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

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**FORM 8-K**

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**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 1, 2006**

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**Hudson Highland Group, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-50129**  
(Commission File Number)

**59-3547281**  
(IRS Employer  
Identification No.)

**622 Third Avenue, New York, New York 10017**  
(Address of principal executive offices, including zip code)

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

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On October 2, 2006, the Company entered into an agreement to amend its Amended and Restated Loan and Security Agreement (the "Amendment") with Wells Fargo Foothill, Inc., as agents, and certain lenders (the "Foothill Credit Facility"). The Amendment amends and changes the definition of Adjusted EBITDA in the Foothill Credit Facility. A copy of the Agreement is filed herewith as Exhibit 4.1 and incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

Effective as of October 1, 2006, Hudson Highland Group, Inc. (the "Company") completed the sale (the "Sale") of its Highland Partners executive search business ("Highland") pursuant to a Purchase Agreement (the "Agreement"), dated September 18, 2006, among the Company, Hudson Highland Group, Inc., Highland Partners Co (Canada), Highland Partners (Aust) Pty Ltd, and Highland Partners Limited, and Heidrick & Struggles International, Inc., Heidrick & Struggles Canada, Inc., and Heidrick & Struggles Australia, Ltd. (collectively, "Heidrick"). At the closing of the Sale, the Company received from Heidrick \$36.6 million in cash, subject to a post-closing net working capital adjustment, of which the Company is paying \$9.55 million to certain partners of Highland in consideration for providing assistance in completing the Sale, entering into an employment agreement with Heidrick and providing the Company a general release from liability, resulting in net proceeds at closing of \$27.1 million. The net proceeds from the Sale including other estimated payments and costs are approximately \$20 million. The Agreement provides for contingent payments by Heidrick to the Company of up to \$15.0 million subject to the achievement by Highland of certain future revenue metrics in 2007 and 2008.

The Agreement contains customary indemnification obligations of the Company and generally provides that the Company will retain pre-closing liabilities of Highland other than those reflected on Highland's transferring balance sheet and contractual obligations. Copies of the Agreement and a press release the Company issued on October 2, 2006, announcing the completion of the Sale are filed herewith as Exhibits 10.1 and 99.1, respectively, and are incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable.

(b) Pro forma financial information.

The pro forma financial information required to be filed pursuant to Item 9.01(b) of Form 8-K is attached hereto as Exhibit 99.2 and incorporated herein by reference.

(c) Not applicable.

(d) Exhibits. The following exhibits are being filed herewith:

- 4.1 Amendment Number 10 to Amended and Restated Loan Security Agreement, dated as of October 2, 2006, among Hudson Highland Group, Inc., the Borrowers (as defined therein), Wells Fargo Foothill, Inc. and the Lenders (as defined therein).
- 10.1 Purchase Agreement, dated as of September 18, 2006, among Hudson Highland Group, Inc., Highland Partners Co (Canada), Highland Partners (Aust) Pty Ltd, and Highland Partners Limited, and Heidrick & Struggles International, Inc., Heidrick & Struggles Canada, Inc., and Heidrick & Struggles Australia, Ltd. [The schedules and exhibits to this document are not being filed herewith. Hudson Highland Group, Inc. agrees to furnish supplementally a copy of any such schedule or exhibit to the Securities and Exchange Commission upon request.] (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Form 8-K dated September 19, 2006 (file No. 0-50129))
- 99.1 Press Release of Hudson Highland Group, Inc. issued on October 2, 2006.
- 99.2 Unaudited pro forma financial information of Hudson Highland Group, Inc.

SIGNATURES

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

HUDSON HIGHLAND GROUP, INC.

Date: October 3, 2006

By: /s/ RALPH L. O'HARA

Ralph L. O'Hara

Vice President, Global Controller

**HUDSON HIGHLAND GROUP, INC.**  
**Exhibit Index to Current Report on Form 8-K**

**Exhibit  
Number**

- 4.1 Amendment Number 10 to Amended and Restated Loan Security Agreement, dated as of October 2, 2006, among Hudson Highland Group, Inc., the Borrowers (as defined therein), Wells Fargo Foothill, Inc. and the Lenders (as defined therein).
- 10.1 Purchase Agreement, dated as of September 18, 2006, among Hudson Highland Group, Inc., Highland Partners Co (Canada), Highland Partners (Aust) Pty Ltd, and Highland Partners Limited, and Heidrick & Struggles International, Inc., Heidrick & Struggles Canada, Inc., and Heidrick & Struggles Australia, Ltd. [The schedules and exhibits to this document are not being filed herewith. Hudson Highland Group, Inc. agrees to furnish supplementally a copy of any such schedule or exhibit to the Securities and Exchange Commission upon request.] (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Form 8-K dated September 19, 2006 (file No. 0-50129))
- 99.1 Press Release of Hudson Highland Group, Inc. issued on October 2, 2006.
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**AMENDMENT NUMBER 10 TO  
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

