

HUDSON HIGHLAND GROUP INC
Form DEF 14A
March 21, 2008
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SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Hudson Highland Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
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HUDSON HIGHLAND GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 24, 2008

TO THE STOCKHOLDERS OF HUDSON HIGHLAND GROUP, INC.:

We are providing notice that the annual meeting of stockholders of Hudson Highland Group, Inc. will be held on Thursday, April 24, 2008, at 8:00 A.M., local time, at the Hudson Highland Group, Inc. Corporate Headquarters, 560 Lexington Avenue (Lexington Avenue and 50th Street), 5th Floor, New York, New York 10022, for the following purposes:

1. To elect two directors to hold office until the 2011 annual meeting of stockholders and until their successors are duly elected and qualified.
2. To ratify the appointment of KPMG LLP as independent registered public accounting firm to audit Hudson Highland Group, Inc.'s financial statements for the fiscal year ending December 31, 2008.
3. To consider and act upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on March 3, 2008 will be entitled to vote at the annual meeting and any adjournment or postponement of the meeting.

We are enclosing a proxy for the annual meeting and a proxy statement. **Your vote is important no matter how large or small your holdings may be. To assure your representation at the meeting, please date the enclosed proxy, which is solicited by the Board, sign exactly as your name appears on the proxy and return the proxy immediately.**

By Order of the Board of Directors
HUDSON HIGHLAND GROUP, INC.

Latham Williams
Corporate Secretary

New York, New York

March 21, 2008

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PROXY STATEMENT

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HUDSON HIGHLAND GROUP, INC.

560 Lexington Avenue, 5th Floor

New York, New York 10022

PROXY STATEMENT

For

ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 24, 2008

ANNUAL MEETING INFORMATION

We are providing this proxy statement to you and our other stockholders beginning on or about March 21, 2008. Our Board of Directors is soliciting proxies for use at our annual meeting of stockholders, which will be held on Thursday, April 24, 2008, at 8:00 A.M., local time, at our Corporate Headquarters, 560 Lexington Avenue (Lexington Avenue and 50th Street), 5th Floor, New York, New York 10022, and all adjournments or postponements of the meeting, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders.

Execution of a proxy in response to this solicitation will not affect your right to attend the annual meeting and to vote in person. However, your presence at the annual meeting will not in itself revoke your signed proxy. You may revoke your proxy at any time before it is exercised only by notifying us in writing or in open meeting.

If you properly execute and return your proxy, the form of which is enclosed, then the persons named as proxies will vote the shares represented by your proxy according to your instructions. If you properly execute and return your proxy, but do not mark voting instructions on the proxy, then the persons named as proxies will vote FOR the two nominees for election as directors referred to in this proxy statement and FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. Our management knows of no matters other than those set forth in the Notice of Annual Meeting of Stockholders to be brought before the annual meeting. However, if any other business or matters properly shall come before the annual meeting, then the persons named as proxies in the form of proxy will vote the shares represented by each proxy in accordance with their judgment on such matters.

Only holders of record of our common stock at the close of business on March 3, 2008 are entitled to vote at the annual meeting. On that date, there were 25,574,309 shares of common stock outstanding and entitled to vote. Each share is entitled to one vote.

Table of Contents**PRINCIPAL STOCKHOLDERS****Management and Directors**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of March 3, 2008 by: (i) each director and nominee; (ii) each of the executive officers named in the Summary Compensation Table set forth below; and (iii) all of the directors, nominees and executive officers (including the executive officers named in the Summary Compensation Table) as a group. Each of the holders listed below has sole voting and investment power over the shares beneficially owned. None of the holders listed below have pledged any of their shares as security.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned(1)	Percent of Common Stock Beneficially Owned
Jon F. Chait	352,901	1.4%
Robert B. Dubner	40,000	*
John J. Haley	50,000	*
Jennifer Laing	50,000	*
David G. Offensend	127,228	*
Richard J. Stolz	32,000	*
Mary Jane Raymond	69,635	*
Margaretta R. Noonan	116,898	*
Donald E. Bielinski	92,915	*
Richard S. Gray	85,456	*
All directors, nominees and executive officers as a group (14 persons)	1,098,687	4.3%

* Denotes less than 1%.

