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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER 000-50129

HUDSON HIGHLAND GROUP, INC.
(Exact Name of Registrant As Specified in Its Charter)

Delaware	**59-3547281**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

560 Lexington Avenue, New York, New York 10022
(Address of Principal Executive Offices)

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

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**The NASDAQ Stock Market LLC**
Preferred Share Purchase Rights	**The NASDAQ Stock Market LLC**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Act. Yes ☐ No ☒

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by checkmark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of the voting common stock held by non-affiliates of the Registrant was approximately $543,880,000 as of June 30, 2007.

The number of shares of Common Stock, $.001 par value, outstanding as of January 31, 2008 was 25,617,931.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Hudson Highland Group, Inc. (the "Company" or "we", "us" and "our") is one of the world's largest specialized professional staffing and talent management solutions providers. The Company provides professional staffing services on a permanent and contract consulting basis and a range of talent management services to businesses operating in many industries. The Company helps its clients in recruiting and developing employees for professional-level functional and managerial positions.

The Company is organized into three reportable segments, Hudson Americas, Hudson Europe and Hudson Asia Pacific. These reportable segments constituted approximately 17%, 47%, and 36% of the Company's gross margin, respectively, for the year ended December 31, 2007. The Hudson regional businesses were historically the combination of 54 acquisitions made between 1999 and 2001, which became the eResourcing division of Monster Worldwide, Inc. ("Monster"), formerly TMP Worldwide, Inc. Some of the Company's constituent businesses have operated for more than 20 years. On March 31, 2003, Monster distributed all of the outstanding shares of the Company to its stockholders of record on March 14, 2003 (the "Distribution"). Since the Distribution, the Company has operated as an independent publicly held company, adding one mid-sized and six smaller acquisitions, and divesting or reorganizing a number of smaller business units after determining that those businesses were not viable profit centers.

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

All of the Hudson regional businesses also provide organizational effectiveness and development services through their talent management units. These services encompass candidate assessment, competency modeling, leadership development, performance management, and career transition. These services enable Hudson to offer clients a comprehensive set of management services, across the entire employment life-cycle from attracting, assessing and selecting best-fit employees to engaging and developing those individuals to help build a high-performance organization.

Hudson Americas operates from 35 offices in two countries, with 95% of its 2007 gross margin generated in the United States. Hudson Europe operates from 46 offices in 17 countries, with 54% of its 2007 gross margin coming from the United Kingdom operations. Hudson Asia Pacific operates from 21 offices in 6 countries, with 65% of its 2007 gross margin stemming from Australia.

Corporate expenses are reported separately from the three reportable segments and consist primarily of expenses for compensation, marketing programs, rent and professional consulting.

DISCONTINUED OPERATIONS

On February 4, 2008, the Company completed the sale of substantially all of the assets of its Hudson Americas energy, engineering and technical staffing division ("ETS"), which was part of the Hudson Americas regional business. In the fourth quarter of 2007, the Company sold its Netherlands reintegration subsidiary, Hudson Human Capital Solutions B.V. ("HHCS"), which was part of the Hudson Europe regional business, and its Australian blue-collar market's Trade & Industrial subsidiary ("T&I"), which was part of the Hudson Asia

Pacific regional business. In the fourth quarter of 2006, the Company sold its Highland Partners ("Highland") executive search business, which was a separate reportable segment of the Company.

As the result of the sales, ETS, HHCS, T&I and Highland operations have been accounted for as discontinued operations and accordingly, amounts in the financial statements and related notes for all historical periods have been restated to reflect these operations as discontinued operations.

SALES AND MARKETING

Each of Hudson's regional businesses maintains a sales force composed of business development specialists that is aligned along functional practice areas or industry sector groups as appropriate for the market. These business development specialists receive incentives for cross-selling services with other practices and business units as the client need arises. In addition, the specialty practices have a business liaison for international sales opportunities that arise for global recruitment and/or talent management needs from a client or prospect.

The Company's global marketing and communications function is responsible for brand and marketing strategy, client and candidate lead generation campaigns, public relations and corporate/employee communications. This team closely coordinates with the operational leadership and regional/practice/business unit marketing and sales teams to generate leads, support sales efforts and build a strong brand reputation—both in the external market and within the organization.

We use three principal channels for marketing our services and promoting our brand: (1) in the United Kingdom, Australia, New Zealand, and other countries where it is an accepted practice, we use client paid and Company paid advertising for vacant positions; (2) public relations to promote our experts and offerings, and original research on business management and human capital issues of particular relevance to senior business managers; and (3) the Internet, both for promoting the Company's services to clients and attracting, assisting and managing candidates.

CLIENTS

The Company's clients include small to large-sized corporations and government agencies. No one client accounted for more than 5% of total annual revenue in 2007. At December 31, 2007, there were approximately 800 Hudson Americas clients, 5,200 Hudson Europe clients and 4,500 Hudson Asia Pacific clients.

COMPETITION

The markets for the Company's services and products are highly competitive. There are few barriers to entry, so new entrants occur frequently, resulting in considerable market fragmentation. Companies in this industry compete on price, service quality, new capabilities and technologies, client attraction methods, and speed of completing assignments.

EMPLOYEES

The Company employs approximately 3,600 people worldwide. In most jurisdictions, our employees are not represented by a labor union or a collective bargaining agreement. The Company regards its relationships with its employees as satisfactory.

SEGMENT AND GEOGRAPHIC DATA

Financial information concerning the Company's reportable segments and geographic areas of operation is included in Note 19 in the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

AVAILABLE INFORMATION

We maintain a Web site with the address *www.hudson.com*. We are not including the information contained on our Web site as part of, or incorporating it by reference into, this report. Through our Web site, we make available free of charge (other than an investor's own Internet access charges) our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports in a timely manner after we provide them to the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks occur, our business, financial condition, operating results, and cash flows could be materially adversely affected.

We have had periods of negative cash flows and operating losses that may reoccur in the future.

We have experienced negative cash flows and shown operating and net losses in the past. For example, we recorded net cash used in operating activities of $26.3 million in 2005 and losses from continuing operations of $8.2 million and $16.3 million in 2006 and 2005, respectively. We cannot provide any assurance that we will have positive cash flows or operating profitability in the future. If our revenue grows more slowly than we anticipate or if operating expenses exceed our expectations, we may not be profitable or may not generate positive operating cash flows. In addition, we have disposed of a number of non-core businesses during the last eighteen months and these divestitures may reduce our ability to continue our upwards earnings trend.

Our revenue can vary because our clients can terminate their relationship with us at any time with limited or no penalty.

We provide professional search and mid-market professional staffing services on a temporary assignment-by-assignment basis, which clients can generally terminate at any time or reduce their level of use when compared to prior periods. Our professional staffing business is also significantly affected by our clients hiring needs and their views of their future prospects. Clients may, on very short notice, reduce or postpone their recruiting assignments with us and therefore, affect demand for our services.

Our operations will be affected by global economic fluctuations.

Demand for our services may fluctuate with changes in economic conditions, especially those resulting in slower or reduced employment growth. Because we operate from many small offices with fixed overhead, we have only limited flexibility to reduce expenses during economic downturns. Further, we may face increased pricing pressures during these times. For example, during 2001 and 2002, employers across the United States reduced their overall workforce to reflect the slowing demand for their products and services. In turn, our revenue was significantly reduced in the United States. Economic conditions could deteriorate in 2008, which could have a material adverse effect on our business, financial condition and operating results.

Our credit facility restricts our operating flexibility.

We have a $75.0 million senior secured bank credit facility. As of December 31, 2007, there were no outstanding borrowings under the facility and there were a total of $7.9 million of outstanding letters of credit issued under the credit facility. Available credit for use under the credit facility as of December 31, 2007 was $67.1 million. Our ability to borrow under the credit facility is tied to a borrowing base of our eligible accounts receivable. If the amount or quality of our accounts receivable deteriorates, our ability to borrow under the credit facility will be directly affected. In addition, our credit facility requires that we satisfy certain financial covenants, including complying with targeted levels of EBITDA. As a result, we cannot provide any assurance that we will be able to borrow under our credit agreement if we need money to fund working capital or other needs. In addition, our credit facility contains various restrictions and covenants that restrict our operating flexibility including:

- prohibitions on payments of dividends;
- restrictions on our ability to make additional borrowings, or to consolidate, merge or otherwise fundamentally change our ownership; and

- limitations on investments, dispositions of assets, guarantees of indebtedness and repurchases of stock.

These restrictions and covenants could have important consequences for investors, including the need to use a portion of our cash flow from operations for debt service rather than for our operations, an inability to incur additional debt financing for future working capital or capital expenditures, a lesser ability to take advantage of significant business opportunities, such as acquisition opportunities, or to react to market conditions, lesser ability to sell assets, grant or incur liens on our assets, or engage in mergers or consolidations.

Our ability to comply with these financial requirements and other restrictions may be affected by events outside our control, in particular macroeconomic events. Our inability to comply with them could result in a default under our credit facility or other debt instruments. If a default occurs under our credit facility, the lenders under this facility could elect to declare all of the outstanding borrowings, and accrued interest and fees, to be due and payable and require us to apply all of our available cash to repay those borrowings. In addition, a default may result in higher rates of interest and the inability to obtain additional borrowings. Further, debt incurred under our credit facility bears interest at variable rates. Any increase in interest expense could reduce the funds available for operations.

We face risks relating to our international operations.

We conduct operations in more than twenty countries. For the years ended December 31, 2007, 2006 and 2005, approximately 76%, 74% and 74%, respectively, of our revenue was earned outside of the United States. Our financial results could be materially affected by a number of factors particular to international operations. These include but are not limited to difficulties in staffing and managing international operations, operational issues such as longer customer payment cycles and greater difficulties in collecting accounts receivable, changes in tax laws or other regulatory requirements; issues relating to uncertainties of laws and enforcement relating to the regulation and protection of intellectual property; and currency fluctuation. If we are forced to discontinue any of our international operations, we could incur material costs to close down such operations.

Regarding the foreign currency risk inherent in international operations, the results of our local operations are reported in the applicable foreign currencies and then translated into U.S. dollars at the applicable foreign currency exchange rates for inclusion in our financial statements. In addition, we generally pay operating expenses in the corresponding local currency. Because of devaluations and fluctuations in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the revenue and income of our operations in addition to economic exposure. This risk could have a material adverse effect on our business, financial condition and operating results.

Our acquisition strategy subjects us to risks.

From time to time, we make acquisitions and our growth strategy is based in part upon acquisitions. We may not be able to identify suitable acquisition candidates or complete future acquisitions, which could adversely affect our future growth. Businesses we acquire may not perform as well as expected, which could adversely affect our business and financial results. The success of these acquisitions is dependent upon our ability to effectively integrate acquired personnel, operations, products and technologies into our organization; and our ability to retain and motivate key personnel and to retain the clients of acquired firms. The process of integrating these acquisitions may disrupt our business and divert our resources and if we are not successful at integrating an acquisition into our operations, our financial results may be materially adversely affected. In addition, we may incur unforeseen obligations or liabilities in connection with acquisitions and the acquisition agreements may require us to make future payments to the sellers. Furthermore, we may need to borrow more money from lenders or sell equity or debt securities to the public to finance future acquisitions and the terms of these financings may be adverse to us.

We face risks associated with our dispositions of non-core businesses.

We have disposed of a number of non-core businesses during the last eighteen months. We have retained assets and liabilities of these businesses and we may not be able to recover the assets or settle the liabilities at the recorded value in our financial statements. In addition, we may be responsible for any potential indemnification claims by the purchasers, which may adversely impact our financial results. Further, we have risks associated with our ability to effectively restructure our operations following these dispositions.