**THIS AMENDMENT NUMBER 10 TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT** (this "Amendment"), dated as of October 2, 2006, is entered into by **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"), **WELLS FARGO FOOTHILL, INC.** (formerly known as FOOTHILL CAPITAL CORPORATION), a California corporation, as the arranger and administrative agent for the Lenders ("Agent"), and the lenders identified on the signature pages hereof (such lenders, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), in light of the following:

**WITNESSETH**

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

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

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

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

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

**2. AMENDMENTS TO LOAN AGREEMENT.** Section 1.1 of the Loan Agreement is hereby amended by amending and restating the following definition in its entirety:

"Adjusted EBITDA" means, with respect to any fiscal period, Parent's and its Subsidiaries' consolidated net earnings (or loss), minus extraordinary gains, plus (a) interest expense, (b) income taxes, (c) depreciation, (d) amortization, (e) write-offs of goodwill taken in accordance with accounting principles for such period, as determined in accordance with GAAP, (f) for the fiscal quarter ending March 31, 2006, \$2,223,000, (g) for the fiscal quarter ending June 30, 2006, \$1,566,000, and (h) (i) interest expense, (ii) income taxes, (iii) depreciation and amortization, (iv) non-operating (income) expenses, and (v) restructuring charges, in each case (x) attributable to discontinued operations arising from the sale by Hudson Highland Group, Inc.

and certain of its Subsidiaries of their business of retained executive search and placement, and (y) expensed, for purposes of calculating Adjusted EBITDA, in the month such expense was originally incurred.

3. **AMENDMENT FEE.** In consideration of the amendment hereunder, on the date hereof, Borrower shall pay to Agent, for the ratable benefit of Lenders, an amendment fee in the amount of \$50,000 (the "Amendment Fee"). The Amendment Fee shall be fully earned upon the date hereof and shall not be subject to refund, rebate or proration for any reason whatsoever, and Agent shall charge the Amendment Fee to the Loan Account on the date hereof; provided, however, that Agent and Lenders agree that should Agent, Lenders and Borrowers consummate a restructuring of the loan facility evidenced by the Loan Agreement on or prior to December 31, 2006, any closing fees payable to Agent (for the ratable benefit of the Lenders) in connection therewith shall be reduced (not below zero) by the amount of the Amendment Fee.

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

- (a) The representations and warranties in the Loan Agreement and the other Loan Documents shall be true and correct in all respects on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date);
- (b) No Default or Event of Default shall have occurred and be continuing on the date hereof or as of the date of the effectiveness of this Amendment; and
- (c) Agent shall have received, in form and content satisfactory to Agent, a fully executed copy of this Amendment.

5. **CONSTRUCTION.** This Amendment shall be governed by, and construed in accordance with, the Law of the State of New York applicable to contracts made and to be performed in the State of New York.

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

7. **COUNTERPARTS; TELEFACSIMILE EXECUTION.** This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any

party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

**8. MISCELLANEOUS**

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

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

[SIGNATURE PAGES FOLLOW]



IN WITNESS WHEREOF, the parties have caused this Amendment No. 10 to be executed and delivered as of the date first written above.

**HUDSON HIGHLAND GROUP, INC.,**  
as Parent and a Borrower

By: /s/ ELAINE A. KLOSS  
Title: VP, Finance & Treasurer

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

By: /s/ ELAINE A. KLOSS  
Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS  
Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS  
Title: Authorized Signatory

**HUDSON GLOBAL RESOURCES LIMITED,**  
as a Borrower

By: /s/ ELAINE A. KLOSS  
Title: Authorized Signatory

**HIGHLAND PARTNERS LIMITED**, as a Borrower

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

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

By: /s/ ELAINE A. KLOSS

Title: Authorized Signatory

**WELLS FARGO FOOTHILL, INC.,**  
as Agent and as a Lender

By: /s/ VINCENT J. EGAN JR.

Title: Vice President

**THE CIT GROUP/BUSINESS CREDIT, INC.**  
as a Lender

By: /s/ JAY DANFORTH

Title: Vice President

**For Immediate Release**

Contact: David F. Kirby  
Hudson Highland Group  
212-351-7216  
[david.kirby@hhgroup.com](mailto:david.kirby@hhgroup.com)

**Hudson Highland Group Completes Sale of Highland Partners  
To Heidrick & Struggles**

**NEW YORK, NY – October 2, 2006** – Hudson Highland Group, Inc. (Nasdaq: HHGP) today announced that it has completed the sale of its Highland Partners executive search business to Heidrick & Struggles International, Inc. (Nasdaq: HSII). The company received \$36.6 million in cash at the closing, subject to a net working capital adjustment, of which the company is paying \$9.55 million to partners of the business. The company may receive payments from Heidrick of up to an additional \$15 million subject to the achievement of certain future revenue metrics by that business in 2007 and 2008, resulting in maximum potential gross proceeds of \$51.6 million.