- (1) Includes the following shares of common stock subject to stock options which are exercisable within 60 days of March 3, 2008: Jon F. Chait, 205,858 shares; Robert B. Dubner, 40,000 shares; John J. Haley, 50,000 shares; Jennifer Laing, 40,000 shares; David G. Offensend, 50,000 shares; Richard J. Stolz, 30,000 shares; Mary Jane Raymond, 12,500 shares; Margaretta R. Noonan, 82,000 shares; Donald E. Bielinski, 64,500 shares; Richard S. Gray, 58,000 shares; and all directors, nominees and executive officers as a group, 675,108 shares.

Table of Contents**Other Beneficial Owners**

The following table sets forth certain information regarding beneficial ownership by other persons known to us to own more than 5% of our outstanding common stock as of March 3, 2008.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)					Percent of Class
	Voting Power		Investment Power		Aggregate	
	Sole	Shared	Sole	Shared		
Hotchkis and Wiley Capital Management, LLC. 725 South Figueroa St. 39 th Floor Los Angeles, CA 90017	2,601,900	0	3,725,700	0	3,725,700	14.6%
Artisan Partners Limited Partnership 875 East Wisconsin Ave. Suite 800 Milwaukee, WI 53202	0	2,548,600	0	2,873,900	2,873,900	11.2%
Schneider Capital Management Corporation 460 East Swedesford Rd. Suite 2000 Wayne, PA 19087	1,569,016	0	2,624,510	0	2,624,510	10.3%
William Blair & Company, LLC. 222 West Adams Chicago, IL 60606	2,052,185	0	2,052,185	0	2,052,185	8.0%
Barclays Global Investors, NA 45 Fremont St. San Francisco, CA 94105	1,931,324	0	2,019,796	0	2,019,796	7.9%

(1) These amounts represent the number of shares beneficially owned, as disclosed in reports regarding beneficial ownership filed with the Securities and Exchange Commission under Section 13(g) of the Securities Exchange Act of 1934.

ELECTION OF DIRECTORS

Our Certificate of Incorporation and By-Laws provide that our directors are divided into three classes, with staggered terms of three years each. At the annual meeting, our stockholders will elect two directors to hold office until the 2011 annual meeting of stockholders and until their successors are duly elected and qualified.

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Listed below are the nominees of our Board of Directors for election at the annual meeting, as well as a listing of each director whose term will continue after the annual meeting. The following sets forth specific information about each nominee and continuing director as of March 3, 2008.

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Nominees for Election at the Annual Meeting

Terms Expiring at the 2008 Annual Meeting

Robert B. Dubner, 65, has served as a director since 2006. Mr. Dubner has been a Senior Advisor to Apollo Management LP, a private equity fund, and Drawbridge Special Opportunities Fund, LLC, an investment firm, since 2005. Prior to that, Mr. Dubner was a management consulting partner and a member of International Business Machines Corporation's Business Consulting Services Global Middle Market leadership team from 2002 to 2004. Mr. Dubner joined Coopers & Lybrand International in 1989 and was a partner from 1991 to 1998, and then was a partner with PricewaterhouseCoopers LLP from 1998 to 2002, serving as the U.S. and global leader of its middle market consulting practice. He served as an elected member of Coopers & Lybrand's Board of Partners from 1995 to 1998, PricewaterhouseCoopers' U.S. Board of Partners from 1998 to 2001, and PricewaterhouseCoopers' Global Oversight Board from 1998 to 2001. He was the co-founder, in 1972, of Information Automation, Inc., a production management and monitoring systems implementation company, and served as its President from 1982 to 1989.