We rely on our information systems, and if we lose that technology or fail to further develop our technology, our business could be harmed.

Our success depends in large part upon our ability to store, retrieve, process, and manage substantial amounts of information, including our client and candidate databases. To achieve our strategic objectives and to remain competitive, we must continue to develop and enhance our information systems. This may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. Our inability to design, develop, implement and utilize, in a cost-effective manner, information systems that provide the capabilities necessary for us to compete effectively, or any interruption or loss of our information processing capabilities, for any reason, could harm our business, results of operations or financial condition.

Our markets are highly competitive.

The markets for our services are highly competitive and those markets are characterized by pressures to reduce prices, provide high levels of service, incorporate new capabilities and technologies, accelerate job completion schedules and attract and retain highly skilled professionals who possess the skills and experience necessary to fulfill our clients' employee search needs.

Furthermore, we face competition from a number of sources. These sources include other executive search firms and professional search, staffing and consulting firms. Several of our competitors have greater financial and marketing resources than we do.

Due to competition, we may experience reduced margins on our products and services, and loss of market share and our customers. If we are not able to compete effectively with current or future competitors as a result of these and other factors, our business, financial condition and results of operations could be materially adversely affected.

We have no significant proprietary technology that would preclude or inhibit competitors from entering the mid-market professional staffing contract consulting markets. We cannot provide assurance that existing or future competitors will not develop or offer services and products that provide significant performance, price, creative or other advantages over our services. In addition, we believe that with continuing development and increased availability of information technology, the industries in which we compete may attract new competitors. Specifically, the advent and increased use of the Internet may attract technology-oriented companies to the professional staffing industry. We cannot provide assurance that we will be able to continue to compete effectively against existing or future competitors. Any of these events could have a material adverse effect on our business and operating results.

Our operating results fluctuate from quarter to quarter and therefore quarterly results cannot be used to predict future periods' results.

Our operating results fluctuate quarter to quarter primarily due to the vacation periods of the first quarter in the Asia Pacific region and the third quarter in the Americas and Europe regions. Demand for our services is typically lower during vacation periods.

We may be exposed to employment-related claims, legal liability and costs from both clients and employers that could adversely affect our business, financial condition and results of operations, and our insurance coverage may not cover all of our potential liability.

We are in the business of employing people and placing them in the workplaces of other businesses. Risks relating to these activities include:

- claims of misconduct or negligence on the part of our employees;
- claims by our employees of discrimination or harassment directed at them, including claims relating to action of our clients;
- claims related to the employment of illegal aliens or unlicensed personnel;
- claims for payment of workers' compensation claims and other similar claims;
- claims for violations of wage and hour requirements;
- claims for retroactive entitlement to employee benefits;
- claims of errors and omissions of our temporary employees, particularly in the case of professionals;
- claims by taxing authorities related to our employment of independent contractors and the risk that such contractors could be considered employees for tax purposes;
- claims related to our non-compliance with data protection laws which require the consent of a candidate to transfer resumes and other data; and
- claims by our clients relating to our employees' misuse of client proprietary information, misappropriation of funds, other criminal activity or similar claims.

We are exposed to potential claims with respect to the recruitment process. A client could assert a claim for matters such as breach of a blocking arrangement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Similarly, a client could assert a claim for deceptive trade practices on the grounds that we failed to disclose certain referral information about the candidate or misrepresented material information about the candidate. Further, the current employer of a candidate whom we place could file a claim against us alleging interference with an employment contract. In addition, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate's employment search or for alleged discrimination or other violations of employment law by one of our clients.

We may incur fines and other losses or negative publicity with respect to these problems. In addition, some or all of these claims may give rise to litigation, which could be time-consuming to our management team, costly and could have a negative impact on our business. In some cases, we have agreed to indemnify our clients against some or all of these types of liabilities. We cannot assure you that we will not experience these problems in the future, that our insurance will cover all claims or that our insurance coverage will continue to be available at economically feasible rates.

We depend on our key management personnel.

Our continued success will depend to a significant extent on our senior management, including Jon F. Chait, our Chairman and Chief Executive Officer. The loss of the services of Mr. Chait or one or more key employees could have a material adverse effect on our business, financial condition and operating results. In addition, if one or more key employees join a competitor or form a competing company, the resulting loss of existing or potential clients could have a material adverse effect on our business, financial condition and operating results.

There may be volatility in our stock price.

The market price for our common stock has fluctuated in the past and could fluctuate substantially in the future. Factors such as the announcement of variations in our quarterly financial results or expected financial results could cause the market price of our common stock to fluctuate significantly. Further, due to the volatility of the stock market generally, the price of our common stock could fluctuate for reasons unrelated to our operating performance.

Government regulations may result in the prohibition, regulation or restriction of certain types of employment services we offer or in the imposition of additional licensing or tax requirements that may reduce our future earnings.

In many jurisdictions in which we operate, the contract staffing industry is heavily regulated. For example, governmental regulations can restrict the length of contracts of contract employees and the industries in which they may be used. In some countries, special taxes, fees or costs are imposed in connection with the use of contract workers. For example, contractors in France are entitled to a 10% allowance for the precarious nature of employment, which is eliminated if a full-time position is offered to them within three days. The countries in which we operate may:

- create additional regulations that prohibit or restrict the types of employment services that we currently provide;
- impose new or additional benefit requirements;
- require us to obtain additional licensing to provide staffing services;
- impose new or additional visa restrictions on movements between countries; or
- increase taxes, such as sales or value-added taxes, payable by the providers of staffing services.

Any future regulations that make it more difficult or expensive for us to continue to provide our staffing services may have a material adverse effect on our financial condition, results of operations and liquidity.

Provisions in our organizational documents and Delaware law will make it more difficult for someone to acquire control of us.

Our certificate of incorporation and by-laws and the Delaware General Corporation Law contain several provisions that make more difficult an acquisition of control of us in a transaction not approved by our Board of Directors, including transactions in which stockholders might otherwise receive a premium for their shares over then current prices, and that may limit the ability of stockholders to approve transactions that they may deem to be in their best interests. Our certificate of incorporation and by-laws include provisions:

- dividing our Board of Directors into three classes to be elected on a staggered basis, one class each year;
- authorizing our Board of Directors to issue shares of our preferred stock in one or more series without further authorization of our stockholders;
- requiring that stockholders provide advance notice of any stockholder nomination of directors or any proposal of new business to be considered at any meeting of stockholders;
- permitting removal of directors only for cause by a super-majority vote;
- providing that vacancies on our Board of Directors will be filled by the remaining directors then in office;
- requiring that a super-majority vote be obtained to amend or repeal specified provisions of our certificate of incorporation or by-laws; and
- eliminating the right of stockholders to call a special meeting of stockholders or take action by written consent without a meeting of stockholders.

In addition, Section 203 of the Delaware General Corporation Law generally provides that a corporation may not engage in any business combination with any interested stockholder during the three-year period following the time that the stockholder becomes an interested stockholder, unless a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

In addition, our Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of our common stock payable upon the close of business on February 28, 2005 to the stockholders of record on that date. Each Right entitles the registered holder to purchase from us one one-hundredth of a share of our Series A Junior Participating Preferred Stock, ("Preferred Shares") at a price of $60 per one one-hundredth of a Preferred Share, subject to adjustment. These Rights may make the cost of acquiring us more expensive and, therefore, make an acquisition more difficult.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

All of the Company's operating offices are located in leased premises. Our principal office is currently located at 560 Lexington Avenue, New York, New York, where we occupy space under a lease expiring in March 2017.

In the United States, Hudson Americas operates from 34 leased locations with space of approximately 305,000 square feet, which includes four leased locations with space of approximately 72,000 square feet, which are shared between the Hudson Americas and corporate functions.

Outside the United States, in the 24 countries in which the Company is located, Hudson Europe is the lessee of 46 locations with approximately 340,000 square feet, Hudson Asia Pacific is the lessee of 21 locations with approximately 330,000 square feet, and Hudson Americas is a lessee of one location with approximately 10,000 square feet. All leased space is considered to be adequate for the operation of its business, and no difficulties are foreseen in meeting any future space requirements.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings that are incidental to the conduct of its business. The Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, cash flows or results of operations.

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

No matter was submitted to a vote of the Company's security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information, as of February 18, 2008, regarding the executive officers of Hudson Highland Group, Inc.:

Name	Age	Title
Jon F. Chait	57	Chairman and Chief Executive Officer
Mary Jane Raymond	47	Executive Vice President and Chief Financial Officer
Margaretta R. Noonan	50	Executive Vice President and Chief Administrative Officer
Donald E. Bielinski	58	Senior Vice President, Chairman - Asia Pacific Region and Chairman—Hudson Talent Management
Richard S. Gray	51	Senior Vice President, Marketing and Communications
Latham Williams	55	Senior Vice President, Legal Affairs and Administration, Corporate Secretary
Neil J. Funk	56	Vice President, Internal Audit
Elaine A. Kloss	50	Vice President, Finance and Treasurer
David S. Reynolds	54	Vice President and Corporate Controller

The following biographies describe the business experience of our executive officers:

Jon F. Chait has served as Chairman and Chief Executive Officer since the Company was spun off from Monster in March 2003. He joined Monster in October 2002 expressly in contemplation of the spin-off. Prior to joining the Company, 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 to 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 July 1998, Chief Financial Officer from August 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.

Mary Jane Raymond has served as the Executive Vice President and Chief Financial Officer since December 2005. Prior to that, Ms. Raymond was the Chief Risk Officer of The Dun & Bradstreet Corporation during 2005. From 2002 to 2005, Ms. Raymond served as the Vice President and Corporate Controller of the Dun & Bradstreet Corporation. Ms. Raymond served as the Merger Integration Vice President of Lucent Technologies, Inc. from 1998 to 2002 and as Financial Vice President in International from 1997 to 1998. From 1992 to 1997, Ms. Raymond served in various positions with Cummins, Inc.

Margaretta R. Noonan has served as Executive Vice President and Chief Administrative Officer since February 2005. Prior to that Ms. Noonan served as Executive Vice President, Human Resources since she joined the Company on April 1, 2003. Prior to joining the Company, Ms. Noonan served as Senior Vice President, Global Human Resources and corporate officer of Monster Worldwide, Inc. Prior to joining Monster in 1998, Ms. Noonan was Vice President, Human Resources—Stores, for the Lord & Taylor division of May Department Stores Company, a large retail department store, from February 1997 to May 1998 and was Vice President, Human Resources, of Kohl’s Corporation, a large retail department store, from November 1992 to February 1997.

Donald E. Bielinski has served as Senior Vice President, Chairman—Asia Pacific Region and Chairman—Hudson Talent Management since December 2005. Mr. Bielinski had served as President, Strategic Business Services Group, since joining the Company in July 2004. Prior to joining the Company, Mr. Bielinski was President and Chief Executive Officer of Exostar, a Washington, D.C. based technology services firm from

January 2002 to June 2004. Prior to that, Mr. Bielinski served at W.W. Grainger, Inc., a provider of maintenance, repair, and operating supplies, services, and related information, as Group President, from 1997 until June of 2001, after serving as Senior Vice President, Marketing and Sales and as Senior Vice President, Organization and Planning.

