower shall pay interest to the Lender on the outstanding and unpaid principal amount of the Loans at a rate per annum equal to the Prime Rate.

2.3.2 Calculation of Interest; Payment. Interest on the Loans shall be calculated on the basis of the actual number of days elapsed in a 360-day year. Interest shall be due and payable monthly in arrears on the 15th day of each month, however, if the 15th day of the month is not a Business Day interest shall be due on the immediately following Business Day. By way of example interest for the period May 1, 2003 through and including May 31, 2003 shall be payable on June 16, 2003. Interest payments shall be made in immediately available Dollars transferred to the following Lender bank account or to such other account as the Lender may specify from time to time in writing: Fifth Third Bank, 38 Fountain Square Plaza, Cincinnati, OH 45263, ABA Number: 042000314, Account Name: TMP Worldwide Inc., Account Number: 99939084.

2.3.3 Overdue Payments. If any payment of principal (whether due at maturity, upon acceleration or otherwise), interest or other fees or charges payable by the Borrower hereunder or under any of the Financing Agreements shall not be paid when due, the Borrower shall pay interest on the overdue payment for the period for which overdue, on demand, at the Default Rate, but in no event in excess of the maximum rate permitted by applicable law.

### SECTION 3. CONDITIONS PRECEDENT.

3.1 Conditions to Making the Initial Loan. The obligation of the Lender to make the initial Loan is subject to the conditions precedent that:

3.1.1 Financing Agreements. The Borrower shall have executed and delivered to the Lender this Agreement and the other the Financing Agreements to be executed by it, and all other agreements, instruments and documents required or contemplated by this Agreement and the Financing Agreements.

3.1.2 Evidence of Borrower Corporate Actions. The Lender shall have received copies of all corporate action taken by the Borrower to authorize the execution, delivery and performance of this Agreement and the Financing Agreements to be executed by it. All of the foregoing documents shall be certified by the Borrower's Secretary in a Secretary's Certificate dated as of even date herewith.

3.1.3 Cash on Hand. The Borrower and its Subsidiaries shall, on a consolidated basis, as shown on a consolidated balance sheet prepared by Borrower and certified by the Borrower's Chief Financial Officer (or functional equivalent) to be in accordance with GAAP as of a date within five days of the date that the Borrower has requested a Loan have cash and cash equivalents of no more than \$10 million.

3.2 Additional Preconditions. As of the date of the making of any of the Loans to the Borrower, as a condition to the making of any such Loans:

3.2.1 Representations and Warranties. All representations and warranties contained in this Agreement or otherwise made to the Borrower pursuant to this Agreement or any of the Financing Agreements shall be true, complete and correct in all material respects.

3.2.2 Event of Default. There shall exist no Event of Default (or any event which with the giving of notice or the passage of time, or both, would constitute an Event of Default).

3.2.3 Cash on Hand. The Borrower and its Subsidiaries shall, on a consolidated basis, as shown on a consolidated balance sheet prepared by Borrower and certified by the Borrower's Chief Financial Officer (or functional equivalent) to be in accordance with GAAP as of the month end immediately prior to the month in which the Borrower has requested a Loan have cash and cash equivalents of no more than \$10 million.

#### SECTION 4. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender to enter into this Agreement and to make the Loans hereunder, the Borrower represents and warrants to the Lender as follows:

##### 4.1 Organization.

The Borrower and each Subsidiary is a duly organized and validly existing corporation in good standing under the laws of its jurisdiction of incorporation with perpetual corporate existence and has all requisite right, power and authority and all necessary licenses and permits to own and operate its assets and properties and to carry on its business as now conducted and as presently proposed to be conducted. The Borrower and each Subsidiary has qualified and is in good standing as a foreign corporation in each state or other jurisdiction where the nature of its business or the ownership or use of its property requires such qualification, except such jurisdictions, if any, in which the failure to be so qualified will not have a material and adverse effect on either the conduct of its business or the ownership of its properties.