Jennifer Laing, 61, has served as a director since 2003. Ms. Laing served as the Associate Dean, External Relations at the London Business School from 2002 until 2007. Ms. Laing started her career in brand building and communications in 1969 with Garland-Compton which subsequently became Saatchi and Saatchi in 1975. In 1979, she joined Leo Burnett in London. In 1981, she re-joined Saatchi and Saatchi London as Deputy Chairman rising to Joint Chairman. From 1988 to 1991 she was Chairman and Chief Executive Officer of Aspect Hill Holiday and from 1991 to 1995 she led her own firm, Laing Henry, which was eventually purchased by Saatchi and Saatchi. Ms. Laing became Chairman of Saatchi and Saatchi London in 1995 and Chairman and Chief Executive Officer of Saatchi and Saatchi North America from 1997 to 2001. Ms. Laing is also a director of InterContinental Hotels Group PLC and a fellow of both The Marketing Society and the Institute of Practitioners in Advertising.

Vote Required

Each director will be elected by a plurality of the votes cast at the annual meeting (assuming a quorum is present). Consequently, any shares not voted at the annual meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of the directors. Unless our stockholders otherwise specify, the shares represented by the proxies received will be voted in favor of the election as directors of the persons named as nominees. Our Board of Directors has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, if any nominee should be unable to serve or will not serve, then the shares represented by proxies received will be voted for another nominee selected by our Board of Directors.

Our Board of Directors recommends that the nominees identified above be elected as directors and urges you to vote FOR them. Shares of common stock represented by executed, but unmarked, proxies will be voted FOR these nominees.

Directors Continuing in Office

Terms Expiring at the 2009 Annual Meeting

John J. Haley, 58, has served as a director since 2003. Mr. Haley is the Chairman of the Board, President and Chief Executive Officer of Watson Wyatt & Company, an international human resources benefits consulting firm headquartered in Washington, DC. Mr. Haley joined Watson Wyatt Worldwide in 1977. Mr. Haley was elected a director of the firm in 1992. Mr. Haley is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries and a member of the American Academy of Actuaries. Mr. Haley is a member of the board of directors for Maximus, Inc. and the U.S.-China Business Council.

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David G. Offensend, 54, has served as director since 2003. Mr. Offensend is the Chief Operating Officer of the New York Public Library. Prior to joining the Library in 2004, Mr. Offensend was senior advisor of Evercore Partners, Inc., which he co-founded in 1995. Evercore operates in the private equity business and provides merger and acquisition and restructuring advice to companies. Prior to founding Evercore, Mr. Offensend spent five years in the investment organization of Robert M. Bass, the Texas investor. Prior to joining the Bass organization in 1990, Mr. Offensend spent 13 years at Lehman Brothers.

Terms Expiring at the 2010 Annual Meeting

Jon F. Chait, 57, has served as Chief Executive Officer and Chairman of the Board since we were spun off from Monster Worldwide, Inc. (Monster) in 2003. He joined Monster in 2002 expressly in contemplation of the spin-off. Prior to joining us, Mr. Chait was the Chairman of Spring Group, PLC, a provider of workforce management solutions, from May 2000 through June 2002 and Chief Executive Officer from May 2000 through March 2002. From 1998 through 2000, Mr. Chait founded and acted as Chairman and Chief Executive Officer of Magenta Limited, a developer of web-enabled human resource solutions, which was subsequently sold to Spring Group, PLC. Mr. Chait served as the Managing Director International Operations of Manpower Inc. from 1995 to 1998, Chief Financial Officer from 1993 to 1998 and Executive Vice President, Secretary and Director from 1991 to 1998, and Executive Vice President from September 1989 to July 1998 of Manpower International Inc., a provider of temporary employment services. Mr. Chait is also a director of the Marshall and Ilsley Corporation, a bank holding company, and Krueger International Inc., a manufacturer of office furniture.