Richard S. Gray has served as Senior Vice President, Marketing and Communications since February 2005. Prior to that, Mr. Gray served as Vice President, Marketing and Communications since joining the Company in May 2003. Prior to joining the Company, Mr. Gray was Senior Vice President for Ogilvy Public Relations Worldwide, a large public relations firm, in Chicago, Illinois from September 2002 until May 2003. Before joining Ogilvy Public Relations Worldwide, Mr. Gray was a Vice President, Marketing and Communications for Lante Corporation, an internet consulting boutique, in Chicago, Illinois from November 1998 until November 2001.

Latham Williams has served as Senior Vice President, Legal Affairs and Administration, Corporate Secretary since February 2007. Prior to that, Mr. Williams served as Vice President, Legal Affairs and Administration, Corporate Secretary since joining the Company in April 2003. Prior to joining the Company, Mr. Williams was a Partner, Leader Diversity Practice Group and Co-Leader Global Legal Practice in Monster's executive search division. Prior to joining Monster in 2001, Mr. Williams was an equity partner with the international law firm of Sidley Austin LLP from 1993 to 2000, specializing in health care joint ventures, mergers and acquisitions. Before joining Sidley Austin, Mr. Williams was an equity partner in the Chicago-based law firm of Gardner, Carton & Douglas and was with the firm from 1981 to 1993.

Neil J. Funk has served as Vice President, Internal Audit since joining the Company in August 2003. Prior to joining the Company, Mr. Funk was a Senior Manager at Deloitte & Touche LLP, a multi-national auditing and consulting firm, from September 2000 until July 2003. Before joining Deloitte & Touche, Mr. Funk was with Prudential Financial, Inc., a large insurance company, specializing in personal financial planning from March 2000 until August 2000. Before joining Prudential Financial, Inc., Mr. Funk was District Audit Manager for PRG-Schultz, Inc., a recovery audit company, based in Atlanta, Georgia from September 1997 until February 2000.

Elaine A. Kloss has served as Vice President, Finance and Treasurer since June 2005. Prior to joining the Company, Ms. Kloss was Vice President and Treasurer of NUI Utilities, Inc., a public company with natural gas distribution operations from January 2004 to January 2005. Prior to that, she served as Treasury Associate for Resources Global Professionals, Inc., an international professional services firm, from 2002 to 2004. Ms. Kloss served as Vice President and Treasurer with Ventiv Health, Inc., a diversified contract pharmaceutical sales company, from 1999 to 2001. Ms. Kloss also has held various treasury and financial positions at New York Life Insurance Company, Joseph E. Seagram & Sons, Inc., AT&T and the Board of Governors of the Federal Reserve System.

David S. Reynolds has served as Vice President, Corporate Controller since 2007 and served as Vice President, Financial Operations of the Company during February 2007. Prior to joining the Company, Mr. Reynolds was Vice President and Controller of Bally Total Fitness Corporation from February 2005 to February 2007. Prior to that, Mr. Reynolds served in various positions for Comdisco, Inc. from 1981 to 2005, including Senior Vice President and Controller from 2002 to 2005 and Corporate Controller from 2001 to 2002. Mr. Reynolds started his career at Ernst & Young from 1976 to 1981.

Executive officers are elected by, and serve at the discretion of, the Board of Directors. There are no family relationships between any of our directors or executive officers.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR COMMON STOCK

The Company's common stock is listed for trading on the NASDAQ Global Market under the symbol "HHGP." On December 31, 2007, there were approximately 1,060 holders of record of the Company's common stock.

The following is a list by fiscal quarter of the market prices of the stock.

	Market Price	
2007	**High**	**Low**
Fourth quarter	$ 15.17	$ 7.81
Third quarter	$ 22.77	$ 12.04
Second quarter	$ 22.20	$ 14.46
First quarter	$ 17.99	$ 15.12
2006		
Fourth quarter	$ 18.11	$ 9.10
Third quarter	$ 11.51	$ 8.23
Second quarter	$ 20.75	$ 10.49
First quarter	$ 19.29	$ 14.52

We have never declared or paid cash dividends on our common stock, and we currently do not intend to declare and pay cash dividends on our common stock. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our Board of Directors. In addition, the terms of our credit facility prohibit us from paying dividends and making other distributions.

ISSUER PURCHASES OF EQUITY SECURITIES

During the quarter ended December 31, 2007, the Company made no repurchases of its common stock.

On February 4, 2008, the Company announced that its Board of Directors authorized the repurchase of up to $15 million of the Company's common stock. The authorization does not expire. The Company intends to make purchases from time to time as market conditions warrant. Through February 29, 2008, the Company had repurchased 701,173 shares for a total cost of approximately $5.3 million.

The following information in this Item 5 of this Annual Report on Form 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A of 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

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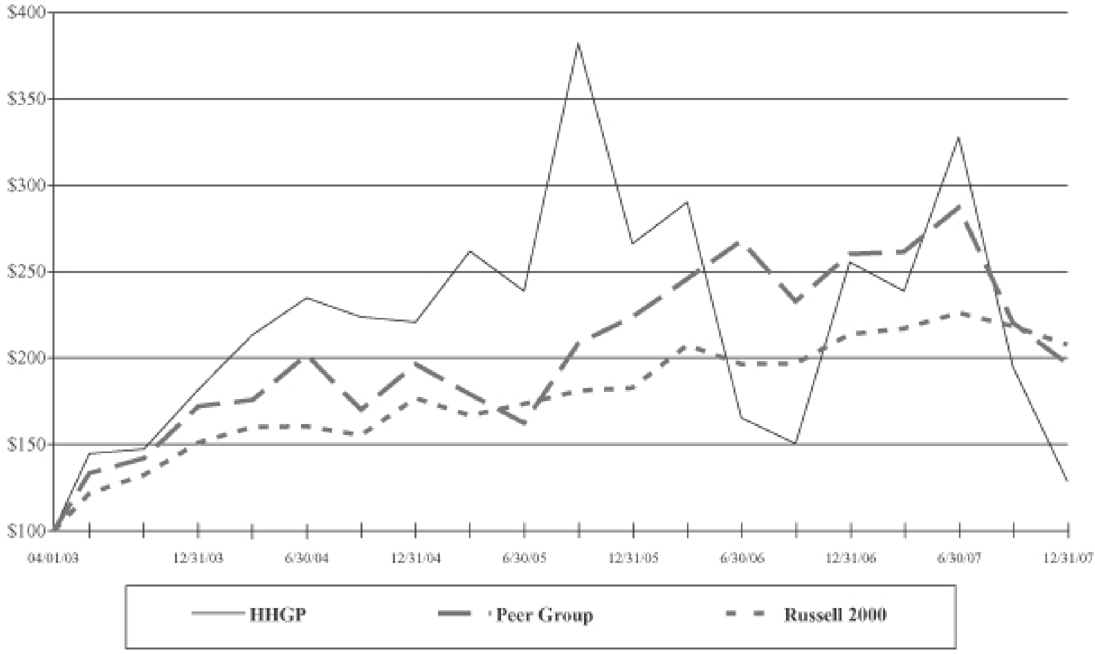
PERFORMANCE INFORMATION

The Company was spun off from Monster on March 31, 2003. Shares of Common Stock began trading on an "actual" basis on the NASDAQ Global Market on April 1, 2003. The following graph compares on a cumulative basis changes since April 2, 2003 in (a) the total stockholder return on the Common Stock with (b) the total return on the Russell 2000 Index and (c) the total return on the companies in a peer group selected in good faith by the Company, in each case assuming reinvestment of dividends. Such changes have been measured by dividing (a) the difference between the price per share at the end of and the beginning of the measurement period by (b) the price per share at the beginning of the measurement period. The graph assumes $100 was invested on April 1, 2003 in Common Stock, the Russell 2000 Index and the peer group consisting of Kforce Inc., MPS Group, Inc., Manpower, Inc., Spherion Corporation, CDI Corp. and Robert Half International Inc. The returns of each component company in the peer group have been weighted based on each company's relative market capitalization.



	April 1, 2003	December 31, 2003	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
HHGP	$100.00	$ 181.61	$ 220.69	$ 266.05	$ 255.63	$ 128.89
PEER GROUP	$100.00	$ 172.08	$ 196.50	$ 223.93	$ 260.16	$ 196.85
RUSSELL 2000 INDEX	$100.00	$ 151.05	$ 176.73	$ 182.60	$ 213.64	$ 207.77

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ITEM 6. SELECTED FINANCIAL DATA

The following table shows selected financial data of the Company that has been adjusted to reflect the classification of certain businesses as discontinued operations. The data has been derived from, and should be read together with, the consolidated financial statements and corresponding notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Items 7 and 8 of this Form 10-K.

The following selected financial data for 2006 has been restated to reflect adjustments resulting from matters discussed in Note 2 "Restatement of Results and Adoption of SAB 108" to the Consolidated Financial Statements included elsewhere in this Form 10-K.

	Year ended December 31,				
	2007	2006 (Restated)	2005	2004	2003 (d)
	(dollars in thousands, except per share data)				
SUMMARY OF OPERATIONS:					
Revenue	$1,179,075	$1,157,874	$1,128,454	$989,289	$824,368
Gross margin	$507,913	$459,255	$432,443	$378,395	$309,804
EBITDA (loss) (a)	$32,626	$15,437	$7,124	$(14,318)	$(271,573)
Depreciation and amortization (b)	14,624	19,803	16,503	17,708	16,235
Operating income (loss)	$18,002	$(4,366)	$(9,379)	$(32,026)	$(287,808)
Income (loss) from continuing operations before accounting change	$4,907	$(8,187)	$(16,226)	$(34,923)	$(289,146)
Net income (loss)	$14,981	$20,428	$201	$(30,285)	$(332,526)
Basic income (loss) per share from continuing operations before accounting change (c)	$0.19	$(0.34)	$(0.73)	$(1.79)	$(17.21)
Basic net income (loss) per share (c)	$0.59	$0.83	$0.01	$(1.56)	$(19.80)
Diluted income (loss) per share from continuing operations before accounting change (c)	$0.19	$(0.34)	$(0.73)	$(1.79)	$(17.21)
Diluted net income (loss) per share (c)	$0.58	$0.83	$0.01	$(1.56)	$(19.80)
OTHER FINANCIAL DATA:					
Net cash provided by (used in) operating activities	$37,741	$35,867	$(26,298)	$(30,895)	$(42,629)
Net cash provided by (used in) investing activities	$(50,837)	$1,881	$(35,715)	$(10,128)	$(11,390)
Net cash provided by (used in) financing activities	$4,864	$(28,803)	$75,857	$35,278	$49,465
BALANCE SHEET DATA:					
Current assets	$259,075	$280,107	$279,877	$232,833	$198,416
Total assets	$374,206	$352,182	$347,773	$281,378	$250,924
Current liabilities	$152,426	$167,289	$202,761	$182,794	$158,821
Long-term debt, less current portion	$—	$235	$478	$2,041	$302
Total stockholders' equity	$200,115	$171,324	$132,454	$83,734	$69,361

(a) Non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization ("EBITDA") are presented to provide additional information to investors about the Company's operations on a basis consistent with the measures which the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the Company's profitability or liquidity. Furthermore, EBITDA as presented above may not be comparable with similarly titled measures reported by other companies. See Note 19 to the Consolidated Financial Statements for further EBITDA segment and reconciliation information.

(b) Depreciation and amortization expense in 2006 included an impairment charge of $1,300 related to the Alder Novo acquisition.

(c) For basic and diluted loss per share amounts for the three months ended March 31, 2003, prior to the Company's spin-off from Monster, Monster's weighted average number of shares was multiplied by the distribution ratio of one share of the Company's common 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 earnings per share is computed by dividing the Company's income from continuing operations 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.