##### 4.2 Authorization.

The Borrower has all requisite legal right, power and authority to execute, deliver and perform the terms and provisions of this Agreement, the Financing Agreements executed by it and all other instruments and documents delivered by it pursuant hereto and thereto. The Borrower has taken or caused to be taken all necessary action to authorize the execution, delivery and performance of this Agreement, the Financing Agreements executed by it and any other related agreements, instruments or documents delivered or to be delivered by the Borrower pursuant hereto and thereto. This Agreement, the Financing Agreements executed by the Borrower and all related agreements, instruments or documents delivered or to be delivered pursuant hereto or thereto constitute and will constitute legal, valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally, and to the exercise of judicial discretion in accordance with general principles of equity.

4.3 No Conflicts. Neither the execution and delivery of this Agreement, the Financing Agreements, or any of the instruments and documents delivered or to be delivered pursuant hereto or thereto, by the Borrower, nor the consummation of the transactions herein or therein contemplated, nor compliance with the provisions hereof or thereof, will violate any law, statute or regulation, or any order, writ or decree of any court or governmental instrumentality, or will conflict with, or result in the breach of, or constitute a default in any respect under, any indenture, mortgage, deed of trust, agreement or other instrument to which the Borrower is a party, or by which any of its properties may be bound or affected, or will result in the creation or imposition of any lien, charge or encumbrance upon any of its properties (except as contemplated hereunder or under the Financing Agreements) or will violate any provision of the Certificate of Incorporation or By-Laws of the Borrower, each as amended to date.

#### SECTION 5. AFFIRMATIVE COVENANTS.

The Borrower covenants and agrees that, until all of the Obligations are paid and satisfied in full, it shall comply, or cause compliance with, the following covenants:

5.1 Notification to Lender. The Borrower shall promptly notify the Lender of (i) any Event of Default hereunder, (ii) any event, condition or act which with the giving of notice or the passage of time, or both, would constitute an Event of Default hereunder, (iii) any material litigation or proceedings that are instituted or threatened (to the knowledge of the Borrower) against the Borrower or any Subsidiary or any of their respective assets, and (iv) each and every default by the Borrower or any Subsidiary under any obligation for borrowed money which would permit the holder of such obligation to accelerate its maturity, including the names and addresses of the holders of such obligation and the amount thereof, in each case describing the nature thereof and the action the Borrower proposes to take with respect thereto.

5.2 Further Assurances. The Borrower shall duly execute and deliver, or will cause to be duly executed and delivered, such further instruments and documents, and will do or use its best efforts to cause to be done such further acts as may be necessary or proper in the Lender's opinion to effectuate the provisions or purposes of this Agreement and the Financing Agreements.

#### SECTION 6. EVENTS OF DEFAULT/REMEDIES.

6.1 Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default":

6.1.1 The Borrower shall fail to pay the principal of, or interest on, the Note, or any other fee or charge payable under this Agreement or under any Financing Agreement, as and when due and payable.

6.1.2 If a default shall be made by the Borrower in the performance or observance of, or shall occur under, any covenant, agreement or provision contained in this Agreement (other than as described in Section 6.1.1 above) or any other agreement between the Lender and the Borrower; or if this Agreement or any Financing Agreements shall terminate, be

terminable or be terminated or become void or unenforceable for any reason whatsoever without the prior written consent of the Lender.

## 6.2 Remedies.

(a) Upon the occurrence of any one or more of such Events of Default, the Lender may, at its option, without presentment for payment, demand, notice of dishonor or notice of protest or any other notice, all of which are hereby expressly waived by the Borrower, declare the Loans to be due and payable together with interest at the Default Rate. The Lender shall have all of the rights and remedies set forth in this Agreement and the Financing Agreements, and in any instrument or document referred to herein or therein, and under any other applicable law relating to this Agreement or the Financing Agreements. At any time during the existence of an Event of Default, Lender will also have the immediate right to enforce and realize upon a collateral security granted under any Financing Agreements in any manner or order that Lender deems expedient without regard to any equitable principles of marshalling or otherwise. Notwithstanding the foregoing, the Borrower shall have a fifteen (15) day period, commencing with notice to the Lender as specified in Section 5.1, to cure the Event of Default .