Richard J. Stolz, 62, has served as a director since 2006. Prior to becoming a director, Mr. Stolz was a Partner with PricewaterhouseCoopers LLP until 2004. He served as the New York Region Leader for the Consumer and Industrial Products Industry Group of PricewaterhouseCoopers from 1997 to 2001. From 1988 to 1992, Mr. Stolz worked in Tokyo, Japan, leading the International Division of the PricewaterhouseCoopers affiliate. Mr. Stolz joined PricewaterhouseCoopers in 1967 and became a Partner in accounting and auditing in 1981.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independent Directors

Of the six directors currently serving on our Board of Directors, the Board has determined that Ms. Laing and Messrs. Dubner, Haley, Offensend and Stolz are independent directors under the independence standards of the Nasdaq Global Market.

Board Committees

Our Board of Directors has standing Audit, Compensation, Nominating and Governance, and Executive Committees. The Board has adopted, and may amend from time to time, a written charter for each of the Audit Committee, Compensation Committee and Nominating and Governance Committee. We maintain a Web site at www.hudson.com and make available on that Web site, free of charge, copies of each of the charters for the Audit, Compensation and Nominating and Governance Committees. We are not including the information contained on or available through this Web site as a part of, or incorporating such information by reference into, this proxy statement.

Audit Committee

The Audit Committee presently consists of Richard J. Stolz (Chairperson), Robert B. Dubner, John J. Haley and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Market and Securities and Exchange Commission rules. Our Board of Directors has determined that each of Messrs. Dubner, Haley, Offensend and Stolz qualify as an audit committee financial expert, as defined by the Securities and Exchange Commission. The Audit Committee held 14 meetings in 2007.

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The Audit Committee's primary duties and responsibilities are to assist our Board of Directors in monitoring:

the integrity of our financial statements;

the independent registered public accounting firm's qualifications and independence;

the performance of our internal audit function and independent registered public accounting firm; and

our compliance with legal and regulatory requirements.

Compensation Committee

The Compensation Committee presently consists of David G. Offensend (Chairperson), John J. Haley and Jennifer Laing, each of whom is an independent director under the independence standards of the Nasdaq Global Market and qualify as outside directors under Section 162(m) of the Internal Revenue Code. The Compensation Committee held seven meetings in 2007.

The Compensation Committee's basic responsibility is to assure that the non-employee members of our Board of Directors, the Chief Executive Officer, other executive officers and key management are compensated effectively and in a manner consistent with our stated compensation strategy, internal equity considerations, competitive practices and the requirements of the appropriate regulatory bodies. The Compensation Committee has overall responsibility for approving and evaluating the compensation of executive officers (including the Chief Executive Officer), key management and outside directors, and administers our long-term incentive programs, including our equity plan.

The Compensation Committee has retained the services of an external compensation consultant, Hewitt Associates. The mandate of the consultant is to work for the Compensation Committee in its review of executive and director compensation practices, including the competitiveness of pay levels, executive compensation design issues, market trends and technical considerations. The consultant does not determine or recommend amounts or forms of compensation. The general, ongoing nature and scope of services rendered by Hewitt Associates on the Compensation Committee's behalf is described below:

Competitive market pay analyses, Board of Director pay studies, dilution analyses, and market trends;

Ongoing support with regard to the latest relevant regulatory, technical, and/or accounting considerations impacting executive compensation and benefit programs;

Guidance on overall compensation program structure and executive employment agreement terms; and

Preparation for and attendance at selected management, committee, or Board of Director meetings.

In 2007, Hewitt Associates performed a market analysis to compare the compensation of the independent directors, corporate officers and key management with relevant external competitors and industry groups. The Compensation Committee then used this data in considering potential changes to pay levels and compensation programs.

The Compensation Committee has the final authority to hire and terminate the consultant, and the Compensation Committee evaluates the consultant periodically. Management did not obtain any services from Hewitt Associates in 2007 for matters other than for those under the auspices of the Compensation Committee.

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Additional information regarding the Compensation Committee and our policies and procedures regarding executive compensation, including the role of executive officers in recommending executive compensation, is provided below under Compensation Discussion and Analysis.