(d) The results for the year ended December 31, 2003 included a goodwill impairment charge of $195,404 in EBITDA.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

Background

We have operated as an independent publicly traded company since April 1, 2003, when we were spun-off from Monster. Our businesses are specialized professional staffing services for permanent and contract and talent management services to businesses operating in many industries and operating in over 20 countries around the world. Our largest operations are in the U.S., the U.K. and Australia. We are organized into three reportable segments of Hudson Americas, Hudson Europe and Hudson Asia Pacific. These contribute approximately 17%, 47% and 36% of the Company's gross margin, respectively, for the year ended December 31, 2007. Our management's primary focus since the spin-off has been to move the Company to profitability and then increase profitability through the execution of our strategy. We achieved EBITDA profitability in 2005, which has continued into 2007.

Strategic Actions

Our strategy, since our inception, has been focused on building our specialized professional recruitment through our staffing, project solutions and talent management businesses. We believe that this core mix has growth potential for the next decade. We have focused our strategy on higher-margin specialized professional recruitment with a long-term financial goal of 7-10% EBITDA margins. We have executed this strategy through a combination of investments, divestitures and cost restructuring.

In the second quarter of 2007, we acquired the business assets of Tong Zhi (Beijing) Consulting Service Ltd. and Guangzhou Dong Li Consulting Service Ltd. (collectively, "TKA"), an information technology recruiting business, which has operations located in three major cities in China.

We expect to continue to identify opportunities to acquire businesses to expand our operations in specialized professional recruitment. In February 2008, we completed the acquisition of a small talent management and recruitment business in France.

In the last eighteen months, we completed the sale of seven non-core businesses to sharpen our strategic focus:

- Scottish industrial trade business (2005 revenue of $12 million) in September 2006.
- Highland Partners, our former executive search segment, (2005 revenue of $63 million). The sale of Highland allowed the Company to focus on its core permanent placement service offerings in mid to senior level recruitment, professional staffing, and talent management solutions.
- U.K. office support business (2006 revenue of $10 million) in January 2007.
- Australia's trade and industrial business (2006 revenue of $44 million) in October 2007.
- The Netherlands' reintegration business (2006 revenue of $19 million) in December 2007.
- Alder Novo in 2007, a company that we acquired in 2006 and subsequently determined was not performing at the level originally expected.
- Hudson Americas' energy, engineering and technical staffing division in February 2008 (2007 revenue of $146 million).

In addition, our U.K., and to a lesser extent Australian, teams have consistently exited or declined to renew lower margin contracts and clients.

We have had a continuous program of improving our cost structure. We completed our 2006 reorganization program during the second quarter of 2007. During 2008, the Company intends to streamline its support operations in each of the Hudson regional businesses to match its narrowed focus on specialization. Although the Company has not committed to a specific action plan, the Company expects to have between $5 to $7 million of restructuring actions through this year, including between $1 and $3 million in the first quarter of 2008.

Restatement of 2007 and 2006 Results

The Company has restated its Consolidated Financial Statements as of and for the year ended December 31, 2006 and its quarterly results of operations for the three months ended September 30, 2006 and December 31, 2006. In addition, the Company has restated its quarterly results of operations for the three months ended March 31, 2007, June 30, 2007 and September 30, 2007. The restatement involved the timing of recording contingent payments related to the acquisition of Balance Ervaring Op Projectbasis B.V. ("Balance") and to expense a portion of the contingent payments, including approximately $1.7 million (€1.3 million) that was previously recorded as goodwill when the amount was paid in the second quarter of 2007.

The following is a description of the accounting adjustments included in the restatement of the Company's Consolidated Financial Statements and the effect of such adjustments at December 31, 2006 on the Consolidated Balance Sheet and on the Consolidated Statement of Operations and Change in Stockholders' Equity for the year then ended and on the unaudited selected quarterly financial data for the three months ended September 30, 2006, December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007. Amounts included in this report as of and for the years ended December 31, 2005, 2004 and 2003 and for the three months ended March 31, 2006 and June 30, 2006 were not affected by the restatement.

This restatement resulted in an increase in the Company's and the Hudson Europe segment's reported operating expenses and related impact on EBITDA (see Note 19 to the Consolidated Financial Statements), operating income (loss), income (loss) from continuing operations and net income (loss) for each of the periods as follows:

Three months ended September 30, 2006	$0.8 million ($0.03 per basic and diluted share)
Three months ended December 31, 2006	$0.9 million ($0.03 per basic and diluted share)
Year ended December 31, 2006	$1.7 million ($0.07 per basic and diluted share)
Three months ended March 31, 2007	$0.3 million ($0.01 per basic and diluted share)
Three months ended June 30, 2007	$0.3 million ($0.01 per basic and diluted share)
Three months ended September 30, 2007	$0.3 million ($0.01 per basic and diluted share)

The restatement also resulted in an increase in goodwill and accrued expenses as of December 31, 2006 of $1,313 and $3,019, respectively.

The restatement did not affect the Company's cash flows for any of the periods.

The Company entered into a share purchase agreement dated July 19, 2005 for the acquisition of Balance. The purchase price for Balance was €20.75 million plus a series of contingent payments to be made annually based upon future minimum annual earnings thresholds during the first three years subsequent to the purchase. On July 12, 2006, the Company entered into an amendment to the share purchase agreement, which changed the earn-out formula to increase the potential future maximum contingent payments related to calendar 2006 from €1.0 million to €2.3 million and in calendar 2007 from €2.25 million to €3.5 million. The Company recorded the contingent payment for calendar 2006, including the increased maximum earn-out, when paid in April 2007 as an adjustment of the purchase price and added the amount to the recorded value of goodwill. The Company has evaluated the amendment and has determined that this amendment would be considered a new agreement, separate from the original share purchase agreement, outside of the guidance of Statement of Financial Accounting Standards ("SFAS") 141, *"Business Combinations."* Accordingly, the amount paid in excess of the original maximum contingent payment would not be considered additional purchase price under the contingent consideration provisions of SFAS 141. Instead it should be recorded as expense in the period in which the amount is estimable and becomes probable of being paid under the guidance of SFAS 5, *"Accounting for Contingencies,"* also considering the interim guidance provided under Accounting Principles Board Opinion No. 28, *"Interim Financial Reporting."* Accordingly, the Company accrued $1.7 million (€1.3 million) that it previously recorded as goodwill when paid in April 2007 as an expense in the third and fourth quarters of 2006 and accrued the remaining contingent payment related to calendar 2006 of $1.3 million (€1.0 million) as goodwill as of December 31, 2006. In addition, the Company recorded a total of approximately $0.9 million (€0.7 million) as a period expense over the first, second and third quarters of 2007 related to the increased maximum contingent payment amount for calendar 2007 to be paid in April 2008.

Discontinued Operations

In December 2007, the Company committed to a plan to sell the assets of its energy, engineering and technical staffing division ("ETS"), which was part of the Hudson Americas regional business, to make such assets available for sale and to actively seek a buyer for such assets as further described in Note 21 to the Consolidated Financial Statements. In the fourth quarter of 2007, the Company sold its Netherlands reintegration subsidiary, Hudson Human Capital Solutions B.V. ("HHCS"), which was part of the Hudson Europe regional business, and its Australian blue-collar market's Trade & Industrial subsidiary ("T&I"), which was part of the Hudson Asia Pacific regional business. In the fourth quarter of 2006, the Company sold its Highland Partners executive search business ("Highland"), which was a separate reportable segment of the Company.

As the result of these actions, ETS, HHCS, T&I and Highland operations have been accounted for as discontinued operations and accordingly, amounts in the financial statements and related notes for all historical periods have been restated to reflect these operations as discontinued operations. Unless otherwise noted, this management discussion and analysis relates only to financial results from continuing operations.

Critical Accounting Policies and Items Affecting Comparability

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 the Company'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.

The Company recognizes revenue for temporary services at the time services are provided and revenue is recorded on a time and materials basis. Temporary contracting revenue is reported gross when the Company acts as principal in the transaction and is at risk for collection. Revenue that does not meet the criteria for gross revenue reporting is reported on a net basis. Revenue generated when the Company permanently places an individual with a client on a contingent basis is recorded at the time of acceptance of employment, net of an allowance for estimated fee reversals. Revenue generated when the Company permanently places an individual with a client on a retained basis is recorded ratably over the period services are rendered, net of an allowance for estimated fee reversals.

Accounts Receivable

The Company's accounts receivable balances are composed of trade and unbilled receivables. The Company maintains an allowance for doubtful accounts and makes ongoing estimates as to the collectability of the various receivables. If the Company determines that the allowance for doubtful accounts is not adequate to cover estimated losses, an expense to provide for doubtful accounts is recorded in selling, general and administrative expenses. If an account is determined to be uncollectible, it is written off against the allowance for doubtful accounts. Management's assessment and judgment are vital requirements in assessing the ultimate realization of these receivables, including the current credit-worthiness, financial stability and effect of market conditions on each customer.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "*Accounting for Income Taxes*." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss and tax credit carry-forwards, and tax contingencies. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance against deferred tax assets to the extent that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

We are subject to audit by various taxing authorities, and these audits may result in proposed assessments where the ultimate resolution results in us owing additional taxes. We establish reserves under SFAS Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes"* ("FIN 48") when, despite our belief that our tax return positions are appropriate and supportable under local tax law, we believe there is uncertainty with respect to certain positions and we may not succeed in realizing the tax benefit. We evaluate these unrecognized tax benefits and related reserves each quarter and adjust the reserves and the related interest and penalties in light of changing facts and circumstances regarding the probability of realizing tax benefits, such as the settlement of a tax audit or the expiration of a statute of limitations. We believe the estimates and assumptions used to support our evaluation of tax benefit realization are reasonable. However, final determinations of prior-year tax liabilities, either by settlement with tax authorities or expiration of statutes of limitations, could be materially different than estimates reflected in assets and liabilities and historical income tax provisions. The outcome of these final determinations could have a material effect on our income tax provision, net income, or cash flows in the period in which that determination is made. We believe our tax positions comply with applicable tax law and that we have adequately provided for any known tax contingencies under FIN 48.

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 and 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 client lists, trademarks and goodwill. With the exception of goodwill, these costs are being amortized over periods ranging from three to five years on a straight-line basis or on an accelerated basis where appropriate. The Company evaluates its goodwill annually for impairment, or earlier if indicators of potential impairment exist.

Business Reorganization and Merger and Integration Plans

The Company has recorded significant charges and accruals in connection with its business reorganization, merger and integration 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.

Foreign Currency Translation

The financial position and results of operations of the Company’s international subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Statements of Operations accounts are translated at the average rate of exchange prevailing during each period. Translation adjustments arising from the use of differing exchange rates from period to period are included in the other comprehensive income (loss) account in stockholders’ equity, other than translation adjustments on short-term intercompany balances, which are included in other income (expense). Gains and losses resulting from other foreign currency transactions are included in other income (expense). Intercompany receivable balances of a long-term investment nature are considered part of the Company’s permanent investment in a foreign jurisdiction and the gains or losses on these balances are reported in other comprehensive income.

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Results of Operations

The following table sets forth the Company's revenue, gross margin, operating income (loss), income (loss) from continuing operations, net income, temporary contracting revenue, direct costs of temporary contracting and temporary contracting gross margin for the years ended December 31, 2007, 2006 and 2005 (dollars in thousands). See Note 19 to the Consolidated Financial Statements for EBITDA segment and reconciliation information.