(b) Other Remedies. In addition to the rights and remedies expressly granted in the Financing Agreements, Lender also will have all other legal and equitable rights and remedies granted by or available under all applicable law, and all rights and remedies will be cumulative in nature.

## SECTION 7. MISCELLANEOUS.

7.1 Survival of Agreement. All agreements, representations and warranties contained herein or made in writing by the parties hereto in connection with the transactions contemplated hereby shall survive the execution and delivery of this Agreement, the Financing Agreements and the consummation of the transactions contemplated herein or therein regardless of any investigation made by or on behalf of the Lender.

7.2 No Waiver; Cumulative Remedies. No failure to exercise, and no delay in exercising on the part of the Lender, any right, power or privilege under this Agreement or under any of the Financing Agreements or other documents referred to herein or therein shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power and privilege. The rights and remedies of the Lender hereunder and under the Financing Agreements and under any other present and future agreements between the Lender and the Borrower are cumulative and not exclusive of any rights or remedies provided by law, or under any of said Financing Agreements or agreements and all such rights and remedies may be exercised successively or concurrently.

## 7.3 Notices and Deliveries.

7.3.1 Manner of Delivery. Except as otherwise expressly provided in this Agreement, all notices, communications and materials to be given or delivered pursuant to this Agreement or any of the Financing Agreements shall be given or delivered in writing (which shall include telex and telecopy transmissions).

7.3.2 Addresses. All notices, communications and materials to be given or delivered pursuant to this Agreement or any of the Financing Agreements shall be given or delivered at the following respective addresses and telex, telecopier and telephone numbers and to the attention of the following individuals or departments:

(i) if to the Borrower, to it at:  
622 Third Avenue  
New York, New York, 10017  
Telecopier No.: (917) 256-8403  
Attention: Richard W. Pehlke

(ii) if to the Lender, to it at:  
622 Third Avenue  
New York, New York 10017  
Telecopier No.: 917-256-8526  
Attention: Myron Olesnycky, General Counsel

or at such other address or telecopier number or to the attention of such other individual or department as the party to which such information pertains may hereafter specify for the purpose in a notice to the other specifically captioned "Notice of Change of Address".

7.3.3 Effectiveness. Each notice and communication and any material to be given or delivered pursuant to this Agreement or any of the Financing Agreements shall be deemed so given or delivered (i) if sent by a nationally recognized overnight courier service, on the next Business Day after such notice, communication or material, addressed as above provided, is delivered to such courier service, (ii) if sent by any other means of physical delivery, when such notice, communication or material is delivered to the appropriate address as above provided, and (iii) if sent by telecopier, when such notice, communication or material is transmitted to the appropriate telecopier number as above provided and is received at such number, provided however, that in each of the foregoing cases notices of change of address or telecopier number shall not be deemed given until received.

7.4 Amendments and Waivers. Neither this Agreement, nor any of the Financing Agreements or any other instrument or document referred to herein or therein may be changed, waived, discharged or terminated orally, except by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

7.5 Applicable Law. This Agreement and the Financing Agreements and any other document referred to herein or therein and the obligations of the parties hereunder or thereunder are being executed and delivered in New York, New York and shall be construed and interpreted in accordance with the laws of the State of New York applied to agreements entered into and performed therein.

7.6 Successors. This Agreement, the Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by the parties and their respective heirs, successors and assigns, except that the Borrower may

not assign its rights under this Agreement, the Financing Agreements and any other document referred to herein or therein without the prior written consent of the Lender.