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Nominating and Governance Committee

The Nominating and Governance Committee presently consists of John J. Haley (Chairperson), Jennifer Laing and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Market. The Nominating and Governance Committee held five meetings in 2007.

The Nominating and Governance Committee provides assistance to our Board of Directors by:

identifying individuals qualified to become directors and recommending to the Board candidates for all directorships to be filled by the Board or by our stockholders;

identifying directors qualified to serve on the committees established by the Board and recommending to the Board members for each committee to be filled by the Board;

developing and recommending to the Board a set of corporate governance principles, including matters of:

Board organization, membership and function;

committee structure and membership;

succession planning for our Chief Executive Officer; and

taking a leadership role in shaping our corporate governance.

In identifying and evaluating nominees for director, the Nominating and Governance Committee seeks to ensure that our Board of Directors possesses, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The Nominating and Governance Committee also seeks to ensure that the Board is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are important to us. In addition, the Nominating and Governance Committee believes it is important that at least one director has the requisite experience and expertise to be designated as an audit committee financial expert. The Nominating and Governance Committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee. In looking at the qualifications of each candidate to determine if their election would further the goals described above, the Nominating and Governance Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. At a minimum, each director nominee must have displayed the highest personal and professional ethics, integrity and values, and sound business judgment. In addition, the Nominating and Governance Committee believes that the following minimum qualifications are necessary for a director to possess to be recommended by the Committee to the Board:

A director must be highly accomplished in his or her respective field, with superior credentials and recognition and broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.

A director must have expertise and experience relevant to our business, and be able to offer advice and guidance to the Chief Executive Officer based on that expertise and experience.

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A director must be independent of any particular constituency, be able to represent all of our stockholders and be committed to enhancing long-term stockholder value.

A director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of our business.

The Nominating and Governance Committee will consider persons recommended by stockholders to become nominees for election as directors in accordance with the foregoing and other criteria set forth in our Nominating and Governance Committee Charter. Recommendations for consideration by the Nominating and Governance Committee should be sent to our Corporate Secretary in writing, together with appropriate

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biographical information concerning each proposed nominee. Our By-Laws also set forth certain requirements for stockholders wishing to nominate director candidates directly for consideration by the stockholders. With respect to an election of directors to be held at an annual meeting, a stockholder must, among other things, give notice of an intent to make such a nomination to our Corporate Secretary in advance of the meeting in compliance with the terms and within the time period specified in the By-Laws. Pursuant to the By-Laws, a stockholder must give a written notice of intent to our Corporate Secretary not less than 45 days or more than 75 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders.

Executive Committee

The Executive Committee presently consists of Jon F. Chait (Chairperson), Robert B. Dubner and David G. Offensend. The Executive Committee held no meetings in 2007.

The Executive Committee assists the Board in discharging its responsibilities and may exercise all of the authority of the Board in the management of our business affairs, except for changes in our By-Laws, matters specifically designated to other committees and certain other significant corporate matters.

Lead Director

The Nominating and Governance Committee recommends to our Board of Directors nominees for the position of lead director from among the independent directors. The independent directors on our Board of Directors then select a lead director from among the nominees to serve for a term of one year or until a successor is elected by the independent directors. There is no limit to the number of terms a director can serve as lead director. John J. Haley is currently serving as our lead director. The lead director's duties and responsibilities include the following:

coordinate the activities of the independent directors and serve as a liaison between the independent directors and our Chairman and Chief Executive Officer;

chair meetings at which only the independent directors attend;

advise our Chairman and Chief Executive Officer as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively perform their duties;

in conjunction with the Chairman and Chief Executive Officer, consider potential conflicts of interest of directors;

conduct exit interviews of senior management upon resignation; and

recommend to the Chairman and Chief Executive Officer the retention of outside advisors and consultants who report directly to the Board of Directors.

Meetings and Attendance

Our Board of Directors held six meetings in 2007. Each of the directors currently serving on our Board of Directors attended at least 75% of the aggregate of the meetings of the Board held in 2007 and the meetings held by each committee of the Board on which such director served during the period that the director so served in 2007. Directors are expected to attend our annual meeting of stockholders each year. At the 2007 annual meeting of stockholders, all of the directors then serving were in attendance at the annual meeting.