	For the Year ended December 31,		
	2007	2006 (Restated)	2005
Revenue:			
Hudson Americas	$ 291,525	$ 306,732	$ 291,209
Hudson Europe	472,407	458,815	450,727
Hudson Asia Pacific	415,143	392,327	386,518
Total	$1,179,075	$1,157,874	$1,128,454
Gross margin:			
Hudson Americas	$ 87,494	$ 91,461	$ 91,487
Hudson Europe	239,559	208,966	189,443
Hudson Asia Pacific	180,860	158,828	151,513
Total	$ 507,913	$ 459,255	$ 432,443
Operating income (loss):			
Hudson Americas	$ (8,510)	$ (13,902)	$ (553)
Hudson Europe	24,471	14,554	8,438
Hudson Asia Pacific	29,506	26,794	20,725
Corporate expenses	(27,465)	(31,812)	(37,989)
Total	$ 18,002	$ (4,366)	$ (9,379)
Income (loss) from continuing operations	$ 4,907	$ (8,187)	$ (16,226)
Net income	$ 14,981	$ 20,428	$ 201
TEMPORARY CONTRACTING DATA (a):			
Temporary contracting revenue:			
Hudson Americas	$ 267,464	$ 277,807	$ 267,577
Hudson Europe	267,424	292,728	293,614
Hudson Asia Pacific	273,197	267,657	270,162
Total	$ 808,085	$ 838,192	$ 831,353
Direct costs of temporary contracting:			
Hudson Americas	$ 202,211	$ 213,776	$ 198,968
Hudson Europe	213,824	237,024	247,239
Hudson Asia Pacific	224,499	223,054	224,030
Total	$ 640,534	$ 673,854	$ 670,237
Temporary contracting gross margin:			
Hudson Americas	$ 65,253	$ 64,031	$ 68,609
Hudson Europe	53,600	55,704	46,375
Hudson Asia Pacific	48,698	44,603	46,132
Total	$ 167,551	$ 164,338	$ 161,116
Gross margin as a percent of revenue:			
Hudson Americas	24.4%	23.0%	25.6%
Hudson Europe	20.0%	19.0%	15.8%
Hudson Asia Pacific	17.8%	16.7%	17.1%

(a) 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 the Company's peers. Temporary contracting gross margin is derived by deducting the direct costs of temporary contracting from temporary contracting revenue. The Company's calculation of gross margin may differ from those of other companies.

Constant Currency

The Company defines the term “constant currency” to mean that financial data for a period are translated into U.S. Dollars using the same foreign currency exchange rates that were used to translate financial data for the previously reported period. Changes in revenue, direct costs, gross margin and selling, general and administrative expenses include the effect of changes in foreign currency exchange rates. Variance analysis usually describes period-to-period variances that are calculated using constant currency as a percentage. The Company’s management reviews and analyzes business results in constant currency and believes these results better represent the Company’s underlying business trends without distortion due to currency fluctuations.

The Company believes that these calculations are a useful measure, indicating the actual change in operations. Earnings from subsidiaries have not historically been repatriated to the United States, although the Company paid dividends substantially from current year earnings of foreign subsidiaries to the United States in 2007. There are no significant gains or losses on foreign currency transactions between subsidiaries. Therefore, changes in foreign currency exchange rates generally impact only reported earnings and not the Company’s economic condition (dollars in thousands).

The Year Ended December 31, 2007 Compared to the Year Ended December 31, 2006

	For the year ended December 31,			
	2007			2006
	As reported	Currency translation	Constant currency	As restated
Revenue:				
Hudson Americas	$ 291,525	$ (239)	$ 291,286	$ 306,732
Hudson Europe	472,407	(38,382)	434,025	458,815
Hudson Asia Pacific	415,143	(40,251)	374,892	392,327
Total	1,179,075	(78,872)	1,100,203	1,157,874
Direct costs:				
Hudson Americas	204,031	(61)	203,970	215,271
Hudson Europe	232,848	(18,871)	213,977	249,849
Hudson Asia Pacific	234,283	(24,405)	209,878	233,499
Total	671,162	(43,337)	627,825	698,619
Gross margin:				
Hudson Americas	87,494	(178)	87,316	91,461
Hudson Europe	239,559	(19,511)	220,048	208,966
Hudson Asia Pacific	180,860	(15,846)	165,014	158,828
Total	$ 507,913	$(35,535)	$ 472,378	$ 459,255
Selling, general and administrative (a):				
Hudson Americas	$ 95,513	$ (198)	$ 95,315	$ 103,200
Hudson Europe	212,650	(17,386)	195,264	191,727
Hudson Asia Pacific	151,369	(13,018)	138,351	131,198
Corporate	26,804	—	26,804	31,119
Total	$ 486,336	$(30,602)	$ 455,734	$ 457,244

(a) Selling, general and administrative expenses include the Consolidated Statements of Operations’ captions: salaries and related, office and general, acquisition-related expenses, marketing and promotion, and depreciation and amortization.

Hudson Americas

Hudson Americas' revenue was $291.5 million for the year ended December 31, 2007, down 5.0% from $306.7 million for 2006. Revenues decreased against the prior year in both contract staffing services (68% of the total decline) and permanent placement (32% of the total decline). On a line of business basis, contracting was down 4% to prior year and permanent placement was down 15%. Fewer contractors on billing resulted in a decline of contracting revenue in Information Technology (-9%) and Financial Solutions (-12%), partially offset by an increase in Legal (+1%). The largest decreases in permanent placement revenue were in Management Search (-19%) and Financial Solutions (-23%) as a result of lower billings.

Hudson Americas' direct costs for the year ended December 31, 2007 were $204.0 million compared to $215.3 million for 2006, a decrease of 5.2%. The decrease in direct costs was consistent with the decrease in Hudson Americas' temporary contracting revenue in 2007 compared to 2006.

Hudson Americas' gross margin for the year ended December 31, 2007 was $87.5 million, lower by $3.9 million, or 4.3%, from $91.5 million for the year ended December 31, 2006. The $87.5 million gross margin included temporary contracting gross margin of $65.3 million and permanent placement gross margin of $21.5 million. The decrease in gross margin of $3.9 million was primarily from a decrease of $4.8 million in permanent placement partially offset by an increase in temporary contracting margin of $1.2 million. The decrease in permanent placement was primarily Management Search (-24%), Financial Solutions (-24%) and Legal Services (-16%). The increase in the temporary contracting gross margin was within Information Technology (+5%) and Legal Services (+2%), partially offset by a decrease in Financial Solutions (-7%). Total gross margin as a percentage of revenue was 30.0% for the year-ended December 31, 2007 versus 29.8% for the same period in 2006. The increase in gross margin as a percentage of revenue was attributable to the increase in temporary contracting gross margin as a percentage of revenue (24.4% in 2007 compared to 23.0% in 2006) substantially offset by a decrease in permanent placement gross margin as a percentage of revenue (24.6% in 2007 compared to 28.7% in 2006).

Hudson Americas' selling, general and administrative costs were $95.5 million for the year ended December 31, 2007, lower by 7.4% from $103.2 million for 2006. Selling, general and administrative expenses were 32.8% and 33.6% as a percentage of revenue for 2007 and 2006, respectively. The decrease in selling, general and administrative costs was primarily due to decreases in compensation from lower headcount and lower commission expenses ($4.2 million) associated with the decreases in permanent placement revenue, decreases in administrative expenses ($2.7 million) and depreciation and amortization ($2.0 million), partially offset by non-cash compensation related to the JMT acquisition ($3.6 million). For the year ended December 31, 2007, selling, general and administrative expenses included $1.8 million resulting from the completion of the prior period sales tax review compared to $1.1 million for the same period in 2006. Based on current available information, the Company does not believe that there will be any material expense in future periods related to prior period sales tax matters. In 2007, the Company paid approximately $0.6 million of payroll taxes related to new IRS guidance on employee expense reimbursements.

Hudson Americas had reorganization expenses of $0.5 million for the year ended December 31, 2007, compared to $1.3 million in 2006. The 2007 charge related to costs for exiting three leases in the U.S. and final adjustments for employee severance on the Company's 2006 program. The Company completed its 2006 reorganization program and expects no further expenses related to this program. Although the Company has not committed to a specific action plan, during 2008 the Company intends to streamline its support operations to match its narrowed focus on specialization.

Hudson Americas' EBITDA was a loss of $4.2 million for the year ended December 31, 2007, an improvement of $3.4 million compared to a loss of $7.6 million for the comparable period of 2006. The increase in EBITDA was primarily attributable to lower headcount and lower commission expenses of $4.2 million and lower administrative costs of $2.7 million, offset by acquisition-related expense related to the JMT acquisition of $3.6 million.

Hudson Americas' operating loss was $8.5 million for the year ended December 31, 2007, an improvement of $5.4 million, compared to an operating loss of $13.9 million for 2006. The improvement was due to the same factors as described above in EBITDA and decreased depreciation and amortization expenses on furniture and fixtures and client lists.

Hudson Europe

Hudson Europe's revenue was $472.4 million for the year ended December 31, 2007, up 3.0% from $458.8 million for 2006. On a constant currency basis, Hudson Europe's revenue decreased approximately 5.4% in 2007 compared to 2006. The largest decrease in constant currency revenue was from lower temporary contracting revenue in the U.K. (-19%), including the impact of exiting the U.K. office support and the Scottish industrial businesses ("U.K. Divestitures") which had revenue of $20.1 million in 2006. The constant currency decrease was partially offset by increases of permanent placement and talent management consulting services in both Belgium (+20%) and the U.K. (+9%), strong demand for permanent placements in France (+17%) and Central and Eastern Europe (+19%) and increased temporary contracting billings for Balance (+4%).

Hudson Europe's direct costs for the year ended December 31, 2007 were $232.8 million, a reduction of $17.0 million, or 6.8%, compared to $249.8 million for 2006. On a constant currency basis, direct costs decreased 14.4% for 2007 in comparison to 2006. The decrease was primarily the result of lower temporary contracting costs in the U.K. (-20%), which included the U.K. Divestitures.

Hudson Europe's gross margin for the year ended December 31, 2007 was $239.6 million, higher by $30.6 million, or 14.6%, compared to 2006. Gross margin as a percentage of revenue was 50.7% for 2007, an increase from 45.5% for 2006, primarily due to a reduction in lower margin business in the U.K., together with the growth in permanent placement and talent management consulting services. On a constant currency basis, gross margin increased by 5.3% for the year ended December 31, 2007 when compared to 2006. Hudson Europe's largest constant currency increases were in U.K. permanent placement (+9%), Belgium (+19%), France (+17%) and Central and Eastern Europe (+21%), partially offset by lower gross margin from temporary contracting (-17%) primarily due to the U.K. Divestitures. Hudson Europe's temporary gross margin as a percentage of temporary contracting revenue increased to 20.0% in 2007 from 19.0% in 2006.

Hudson Europe's selling, general and administrative costs were $212.7 million for the year ended December 31, 2007, higher by 10.9% from $191.7 million for 2006. Selling, general and administrative expenses for 2007 and 2006 were 45.0% and 41.8% as a percentage of revenue, respectively. On a constant currency basis, the 2007 selling, general and administrative expenses increased by 1.8% compared to 2006. The largest increases in selling, general and administrative costs for 2007 came from sales and delivery costs (+4%) and support salaries of (+10%), partially offset by lower depreciation and amortization expense (-19%), occupancy costs (-8%) and bad debt expense (-115%). Acquisition-related expense on the Balance acquisition was $1.7 million in both 2007 and 2006.

Hudson Europe had reorganization expenses of $2.4 million for the year ended December 31, 2007, compared to $2.7 million in 2006. These expenses related to the costs of exiting leases in the U.K. and in the Netherlands, where the leased space exceeded the current requirements of the business, partially offset by recoveries on older reorganization programs. The Company completed its 2006 reorganization program and expects no further expenses related to this program. Although the Company has not committed to a specific action plan, during 2008 the Company intends to continue to streamline its support operations.