7.7 Partial Invalidity. If any provision of this Agreement or the Financing Agreements is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement or the Financing Agreements as a whole but this Agreement or the particular Financing Agreement, as the case may be, shall be construed as though it did not contain the particular provision or provisions held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by law.

7.8 Headings and Word Meanings. The headings used herein are for convenience only and do not constitute matters to be considered in interpreting this Agreement. The words "herein," "hereinabove," "hereof," and "hereunder," when used anywhere in this Agreement, refer to this Agreement as a whole and not merely to a subdivision in which such words appear, unless the context otherwise requires. The singular shall include the plural, the masculine gender shall include the feminine and neuter and the disjunctive shall include the conjunctive, and vice versa, unless the context otherwise requires.

7.9 WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY LITIGATION IN ANY COURT WITH RESPECT TO, IN CONNECTION WITH, OR ARISING OUT OF THIS AGREEMENT, THE FINANCING AGREEMENTS OR ANY AGREEMENT, INSTRUMENT OR DOCUMENT DELIVERED PURSUANT HERETO OR THERETO, OR THE VALIDITY, PROTECTION, INTERPRETATION, ADMINISTRATION, COLLECTION OR ENFORCEMENT HEREOF OR THEREOF, OR ANY OTHER CLAIM OR DISPUTE HEREUNDER OR THEREUNDER.

7.10 JURISDICTION; SERVICE OF PROCESS. THE BORROWER HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK FOR THE COUNTY OF NEW YORK, AND THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE FINANCING AGREEMENTS OR ANY AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED PURSUANT HERETO OR THERETO.

7.11 Indemnity. The Borrower hereby agrees to defend, indemnify, and hold the Lender harmless from and against any and all claims, damages, investigations, judgments, penalties, costs and expenses (including attorney fees and court costs now or hereafter arising from the aforesaid enforcement of this clause) arising directly or indirectly from the Borrower, its Subsidiaries, their respective predecessors in interest, or third parties with whom either has a contractual relationship use of the proceeds of the Loans, or arising directly or indirectly from the violation of any environmental protection, health, or safety law, whether such claims are asserted by any governmental agency or any other Person. This indemnity shall survive termination of this Agreement.

7.12 Marshalling; Recourse to Security; Payments Set Aside. The Lender shall not be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations of the Borrower to the Lender hereunder or under the Financing Agreements or otherwise. Recourse to security shall not be required at any time. To the extent that the Borrower makes a payment or payments to the Lender, or the Lender exercises its rights of set-off, and such payment or payments or the proceeds of such set-off or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such set-off had not occurred.

7.13 Set-off. In addition to any rights and remedies of the Lender now or hereafter provided by law, the Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, on the occurrence and during the continuation of any Event of Default to set off and apply against any Obligation, whether matured or immature, of the Borrower any amount owing from the Lender to the Borrower, at or at any time after the happening of any such Event of Default, and such right of set-off may be exercised by the Lender against the Borrower or against any trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of any of them, notwithstanding the fact that such right of set-off shall not have been exercised by the Lender before the making, filing or issuance, or service on the Lender, of, or of notice of, any such event or proceeding.

7.14 Counterparts; Facsimile Signature. This Agreement may be executed in counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto shall be delivered to the Lender. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed signature page hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered as of the day and year first above written.

TMP WORLDWIDE INC.

By: /s/ Andrew J. McKelvey

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Name: Andrew J. McKelvey

Title: Chairman and CEO

HUDSON HIGHLAND GROUP, INC.