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Communications with Board of Directors

You may communicate with our Board of Directors by writing to our Corporate Secretary at Hudson Highland Group, Inc., c/o the Board of Directors (or, at the stockholder's option, c/o a specific director), 560 Lexington Avenue, 5th Floor, New York, New York 10022. The Corporate Secretary will deliver this communication to the Board or the specified director, as the case may be.

Policies and Procedures Regarding Related Person Transactions

Our Board of Directors adopted in February 2007 written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

a related person means any of our directors, executive officers or nominees for director or any of their immediate family members; and

a related person transaction generally is a transaction (including any indebtedness or a guarantee of indebtedness) in which we were or are to be a participant and the amount involved exceeds \$120,000, and in which a related person had or will have a direct or indirect material interest.

Each of our executive officers, directors or nominees for director is required to disclose to the Audit Committee certain information relating to related person transactions for review, approval or ratification by the Audit Committee. Disclosure to the Audit Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer, director or nominee for director becomes aware of the related person transaction. The Audit Committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the Audit Committee's determination that consummation of the transaction is not or was not contrary to our best interests. Any related person transaction must be disclosed to the full Board of Directors.

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The following table sets forth information regarding the compensation received by each of our directors during 2007, except Mr. Chait who does not receive any compensation for serving as a director and whose compensation as an executive officer is set forth below under Executive Compensation Summary Compensation Table.

Name	Fees Earned or Paid		Total
	in Cash	Option Awards(2)(3)	
Robert B. Dubner	\$ 78,000	\$ 101,469	\$ 179,469
John J. Haley	\$ 133,000	\$ 0	\$ 133,000
Jennifer Laing	\$ 68,000	\$ 0	\$ 68,000
David G. Offensend	\$ 118,000(1)	\$ 0	\$ 118,000
Richard J. Stolz	\$ 88,000	\$ 64,587	\$ 152,587

- (1) Includes fees of \$118,000 that Mr. Offensend elected to receive in the form of an aggregate of 7,802 shares of our common stock pursuant to our Deferred Compensation Plan.
- (2) Reflects the dollar amount we recognized for financial reporting purposes (disregarding the estimate of forfeitures related to service-based vesting conditions) during 2007 in accordance with FAS 123R for all awards of stock options granted under our Long Term Incentive Plan. Assumptions used in the calculation of these amounts are included in Note 5 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2007.
- (3) During 2007, no directors were granted options to purchase shares of our common stock. The aggregate number of outstanding stock options as of December 31, 2007 for each of our directors named above was: Mr. Dubner, 50,000; Mr. Haley, 50,000; Ms. Laing, 40,000; Mr. Offensend, 50,000; and Mr. Stolz, 50,000.

Retainer and Meeting Fees

Each non-employee director is entitled to receive an annual retainer of \$25,000, a fee of \$2,500 for each Board and Board committee meeting attended in person, a fee of \$1,000 for each telephonic Board meeting, and a fee of \$2,500 for each telephonic Board committee meeting. The Chairpersons of the Audit Committee and Compensation Committee receive an additional annual retainer of \$10,000 and the Chairperson of the Nominating and Governance Committee receives an additional annual retainer of \$5,000. The lead director also receives an additional annual retainer of \$10,000. Additionally, directors are reimbursed for out-of-pocket expenses associated with attending meetings of the Board and Board committees.

In 2007, using data provided by Hewitt Associates, the Compensation Committee reviewed compensation for independent directors. The Compensation Committee determined that total compensation was appropriate, but that they wanted to change the proportions of compensation to increase the amount of equity-based compensation and reduce the proportion of cash compensation. Consequently, beginning in 2008, in addition to the annual cash retainer of \$25,000, directors will receive \$15,000 paid in share units that will be deferred to a retirement account until the director ceases board service. Also, in 2008, in person Board and Board committee meeting fees will be reduced to \$2,000 and telephonic Board and Board committee meeting fees will be \$1,000. The reduction in meeting fees is expected to offset the equity-based increase in the retainer, keeping total compensation consistent with prior years. Other cash fee components will remain the same.