Hudson Europe's EBITDA was $30.5 million for the year ended December 31, 2007, an increase of $9.1 million compared to $21.4 million for 2006. Hudson Europe achieved an EBITDA of 6.5% of revenue in 2007 compared to 4.7% in 2006. Key EBITDA contributors included France (+143%), Belgium (+71%) and Nordics (+367%). EBITDA in the U.K. (9%) includes the impact of the U.K. Divestitures which had $1.6 million of EBITDA in 2006. These EBITDA contributions were partially offset by a net loss in Italy, primarily related to severance for a change in leadership ($1.0 million).

Hudson Europe's operating income was $24.5 million for the year ended December 31, 2007, compared to $14.6 million for 2006. Hudson Europe's 2007 improvement in operating results was essentially due to the same factors as discussed above with respect to EBITDA.

Hudson Asia Pacific

Hudson Asia Pacific's revenue was $415.1 million for year ended December 31, 2007, up 5.8% from $392.3 million for 2006. On a constant currency basis, Hudson Asia Pacific's revenue decreased approximately 4.4% comparing 2007 to 2006. The largest constant currency revenue decrease came from temporary contracting in Australia (-11%) largely due to the continued strategic exit from low margin business. The region also experienced a decline in permanent placement revenue in Japan (-40%) due to its transition to a business model less focused on retained search. These decreases were offset in part by the growth in permanent placement in China (+70%), Australia (+8%) and Hong Kong (+39%). During 2007, the Company acquired TKA which contributed $2.6 million to China's $4.4 million constant currency revenue increase for 2007 over 2006.

Hudson Asia Pacific's direct costs for the year ended December 31, 2007 were $234.3 million, an increase of $0.8 million, or 0.3%, compared to $233.5 million for 2006. On a constant currency basis, direct costs decreased by $23.6 million, or 10.1% compared to 2006. The decrease in direct costs is consistent with the withdrawal from lower margin contracts.

Hudson Asia Pacific's gross margin for the year ended December 31, 2007 was $180.9 million, an increase of $22.0 million, or 13.9% from $158.8 million for 2006. Gross margin, as a percentage of revenue, was 43.6% for 2007, an increase from 40.5% for 2006, primarily due to an increased percentage of total gross margin coming from permanent placement services combined with increased temporary contracting margins. On a constant currency basis, gross margin increased by 3.9% for the year ended December 31, 2007 when compared to the year ended December 31, 2006. The gross margin increase was from increases in permanent placement in Australia (+7%), China (+75%), Hong Kong (+38%) and Singapore (+15%) markets, partially offset by a decrease in Japan (-40%).

Hudson Asia Pacific's selling general and administrative costs were $151.4 million for the year ended December 31, 2007, higher by 15.4% from $131.2 million for 2006. Selling, general and administrative expenses as a percent of revenue were 36.5% and 33.4% for 2007 and 2006, respectively. On a constant currency basis, the 2007 selling, general and administrative expenses increased by 5.5% compared to 2006. The increased expenses in 2007 were the result of increases in China (+93%), mainly from the TKA acquisition (+41%) and related increased occupancy costs resulting from a relocation to larger office space during 2007, and Hong Kong (+54%) for sales and delivery compensation costs.

Hudson Asia Pacific had nominal reorganization expenses for the year ended December 31, 2007, compared to $0.8 million in 2006. The Company completed its 2006 reorganization program and expects no further expenses related to this plan. Although the Company has not committed to a specific action plan, during 2008 the Company intends to streamline its support operations to match its narrowed focus on specialization.

Hudson Asia Pacific's EBITDA was $33.4 million for the year ended December 31, 2007, an increase of 11.6%, or $3.5 million, from $30.0 million for 2006. EBITDA as a percentage of revenue increased to 8.1% for 2007 compared to 7.6% in 2006, with the increase in Australia being mostly offset by a decrease in Japan. Australia's EBITDA as a percentage of revenue increased to 7.7% in 2007 from 6.3% in 2006, primarily due to the continued focus on moving to higher margin business. Japan reported EBITDA losses in the current year compared to income in the prior year due to its business model transition.

Hudson Asia Pacific’s operating income was $29.5 million for the year ended December 31, 2007, an increase of 10.1%, or $2.7 million, from $26.8 million for 2006. Hudson Asia Pacific’s 2007 improvement in operating results was primarily due to the same factors discussed above, partially offset by higher depreciation and amortization expenses in the region, primarily on amortization of leasehold improvements.

Corporate and Other

Corporate expenses for the year ended December 31, 2007 were $26.8 million compared to $31.1 million for 2006. The corporate expenses in 2007 decreased primarily as a result of lower depreciation and amortization expense ($3.1 million), professional fees ($1.4 million) and marketing expenses ($1.2 million), partially offset by higher travel costs ($1.1 million) and other administrative costs ($1.0 million).

Other non-operating income (expenses), including interest, was $4.1 million for the year ended December 31, 2007, higher by $4.2 million when compared to ($0.05) million for 2006. Interest income for 2007 was $0.7 million compared to an expense of $1.6 million in 2006. Non-operating expense for 2007 included the gain on the sale of the U.K. office and support services.

Provision for income taxes

The provision for income taxes for the year ended December 31, 2007 was $17.2 million on income from continuing operations of $22.1 million, compared with a provision of $3.8 million on a loss from continuing operations of $4.4 million for 2006. The change in the Company’s tax provision for the year ended December 31, 2007 compared to 2006 was primarily related to increased profits in countries where there are no tax loss carry forwards to offset taxable income. Included in the 2006 tax provision is a release of valuation allowances on tax loss carry-forwards against $48.1 million of foreign pretax income. The effective tax rate differs from the U.S. Federal statutory rate of 35% due to the inability to recognize tax benefits on net U.S. losses, state taxes, non-deductible expenses such as certain acquisition related payments, variations from the U.S. tax rate in foreign jurisdictions, and taxes on repatriation of foreign profits.

Income from Continuing Operations

Income from continuing operations was $4.9 million for the year ended December 31, 2007, compared to a loss of $8.2 million for 2006. Basic and diluted earnings from continuing operations per share were $0.19 for the year ended December 31, 2007, compared to basic and diluted loss of $0.34 per share in the year ended December 31, 2006. Basic average shares outstanding increased in 2007 as a result of various employee stock compensation awards that vested or were issued or granted at various times during 2007. For 2006, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Discontinued Operations

ETS, HHCS, T&I and the former Highland segment comprise the Company’s discontinued operations. Income from discontinued operations was $10.1 million for year ended December 31, 2007 compared to income of $28.6 million for 2006. The 2007 results include a gain of $6.8 million related to the Australian and Netherlands discontinued operations compared to the 2006 gain from the sale of Highland of $20.4 million. Basic and diluted earnings from discontinued operations per share were $0.40 and $0.39, respectively, for the year ended December 31, 2007, compared to basic and diluted earnings per share of $1.17 in 2006.

Net Income

Net income was $15.0 million for the year ended December 31, 2007, compared to $20.4 million for 2006. Basic and diluted earnings per share were $0.59 and $0.58, respectively, for the year ended December 31, 2007 compared to basic and diluted earnings of $0.83 per share in the year ended December 31, 2006. Basic average shares outstanding increased in 2007 as a result of various employee stock compensation awards that vested or were issued or granted at various times during 2007. For 2006, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share. For 2006, the Company used loss from continuing operations as its control number in determining earnings per share.

The Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

	For the year ended December 31,			
	2006			2005
	As Restated	Currency translation	Constant currency	As reported
Revenue:				
Hudson Americas	$ 306,732	$ (274)	$ 306,458	$ 291,209
Hudson Europe	458,815	(4,101)	454,714	450,727
Hudson Asia Pacific	392,327	9,480	401,807	386,518
Total	1,157,874	5,105	1,162,979	1,128,454
Direct costs:				
Hudson Americas	215,271	(44)	215,227	199,722
Hudson Europe	249,849	(2,123)	247,726	261,284
Hudson Asia Pacific	233,499	6,341	239,840	235,005
Total	698,619	4,174	702,793	696,011
Gross margin:				
Hudson Americas	91,461	(230)	91,231	91,487
Hudson Europe	208,966	(1,978)	206,988	189,443
Hudson Asia Pacific	158,828	3,139	161,967	151,513
Total	$ 459,255	$ 931	$ 460,186	$ 432,443
Selling, general and administrative (a):				
Hudson Americas	$ 103,200	$ (200)	$ 103,000	$ 91,565
Hudson Europe	191,727	(1,872)	189,855	181,047
Hudson Asia Pacific	131,198	2,641	133,839	130,780
Corporate	31,119	—	31,119	37,989
Total	$ 457,244	$ 569	$ 457,813	$ 441,381

(a) Selling, general and administrative expenses include the Consolidated Statements of Operations' captions: salaries and related, acquisition-related expenses, office and general, marketing and promotion, and depreciation and amortization.

Hudson Americas

Hudson Americas' revenue was $306.7 million for the year ended December 31, 2006, up 5.3% from $291.2 million for 2005. Revenues increased in both temporary contracting services (+3.8%) and permanent placement services (+32%). The largest contributors to the revenue growth were the practice groups of Legal (+29%), and Management Search (+51%). Accounting & Finance experienced a decline in work related to Sarbanes-Oxley from 2005, but these reductions were offset by increases in the risk management, internal audit and general financial solutions practices.

Hudson Americas' direct costs for the year ended December 31, 2006 were $215.3 million compared to $199.7 million for 2005, an increase of 7.8%. The increase in the direct costs relates to the 3.8% increase in Hudson Americas' contract revenue compared to 2005. On a constant currency basis, direct costs increased 7.8% for 2006 in comparison to 2005.

Hudson Americas' gross margin for the year ended December 31, 2006 was $91.5 million, unchanged from the year ended December 31, 2005. On a constant currency basis, gross margin decreased by 0.3% for the year ended December 31, 2006 when compared to the year ended December 31, 2005. Hudson Americas reported no change in gross margin due to declines in its Information Technology ("IT") (-27%), and Financial Solutions (-4%) practice groups, partially offset by increases in the Legal (+17%), despite a lower temporary contracting margin contribution) and Management Search (+46%) practices groups. Gross margin, as a percentage of revenue, was 29.8% for 2006, a decrease from 31.4% for 2005, primarily as a result of a decrease in the temporary contracting gross margin as a percentage of temporary contracting revenue (23.0% in 2006 compared to 25.6% in 2005) from the Legal and IT practice groups as a result of increased competition. Permanent recruitment as a percentage of gross margin increased to approximately 29% in 2006, compared to 23% in 2005.

Hudson Americas' selling, general and administrative costs were $103.2 million for the year ended December 31, 2006, higher by 12.7% from $91.6 million for 2005. Selling, general and administrative expenses were 33.6% and 31.4% as a percentage of revenue for 2006 and 2005, respectively. The increase in selling, general and administrative costs was primarily due to increases in sales and delivery compensation and commission expenses ($7.3 million) from compensation associated with the increases in permanent and contract placement revenue, and professional fees ($2.2 million) primarily from the comprehensive second quarter review of the accounting processes supported by the new PeopleSoft accounting and management reporting system, and depreciation and amortization ($1.2 million), which included $1.3 million of accelerated amortization expense related to the impairment of intangibles of the Hudson Americas talent management business' Alder Novo acquisition.