By: /s/ Jon F. Chait

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Name: Jon F. Chait

Title: Chairman, President and CEO



## SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, HUDSON HIGHLAND GROUP, INC., a Delaware corporation (the "Borrower"), PROMISES TO PAY to the order of TMP WORLDWIDE INC., a Delaware corporation (the "Lender") at its office at 622 Third Avenue, New York, New York 10017, or at such other place as may be designated by the holder hereof in writing, the principal sum of FIFTEEN MILLION (\$15,000,000.00) DOLLARS or, if less, the aggregate unpaid principal sum of all Loans made by the Lender to the Borrower from time to time pursuant to a loan agreement, dated the date hereof, between the Borrower and the Lender (the "Loan Agreement"), in one installment on the earlier of (i) six months from the date hereof or (ii) 90 days from the date on which the Borrower or any combination of the Borrower's Subsidiaries closes on a credit agreement or credit agreements with a third party or third parties which provides for a total borrowing capacity with such third party or third parties of \$15,000,000 or more, provided, however, that such date shall be accelerated to the date within such 90 day period that the borrowing capacity under such agreement or agreements is actually available.

Interest on the Loans shall be payable at the times provided in the Loan.

All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement, dated March 31, 2003, by and between the Borrower and the Lender (the "Loan Agreement"). This Note is the Note referred to in, and is entitled to the benefits of, the Loan Agreement and is secured by a security interest in the collateral described in the Security Agreement delivered in connection with the Loan Agreement. Further, this Note and the holder hereof are entitled to all of the benefits and security provided by or referred to in the Security Agreement. The Loan Agreement, among other things, contains provisions for acceleration of the maturity of this Note upon the happening of certain stated events that are specified in the Loan Agreement.

The Borrower hereby waives presentment, demand for payment, notice of protest and all other demands in connection with the delivery, acceptance, performance, default or enforcement of this Note.

This Note shall be governed by the laws of the State of New York without giving effect to its choice of law provisions. No amendment, modification or waiver of any provision of this Note nor consent to any departure by the Borrower therefrom shall be effective unless the same shall be in writing and signed by the Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

HUDSON HIGHLAND GROUP, INC.

By: \_\_\_\_\_  
Name: Jon F. Chait  
Title: Chairman, President and Chief  
Executive Officer

Dated: March \_\_\_\_, 2003  
New York, New York

NOTICE OF BORROWING

\_\_\_\_\_, 2003

TMP WORLDWIDE INC.  
622 Third Avenue, 38th Floor  
New York, New York 10017  
Attention: Jim Fawcett  
Facsimile: (917) 256-8506/8501

1. (a) HUDSON HIGHLAND GROUP, INC. (the "Company") pursuant to the Loan Agreement dated as of March [\_\_], 2003, hereby requests TMP Worldwide Inc. ("TMP") to make a Loan on the following terms:

=====	=====
Principal Amount of Loan:	\$
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Date of Loan:

=====	=====
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(b) The Company requests TMP to apply the proceeds of the Loan as follows:

=====	=====
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Transfer to financial  
Institution and account shown below:  
Financial Institution:  
Account No.:

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Total (same as principal Amount of the Loan):	\$
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Total Loans Outstanding (after making of the above requested loan):	\$
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=====	=====
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2. Capitalized terms used in this Notice shall have the meanings set forth in the Loan Agreement.

3. The Company hereby represents, warrants and covenants to the Lender that all conditions precedent to the making of a Loan under the Loan Agreement have been satisfied.

HUDSON HIGHLAND GROUP, INC.

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

May 15, 2003

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

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Hudson Highland Group, Inc. for the periods ended March 31, 2003 and 2002, as indicated in our report dated May 15, 2003; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, is incorporated by reference in the Registration Statements of Hudson Highland Group, Inc. on Forms S-8, numbers 333-104209, 333-104210 and 333-104212.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

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

Written Statement of the Chairman, President 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, President 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 March 31, 2003 (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

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Jon F. Chait

May 15, 2003

A signed original of this written statement required by Section 906 has been provided to Hudson Highland Group, Inc. and will be retained by Hudson Highland Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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 March 31, 2003 (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

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Richard W. Pehlke

May 15, 2003

A signed original of this written statement required by Section 906 has been provided to Hudson Highland Group, Inc. and will be retained by Hudson Highland Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.