Stock Options

Until 2008, upon first being elected or appointed as a director, we granted each non-employee director an option to purchase 50,000 shares of our common stock under the terms of our Long Term Incentive Plan. The exercise price for options is the fair market value of a share of our common stock on the date of grant. Options have a term of ten years and become exercisable as follows: 40% immediately on the date of grant, 60% after the

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first anniversary of the date of grant, 80% after the second anniversary and 100% after the third anniversary. If a director ceases service for any reason other than death, then that portion of the option that is exercisable on the date the director ceases service will remain exercisable for a period of two years after such date and the remaining portion of the option will automatically expire on such date. If the director's service ceases by reason of the director's death, then the option will become fully vested and will remain exercisable by the director's beneficiary for a period of two years after the date of the director's death. Effective upon a change in control of our company, the option will fully vest and will immediately become exercisable, except if our stockholders will receive capital stock of another corporation in connection with a change of control of our company and our Board of Directors determines that the option will be converted into an option to purchase shares of such capital stock. Change in control in the Stock Option Agreements has the same meaning set forth below under Executive Compensation Potential Payments Upon Termination or Change in Control Executive Employment Agreements.

Beginning in 2008, the initial stock grant will change to a grant of deferred share units equal to three times the annual retainer which will vest over three years and, after three years of board service, a director will begin to receive annual grants of 2,500 deferred share units in addition to those share units received as part of the annual retainer.

Deferred Compensation Plan

In addition to the director deferred share plan described above, our directors may elect to participate in our Deferred Compensation Plan, under which each director may defer up to 100% of his or her cash retainer fees and meeting attendance fees payable for service as a member of the Board or a committee of the Board. Each director's compensation will be reduced by the amount of all deferrals made on his or her behalf.

Each director who participates in the Deferred Compensation Plan may direct that all or a portion of his or her deferrals be invested in one or more permitted investments. Directors will receive all interest, dividends and earnings that accrue on amounts deferred pursuant to the Deferred Compensation Plan.

If a director's service on the Board terminates for any reason the amount remaining in the director's deferral account will be paid or begin to be paid to the director six months after the last day of the plan year in which the director's service on the board terminates.

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COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The purpose of this Compensation Discussion and Analysis is to provide material information about the compensation of our executive officers named below under Executive Compensation Summary Compensation Table, which we refer to as our named executive officers. In this section, we provide an analysis and explanation of our executive compensation program and the compensation derived by our named executive officers from this program.

Objectives of the Compensation Program

The central objective of our compensation program is to attract and retain the talented individuals needed to achieve long-term success, and to motivate them to achieve goals designed to enhance long-term shareholder value. The Compensation Committee, which oversees our executive compensation program, believes these goals can best be achieved with a relatively straightforward compensation program consisting of several components.

Design of the Total Compensation Program

The key executive compensation policies that underpin our total compensation program are as follows:

Base salaries are targeted at median market levels for comparable companies.

Annual incentives (cash bonuses) are designed to provide awards above median market levels for comparable companies for above median performance.

Long term incentives provide awards of stock options and restricted shares and are targeted at median market levels for comparable companies.

Employee benefits are offered to all eligible employees, including our executive officers, and are targeted at median market levels for comparable companies.

Consequently, our executive officers have the opportunity to earn above median compensation for outstanding performance both from above median bonuses and from above median appreciation of equity grants resulting from above median performance of our company.

The Compensation Committee believes that providing base salaries, equity compensation and employee benefit programs targeted at median market levels is essential for attracting new talent to the organization. We believe that providing our named executive officers with the ability to earn above market level for bonuses based on above median performance encourages the retention of high performers who strive to consistently beat their established performance targets. Target bonus payouts are set as a percentage of base salary. Actual business performance, measured solely by financial results, not individual performance, determines whether bonus payments are above or below the target level. The Compensation Committee also considers base salary in granting equity awards because the Compensation Committee's desire is to provide meaningful equity awards (as compared to base salary) for the named executive officers and a few key members of senior management.