Hudson Americas' EBITDA was a loss of $7.6 million for the year ended December 31, 2006, a decrease of $12.1 million compared to income of $4.5 million for 2005. The decrease in EBITDA was primarily attributable to higher sales and delivery compensation expenses of $7.3 million, higher professional fees and contract staffing costs of $2.2 million, as described above and higher reorganization expenses of $1.3 million primarily from workforce reductions and closing the Center for High Performance. Hudson Americas' talent management business reduced its EBITDA loss to $1.8 million in 2006 compared to $3.6 million for the comparable period in 2005.

Hudson Americas' operating loss was $13.9 million for the year ended December 31, 2006, compared to a loss of $0.6 million for 2005. The decrease was essentially due to the same factors as discussed with respect to EBITDA.

Hudson Europe

Hudson Europe's revenue was $458.8 million for the year ended December 31, 2006, up 1.8% from $450.7 million for 2005. On a constant currency basis, Hudson Europe's revenue increased approximately 0.9% comparing 2006 to 2005. The largest decreases were principally from lower temporary contracting revenue in the U.K. (-11%), primarily in lower margin industrial contracting services, offset by increases achieved in the Netherlands professional staffing revenue (+197%), which was driven by the results of Balance Ervaring op Projectbasis B.V. ("Balance") (acquired August 2005), increased talent management and recruitment revenue in Belgium (+15%), and increased recruitment revenue in France (+12%) and Central and Eastern Europe (+26%).

Hudson Europe's direct costs for the year ended December 31, 2006 were $249.8 million, a decrease of $11.4 million, or 4.4%, compared to $261.3 million for 2005. On a constant currency basis, direct costs decreased 5.2% for 2006 in comparison to 2005. The decrease primarily reflects the lower temporary contracting revenue in the U.K., partially offset by the inclusion of Balance for the entire year of 2006.

Hudson Europe's gross margin for the year ended December 31, 2006 was $209.0 million, an increase of $19.5 million, or 10.3%, from 2005. Gross margin, as a percentage of revenue, was 45.5% for 2006, an increase from 42.0% for 2005, primarily due to the reduction in lower margin business. On a constant currency basis, gross margin increased by 9.3% for the year ended December 31, 2006 when compared to 2005. Hudson Europe's largest constant currency increases were in Balance (+192%), Belgium (+13%), France (+12%), and Central and Eastern Europe (+37%). Hudson Europe's temporary gross margin as a percentage of temporary contracting revenue increased to 19.0% in 2006 from 15.8% in 2005. The increases in temporary contracting margins were a product of the addition of Balance and a strategic U.K. focus on higher margin contracts and exiting lower margin contracts, such as the sale of the Scottish industrial trade business.

Hudson Europe's selling, general and administrative costs were $191.7 million for the year ended December 31, 2006, higher by 5.9% from $181.0 million for 2005. Selling, general and administrative expenses were 41.8% and 40.2% as a percentage of revenue for 2006 and 2005, respectively. On a constant currency basis, the 2005 selling, general and administrative expenses increased by 4.9% compared to 2005. Increases in selling, general and administrative costs for 2006 primarily came from higher amortization expense from the Balance acquisition's intangible assets ($2.7 million), and expanded marketing expenses (+44%), partially offset by lower administrative fees (-81%), lower occupancy cost (-5%) and lower travel expenses (-8%). Acquisition-related expense for the Balance acquisition was $1.7 million in 2006.

Hudson Europe's EBITDA was $21.4 million for the year ended December 31, 2006, an increase of $8.6 million compared to $12.8 million for 2005. Hudson Europe achieved an EBITDA of 4.7% of revenue in 2006 compared to 2.8% in 2005. Key EBITDA contributors included the United Kingdom (+44%), Netherlands (+214%), despite acquisition-related expenses of $1.7 million and France (+384%).

Hudson Europe's operating income was $14.6 million for the year ended December 31, 2006, compared to $8.4 million for 2005. Hudson Europe's 2006 improvement in operating results was essentially due to the same factors as discussed above with respect to EBITDA.

Hudson Asia Pacific

Hudson Asia Pacific's revenue was $392.3 million for year ended December 31, 2006, an increase of 1.5% from $386.5 million for 2005. On a constant currency basis, Hudson Asia Pacific's revenue increased approximately 4.0% comparing 2006 to 2005. The largest constant currency revenue increases were achieved in Australian permanent placements (+14%) and talent management services (+14%), the Asian region's permanent placement services (+13%), primarily in China (+43%), Singapore (+9%) and Hong Kong (+13%), and New Zealand's temporary contracting business (+4%). The increases were partially offset by lower permanent placement revenue in New Zealand (-13%).

Hudson Asia Pacific's direct costs for the year ended December 31, 2006 were $233.5 million, a decrease of $1.5 million, or 0.6%, compared to $235.0 million for 2005. On a constant currency basis, direct costs increased 2.1% for 2006 in comparison to 2005. The increase in direct costs in 2006 directly related to a 1% increase in temporary contracting cost in Australia and a 6% increase in temporary contracting costs in New Zealand that corresponded to the increase in the temporary contracting revenue.

Hudson Asia Pacific's gross margin for the year ended December 31, 2006 was $158.8 million, higher by $7.3 million, or 4.8%, from $151.5 million reported for 2005. Gross margin, as a percentage of revenue, was 40.5% for 2006, an increase from 39.2% for 2005, primarily due to higher gross margin from permanent placement and talent management businesses. On a constant currency basis, gross margin increased by 6.9% for the year ended December 31, 2006 when compared to the year ended December 31, 2005. The gross margin increase was primarily growth in permanent placements in Australia (+15%) and Asia (+13%), partially offset by a decrease in New Zealand (-9%) from lower permanent placement services.

Hudson Asia Pacific's selling general and administrative costs were $131.2 million for the year ended December 31, 2006, higher by $0.4 million, or 0.3%, from $130.8 million for 2005. Selling, general and administrative expenses were 33.4% and 33.8% as a percentage of revenue for 2006 and 2005. On a constant currency basis, the 2006 selling, general and administrative expenses increased by 2.3% compared to 2005. The increased expenses in 2006 were the result of increases in Australia and Asian markets for sales and delivery compensation expenses and occupancy expense, offset by lower depreciation and amortization expense in Australia and New Zealand.

Hudson Asia Pacific's EBITDA was $30.0 million for the year ended December 31, 2006, an increase of 10.1%, or $2.8 million, from $27.2 million for 2005. The increase was from Australia (+13%) and Hong Kong (+69%).

Hudson Asia Pacific's operating income was $26.8 million for the year ended December 31, 2006, an increase of 29.3%, or $6.1 million, from $20.7 million for 2005. Hudson Asia Pacific's 2006 improvement in operating results was primarily due to the same EBITDA factors as discussed above and lower depreciation and amortization in Australia and New Zealand.

Corporate and Other

Corporate expenses for the year ended December 31, 2006 were $31.1 million compared to $38.0 million for 2005. The corporate expenses in 2006 decreased primarily as a result of lower compensation ($3.9 million), and marketing and advertising ($3.3 million) expenses, partially offset by higher depreciation and amortization expense primarily related to the accelerated amortization of the leasehold improvements at the former corporate offices ($2.8 million) vacated in early 2007.

Other non-operating expense, including net interest expense, was $0.05 million for the year ended December 31, 2006, lower by $2.2 million when compared to $2.3 million for 2005. Non-operating expense for 2006 included the gain on the sale of the Scottish industrial trade business ($0.6 million).

Provision for income taxes

The provision for income taxes for the year ended December 31, 2006 was $3.8 million on a loss from continuing operations of $4.4 million, compared with a provision of $4.5 million on a loss from continuing operations of $11.7 million for 2005. The change in the Company's tax provision for the year ended December 31, 2006, compared to 2005, was primarily due to deferred income tax benefits in foreign jurisdictions ($6.6 million), primarily from the release of valuation allowances on tax loss carry-forwards, offset by increased current provisions for foreign ($5.6 million) and state and local ($2.0 million) income taxes. The increase in current foreign tax provisions resulted from increased profits in international countries where there are no tax loss carry forwards to offset taxable income. The effective tax rate differs from the U.S. Federal statutory rate of 35% due to the inability to recognize tax benefits on net U.S. losses, which include corporate expenses, partially offset by the release of the valuation allowance on deferred tax assets related to net operating loss carry-forwards in tax jurisdictions where profits are now being generated. Other factors include state taxes, non-deductible expenses such as amortization and variations from the U.S. tax rate in foreign jurisdictions.

Loss from Continuing Operations

Loss from continuing operations was $8.2 million for the year ended December 31, 2006, compared to a net loss of $16.2 million for 2005. Basic and diluted loss per share from continuing operations were $0.34 and $0.73, for the years ended December 31, 2006 and 2005, respectively. Basic average shares outstanding increased in 2006 as a result of the issuance of shares of our common stock in June 2005 and from various employee stock compensation awards that vested or were issued or granted at various times during 2006. For 2006 and 2005, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share.

Discontinued Operations

Income from discontinued operations was $28.6 million for the year ended December 31, 2006, compared to income of $16.4 million for 2005. The 2006 results included a gain from the sale of Highland of $20.4 million, pre-tax income from the discontinued operations of $9.7 million, and related tax expenses of $1.5. The income from the operations of Highland decreased in 2006 when compared to 2005 as a result of a shortened 2006 period of operations, additional costs to close operations, and lower non-operating income.

Net Income

Net income was $20.4 million for the year ended December 31, 2006, compared to $0.2 million for 2005. Basic and diluted earnings per share were $0.83 and $0.01 for the years ended December 31, 2006 and 2005, respectively. For 2006 and 2005, dilutive earnings per share calculations do not differ from basic earnings per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share. The Company used loss from continuing operations as its control number in determining earnings per share.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from funding working capital requirements and capital investment in information technology and facilities.

On July 31, 2007, the Company entered into an amended and restated senior secured credit facility with Wells Fargo Foothill with the ability to borrow up to $75.0 million (the "Credit Facility"). The Company may, subject to certain conditions, increase the maximum Credit Facility limit up to an additional $50.0 million. The maturity date of the Credit Facility is July 31, 2012. Borrowings may be made with a base rate loan having an interest rate based on the prime rate and the Leverage Ratio (as defined in the Credit Facility) or a LIBOR rate loan with an interest rate based on the LIBOR rate and the Leverage Ratio. The Credit Facility is secured by substantially all of the assets of the Company and extensions of credit are based on a percentage of the accounts receivable of the Company.

As of December 31, 2007 there were no outstanding borrowings under the Credit Facility and there were a total of $7.9 million of outstanding letters of credit issued under the Credit Facility. Available credit for use under the Credit Facility as of December 31, 2007 was $67.1 million.

The Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends; (2) requirements that the Company maintain its minimum EBITDA (as defined in the Credit Facility) and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness and repurchases of the Company's stock. The Credit Facility allows certain permitted investments in the aggregate amount not to exceed $25 million per year and certain permitted dispositions in the aggregate amount not to exceed $15 million per year.

The financial covenants of the Credit Facility include a minimum quarterly EBITDA for a twelve-month period and maximum capital expenditures for each fiscal year. The minimum EBITDA covenant provides that the Company's quarterly EBITDA for a trailing twelve-month period may not be less than $25 million. The maximum capital expenditure covenant provides that the Company's capital expenditures in each fiscal year may not exceed $18 million. The borrowing base is determined under the Credit Facility as an agreed percentage of eligible accounts receivable, less reserves. 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.