Net proceeds at closing from the transaction approximated \$20 million, of which \$14 million was used to pay down a portion of outstanding debt. Both organizations signed a definitive purchase agreement on September 18, 2006.

“The opportunity and timing of this transaction were right for both Hudson and Highland Partners to move forward as successful but separate businesses,” said Jon Chait, chairman and chief executive officer of Hudson Highland Group. “Hudson will benefit from a tighter focus on its core service offerings in mid-level permanent recruitment, professional staffing and talent management solutions. Heidrick & Struggles’ strong global brand, platform and network of contacts provide Highland Partners with even greater resources and access to the highest executive-level talent.”

**Hudson Highland Group**

Hudson Highland Group, Inc. is a leading provider of management recruitment, contract professionals and talent management services worldwide. From single placements to total outsourced solutions, Hudson helps clients achieve greater organizational performance by assessing, recruiting, developing and engaging the best and brightest people for their businesses. The company employs more than 3,600 professionals serving clients and candidates in more than 20 countries. More information is available at [www.hhgroup.com](http://www.hhgroup.com).

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**Safe Harbor Statement**

This press release contains statements that 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 press release are forward-looking statements. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “predict,” “believe” and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to, risks and financial impact associated with the disposition of the Highland Partners business; the impact of global economic fluctuations on temporary contracting operations; the cyclical nature of the company’s executive search and mid-market professional staffing businesses; the company’s ability to manage its growth; risks associated with expansion; the company’s reliance on information systems and technology; competition; fluctuations in operating results; risks relating to foreign operations, including foreign currency fluctuations; dependence on highly skilled professionals and key management personnel; the impact of employees departing with existing executive search clients; risks maintaining professional reputation and brand name; restrictions imposed by blocking arrangements; exposure to employment-related claims, and limits on insurance coverage related thereto; government regulations; and restrictions on the company’s operating flexibility due to the terms of its credit facility. Additional information concerning these and other factors is contained in the company’s filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this press release. The company assumes no obligation, and expressly disclaims any obligation, to review or confirm analysts’ expectations or estimates or to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**HUDSON HIGHLAND GROUP, INC.**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited financial information filed herewith as Exhibit 99.2 is incorporated herein by reference and reflects the pro forma consolidated statements of operations of Hudson Highland Group, Inc. (the "Company") for the six months ended June 30, 2006 and the year ended December 31, 2005 and the pro forma consolidated balance sheet of the Company as of June 30, 2006 as a result of the sale (the "Sale") of the Company's Highland Partners executive search business ("Highland"). The unaudited pro forma consolidated statements of operations for the six months ended June 30, 2006 and the year ended December 31, 2005 give effect to the Sale as if it occurred on January 1, 2005. The unaudited pro forma consolidated balance sheet as of June 30, 2006 gives effect to the Sale as if it occurred on June 30, 2006. The pro forma information is based on the historical financial statements of the Company's Highland segment after giving effect to the Sale and are not necessarily indicative of the financial position or results of operations of the Company that would have actually occurred had the Sale occurred as of January 1, 2005 or June 30, 2006. The pro forma consolidated financial statements have been prepared based on preliminary estimates. The pro forma financial information should be read in conjunction with the Company's historical financial statements included in its Form 10-K for the year ended December 31, 2005 and Form 10-Q for the quarter ended June 30, 2006.

**HUDSON HIGHLAND GROUP, INC.**  
**PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share amounts)  
(Unaudited)

	For the Six Months Ended June 30, 2006		
	As Reported	Pro Forma Adjustments	Pro Forma Results
Revenue	\$ 708,536	\$ (30,734)	\$ 677,802
Direct costs	441,878	(1,817)	440,061
Gross margin	266,658	(28,917)	237,741
Operating expenses:			
Selling, general and administrative expenses	259,647	(25,976)	233,671
Depreciation and amortization	8,849	(636)	8,213
Business reorganization expenses	595	62	657
Merger and integration expenses	279	(207)	72
Operating loss	(2,712)	(2,160)	(4,872)
Other income (expense):			
Other, net	539	314	853
Interest, net	(1,208)	562	(646)
Loss from continuing operations before provision for income taxes	(3,381)	(1,284)	(4,665)
Provision for income taxes	4,099	(73)	4,026
Loss from continuing operations	<u>\$ (7,480)</u>	<u>\$ (1,211)</u>	<u>\$ (8,691)</u>
Basic and diluted (loss) per share:			
Loss from continuing operations	<u>\$ (0.31)</u>		<u>\$ (0.36)</u>
Basic and diluted weighted average shares outstanding:	<u>24,318,000</u>		<u>24,318,000</u>

The accompanying note is an integral part of this financial statement.