Target Compensation Levels and Benchmarking

On a biennial basis, the Compensation Committee, with the assistance of the independent compensation consultants it retains, reviews the market positioning of total compensation for each of our executive officers. The Compensation Committee last conducted this review in mid-2007. We intend to conduct this market compensation review again in 2009.

In 2007, at the direction of the Compensation Committee, Hewitt Associates compared the base salary, annual incentives and long-term incentives of a particular officer to executives in similar positions in relevant

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comparator groups. For all executive officer positions, these comparator companies consisted of U.S.-based and European-based, publicly traded staffing companies. The comparator companies for the positions of chief executive officer and chief financial officer were CDI Corp., Ciber, Inc., Comsys IT Partners, Inc., Kelly Services, Inc., Kforce, Inc., Michael Page International PLC, MPS Group, Inc., Resources Connection, Inc., Robert Half International, Inc., Robert Walters PLC and Spherion Corp. In weighing the relevance of a particular comparator company, the Compensation Committee considered the size and business mix of each comparator in relationship to our company. For the positions other than chief executive officer and chief financial officer, data from Hewitt Associates' database of consolidated service firms was also used. One data group covered all industries in general and the other covered only service firms. This database was comprised of information from between 32 and 89 companies depending on the position being studied. The data was adjusted for annual revenue size using regression analysis.

The Compensation Committee determined that no adjustments to base salaries or targeted bonus payouts were required based on the market data provided by Hewitt Associates.

Role of Executive Officers in the Compensation Process

The development of annual incentive targets and the calculation of the actual annual incentives earned are performed by the Executive Vice President, Chief Administrative Officer in conjunction with the Executive Vice President, Chief Financial Officer. These data (incentive targets and actual incentives earned) are then reviewed by the Chief Executive Officer before being presented to the Compensation Committee for discussion and approval. Long term equity incentive grants are recommended to the Chief Executive Officer by various regional business heads and corporate department heads. The Chief Executive Officer then presents his grant recommendations to the Compensation Committee for its discussion and consideration. While the Chief Executive Officer takes an active role in making compensation recommendations for our executive officers, he makes no recommendations concerning any component of his own compensation. Compensation decisions for executive officers other than the Chief Executive Officer are made during regularly scheduled Compensation Committee meetings which are generally attended by a representative of Hewitt Associates. Discussions regarding Chief Executive Officer compensation take place in Compensation Committee executive session without the Chief Executive Officer or other executive officers present. The Compensation Committee makes all final decisions on compensation for our executive officers.

Elements of Compensation

Overview

The compensation for our named executive officers is a straightforward system consisting primarily of four components: (1) a base salary, (2) an annual cash incentive program, (3) eligibility to participate in periodic grants of stock options or restricted shares of stock and (4) benefits. With the exception of Mr. Chait who does not have an employment agreement, each executive officer has signed a standard employment agreement that covers basic terms of employment and that contains both contractual separation payments under certain circumstances and provisions covering a possible change in the control of our company. In general, these agreements provide for a maximum of one year's salary and target bonus protection for the executive under certain circumstances of separation.

The same compensation policies and decisions cover all of our named executive officers, including our Chief Executive Officer even though he does not have an employment agreement.

Base Salary

The Company does not have a policy of providing annual raises for executive officers; however, the base salary of our named executive officers as a group was last reviewed in mid-2007 as part of a review of total compensation performed for the Compensation Committee by Hewitt Associates, its independent compensation consultant. This review was based on the benchmarking described above.

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The Compensation Committee did not make any changes to base salary for any of our named executive officers in 2007 as a result of the 2007 review. The Compensation Committee views total target cash compensation (base salary plus target annual incentive) wit