**HUDSON HIGHLAND GROUP, INC.**  
**PRO FORMA CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS**  
(in thousands, except share and per share amounts)  
(Unaudited)

	For the Year Ended December 31, 2005		
	As Reported	Pro Forma Adjustments	Pro Forma Results
Revenue	\$ 1,428,276	\$ (62,827)	\$ 1,365,449
Direct costs	891,345	(3,094)	888,251
Gross margin	536,931	(59,733)	477,198
Operating expenses:			
Selling, general and administrative expenses	511,653	(55,845)	455,808
Depreciation and amortization	18,412	(1,354)	17,058
Business reorganization expenses	233	278	511
Merger and integration (recoveries) expenses	(70)	—	(70)
Operating income	6,703	(2,812)	3,891
Other income (expense):			
Other, net	1,029	(1,801)	(772)
Interest, net	(1,852)	620	(1,232)
Income (loss) from continuing operations before provision for income taxes	5,880	(3,993)	1,887
Provision for income taxes	5,036	79	5,115
Income (loss) from continuing operations	<u>\$ 844</u>	<u>\$ (4,072)</u>	<u>\$ (3,228)</u>
Basic and diluted (loss) per share:			
Income (loss) from continuing operations	<u>\$ 0.04</u>		<u>\$ (0.14)</u>
Weighted average shares outstanding:			
Basic	22,295,000		22,295,000
Diluted	23,674,000		22,295,000

The accompanying note is an integral part of this financial statement.



**HUDSON HIGHLAND GROUP, INC.**  
**PRO FORMA CONSOLIDATED CONDENSED BALANCE SHEETS**  
(in thousands)  
(unaudited)

	As of June 30, 2006		
	As Reported	Pro Forma Adjustments	Pro Forma Results
<b>ASSETS</b>			
Current assets:			
Cash	\$ 32,310	\$ 6,400	\$ 38,710
Accounts receivable, net	241,125	(8,223)	232,902
Prepaid and other	11,104	(783)	10,321
Total current assets	284,539	(2,606)	281,933
Intangibles, net	37,208	(28)	37,180
Property and equipment, net	28,541	(933)	27,608
Other assets	4,767	(281)	4,486
Total assets	<u>\$ 355,055</u>	<u>\$ (3,848)</u>	<u>\$351,207</u>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 30,911	\$ (587)	\$ 30,324
Accrued expenses and other current liabilities	136,355	(10,183)	126,172
Credit facility and current portion of long-term debt	36,575	(14,000)	22,575
Accrued business reorganization expenses	3,844	—	3,844
Accrued merger and integration expenses	930	—	930
Total current liabilities	208,615	(24,770)	183,845
Other non-current liabilities	5,999	—	5,999
Accrued business reorganization expenses, non-current	3,262	—	3,262
Accrued merger and integration expenses, non-current	1,663	—	1,663
Long-term debt, less current portion	351	—	351
Total liabilities	219,890	(24,770)	195,120
Total stockholders equity	135,165	20,922	156,087
	<u>\$ 355,055</u>	<u>\$ (3,848)</u>	<u>\$351,207</u>

The accompanying note is an integral part of this financial statement.

**HUDSON HIGHLAND GROUP, INC.**  
**NOTE TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. Pro Forma Adjustments**

The accompanying pro forma consolidated financial statements give effect to the following pro forma adjustments necessary to reflect the disposition and discontinuation of operations of the Highland segment as outlined in the proceeding introduction as if the disposition occurred on January 1, 2005 in the pro forma consolidated statements of operations and on June 30, 2006 in the pro forma consolidated balance sheet.

- (A) Reduction of revenue and expenses are the result of the disposition of Highland. Additional reductions in interest expense of \$300 and \$660 for the periods ended June 30, 2006 and December 31, 2005, respectively, are from a reduction in the credit facility debt from the sale proceeds, net of estimated direct expenses. These amounts do not consider an allocation of corporate overhead to the companies that are to be divested, and therefore, selling general and administrative expenses do not reflect any potential reductions in corporate costs in response to this change in the Company.
- (B) Reduction of assets and liabilities are as a result of the disposition of Highland and the estimated increase in cash of \$6.4 million and reduction of the credit facility debt (\$14.0 million, minimum agreed upon reduction per a waiver with Wells Fargo Foothill) from the proceeds (\$36.6 million), less certain payments to partners of Highland (\$9.55 million) and other estimated payments and costs related to the disposition (\$6.65 million).