The Company filed a shelf registration with the Securities and Exchange Commission in 2004 to enable it to issue up to 1,350,000 shares of its common stock from time to time in connection with acquisitions of businesses, assets or securities of other companies, whether by purchase, merger or any other form of acquisition or business combination. If any shares are issued using this shelf registration, the Company will not receive any proceeds from these offerings other than the assets, businesses or securities acquired.

The Company generated cash from operating activities of $37.7 million and $35.9 million for the years ended December 31, 2007 and 2006, respectively. Increased cash provided by operating activities in 2007 compared to 2006 was primarily from an increase of $1.9 million due to lower gains on asset dispositions, lower net earnings and decreases in accounts payable which were offset by collections on accounts receivable and non-cash acquisition-related expenses. Cash flows provided from discontinued operations included in operating activities for the years ended December 31, 2007, 2006 and 2005 were $3.3 million, $8.5 million and $12.5 million, respectively.

During the year ended December 31, 2007, the Company used $50.8 million in investing activities compared to cash provided by investing activities of $1.9 for the year ended December 31, 2006. This increase in cash used in investing activities was the result of increases in acquisition payments of $27.3 million, decreased proceeds from the sale of assets of $10.4, an increased balance in restricted cash of $2.9 million and increased capital expenditures of $2.0 million. Cash flows used in discontinued operations included in investing activities for the years ended December 31, 2007, 2006 and 2005 were $0, $0.1 million and $0.3 million, respectively.

During the year ended December 31, 2007, the Company provided cash from financing activities of $4.9 million compared to $28.8 million used during the year ended December 31, 2006. The increase in cash generated from financing activities was due to a net decrease in payments on borrowings under the Credit Facility of $30.0 million, decreased payments on long term debt of $2.5 million and an increase in cash from stock issuance proceeds of $1.2 million. There were no financing cash flows from discontinued operations for the years ended December 31, 2007, 2006 and 2005.

The Company believes that its cash and cash equivalents on hand at December 31, 2007, supplemented by availability under the 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.

The Company’s near-term cash requirements are primarily related to funding operations, a portion of prior year restructuring actions, contingent payments related to prior acquisition earn-out liabilities and capital expenditures. However, the Company cannot provide assurance that actual cash requirements will not be greater in the future from those currently expected. If sources of liquidity are not available or if the Company cannot generate sufficient cash flow from operations, the Company might be required to obtain additional sources of funds through additional operating improvements, capital market transactions, asset sales or financing from third parties, or a combination thereof. The Company cannot provide assurance that these additional sources of funds will be available or, if available, would have reasonable terms. The Company estimates that earn-out payments related to prior period acquisitions could be between $1 million and $3 million during 2008.

Off-Balance Sheet Arrangements.

As of December 31, 2007, the Company had no off-balance sheet arrangements.

Contractual Obligations.

The Company has entered into various commitments that will affect its cash generation capabilities going forward. Particularly, it has entered into several non-cancelable operating leases for facilities and equipment worldwide. Future contractual obligations as of December 31, 2007 are as follows (dollars in thousands) (commitments based in currencies other than U.S. dollars were translated using exchange rates as of December 31, 2007):

Contractual Obligation (a)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Operating lease obligations	$ 40,340	$ 56,989	$ 29,405	$ 49,969	$176,703
Capital lease obligations (b)	243	—	—	—	243
Other long term liabilities:					
Reorganization expenses	3,490	2,626	63	—	6,179
Merger and integration expenses	314	327	—	—	641
Total	$ 44,387	$ 59,942	$ 29,468	$ 49,969	$183,766

(a) Other non-current liabilities of $18,649, primarily related to mandated employee benefit obligations, do not have readily determinable payment periods and are therefore not included in the schedule.

(b) Capital lease obligations presented here exclude the interest portion of the obligation, which is considered immaterial.

REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K 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 Form 10-K, including statements regarding the Company’s future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “predict,” “believe” and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) the Company’s history of negative cash flows and operating losses may continue, (2) the ability of clients to terminate their relationship with the Company at any time, (3) the impact of global economic fluctuations on the Company’s temporary contracting operations, (4) restrictions on the Company’s operating flexibility due to the terms of its credit facility, (5) risks relating to the Company’s international operations, including foreign currency fluctuations, (6) risks and financial impact associated with acquisitions and dispositions of non-core businesses; (7) the Company’s heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (8) competition in the Company’s markets and the Company’s dependence on highly skilled professionals, (9) fluctuations in the Company’s operating results from quarter to quarter, (10) restrictions imposed by blocking arrangements, (11) the Company’s exposure to employment-related claims from both clients and employers and limits on related insurance coverage, (12) the Company’s dependence on key management personnel, (13) the impact of government regulations and (14) the Company’s ability to maintain effective internal control over financial reporting. These forward-looking statements speak only as of the date of this Form 10-K. 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The majority of the Company's long-term borrowings are in fixed rate capital leases for leasehold improvements. The carrying amounts of long-term debt approximate fair value, generally due to the short-term nature of the underlying instruments. We do not trade derivative financial instruments for speculative purposes.

The Company conducts operations in various other countries, including Australia, Belgium, Canada, France, the Netherlands, New Zealand and the United Kingdom. For the year ended December 31, 2007, the Company earned approximately 83% of its gross margin outside the United States, and it collected payments in local currency and related operating expenses were paid in such corresponding local currency. Accordingly, the Company is subject to increased risk for exchange rate fluctuations between such local currencies and the U.S. dollar.

The financial statements of the 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, 2007, the Company had translation gains of $8.4 million, primarily attributable to the weakening of the U.S. dollar against the British pound, the Euro and the Australian dollar offset by approximately $7.4 million of accumulated foreign currency translation gains previously included in other comprehensive income and now reclassified in accordance with SFAS No. 52, "Foreign Currency Translation" to gain on sale of discontinued operations as a result of the complete sale of the Netherlands reintegration business.

The Company's objective is to reduce earnings and cash flow volatility associated with currency exchange rate changes. Accordingly, the Company from time to time enters into foreign currency forward contracts where it has determined that the exposure to currency exchange rate risk related to specific transactions is significant enough to justify the related costs. At December 31, 2007, there was one outstanding foreign currency forward contract, which matured in early January 2008.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a—15(f) and 15(d)—15 (f) of the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 using the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's management believes that, as of December 31, 2007, the Company's internal control over financial reporting was effective based on those criteria.

The Company's independent registered public accounting firm, BDO Seidman, LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting. That attestation report is set forth immediately following the report of BDO Seidman, LLP on the financial statements included herein.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Hudson Highland Group, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hudson Highland Group, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14 to the consolidated financial statements, effective January 1, 2007, the company adopted FASB Interpretation No. 48, Accounting for Income Taxes. As discussed in Note 5 to the consolidated financial statements, effective January 1, 2006 the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its consolidated financial statements as of and for the year ended December 31, 2006, for the accrual of acquisition related payments, a portion of which is goodwill and a portion of which is expense.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Hudson Highland Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2008 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

BDO Seidman, LLP
New York, New York
March 6, 2008

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

We have audited Hudson Highland Group, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hudson Highland Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hudson Highland Group, Inc. as of December 31, 2007 and 2006 and the related consolidated statements of operations, cash flows and changes in stockholders' equity for each of the three years in the period ended December 31, 2007 and our report dated March 6, 2008 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP
BDO Seidman, LLP
New York, New York
March 6, 2008

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HUDSON HIGHLAND GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2007	2006 (Restated)	2005
Revenue	$ 1,179,075	$ 1,157,874	$ 1,128,454
Direct costs (Note 3)	671,162	698,619	696,011
Gross margin	507,913	459,255	432,443
Operating expenses:			
Salaries and related	349,944	323,755	311,998
Office and general	97,347	94,407	95,463
Marketing and promotion	19,122	17,592	17,417
Acquisition-related expenses	5,299	1,687	—
Depreciation and amortization	14,624	19,803	16,503
Business reorganization expenses	4,362	6,015	511
Merger and integration expenses (recoveries)	(787)	362	(70)
Total operating expenses	489,911	463,621	441,822
Operating income (loss)	18,002	(4,366)	(9,379)
Other income (expense):			
Interest, net	700	(1,634)	(1,802)
Other, net	3,445	1,584	(513)
Income (loss) from continuing operations before provision for income taxes	22,147	(4,416)	(11,694)
Provision for income taxes	17,240	3,771	4,532
Income (loss) from continuing operations	4,907	(8,187)	(16,226)
Income from discontinued operations, net of income taxes	10,074	28,615	16,427
Net income	$ 14,981	$ 20,428	$ 201
Earnings per share:			
Basic			
Income (loss) from continuing operations	$ 0.19	$ (0.34)	$ (0.73)
Income from discontinued operations	0.40	1.17	0.74
Net income	$ 0.59	$ 0.83	$ 0.01
Diluted			
Income (loss) from continuing operations	$ 0.19	$ (0.34)	$ (0.73)
Income from discontinued operations	0.39	1.17	0.74
Net income	$ 0.58	$ 0.83	$ 0.01
Basic weighted average shares outstanding:	25,274,000	24,471,000	22,295,000
Diluted weighted average shares outstanding:	25,914,000	24,471,000	22,295,000

See accompanying notes to consolidated financial statements.

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HUDSON HIGHLAND GROUP, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2007	December 31, 2006 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 39,245	$ 44,649
Accounts receivable, less allowance for doubtful accounts of $4,838 and $6,162 respectively	189,072	204,746
Prepaid and other	18,493	16,609
Current assets of discontinued operations	12,265	14,103
Total current assets	259,075	280,107
Intangibles, net	78,235	38,916
Property and equipment, net	29,470	27,276
Other assets	7,214	4,560
Non-current assets of discontinued operations	212	1,323
Total assets	$ 374,206	$ 352,182
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 21,237	$ 21,274
Accrued expenses and other current liabilities	120,842	125,561
Short-term borrowings and current portion of long-term debt	243	238
Accrued business reorganization expenses	3,490	5,077
Accrued merger and integration expenses	314	837
Current liabilities of discontinued operations	6,300	14,302
Total current liabilities	152,426	167,289
Other non-current liabilities	18,649	8,204
Accrued business reorganization expenses, non-current	2,689	3,409
Accrued merger and integration expenses, non-current	327	1,721
Long-term debt, less current portion	—	235
Total liabilities	174,091	180,858
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.001 par value, 100,000,000 shares authorized; issued 25,690,631 and 24,957,732 shares, respectively	26	25
Additional paid-in capital	444,075	427,645
Accumulated deficit	(288,587)	(300,031)
Accumulated other comprehensive income—translation adjustments	44,946	43,915
Treasury stock, 24,680 and 15,798 shares, respectively, at cost	(345)	(230)
Total stockholders' equity	200,115	171,324
	$ 374,206	$ 352,182

See accompanying notes to consolidated financial statements.

HUDSON HIGHLAND GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2007	2006 (Restated)	2005
Cash flows from operating activities:			
Net income (loss)	$ 14,981	$ 20,428	$ 201
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,989	21,292	18,412
Provision for (recovery of) doubtful accounts	(88)	2,993	2,233
(Benefit from) provision for deferred income taxes	(563)	(7,576)	1,021
Stock based compensation	5,514	5,956	5,264
Net (gain) loss on disposal of assets	(10,174)	(20,681)	(559)
Non-cash acquisition-related expenses	3,551	—	—
Changes in assets and liabilities, net of effects of business acquisitions:			
Decrease (increase) in accounts receivable, net	26,190	12,895	(51,331)
Decrease (increase) in other assets	1,002	4,263	(2,313)
(Decrease) increase in accounts payable, accrued expenses and other current liabilities	(12,748)	(2,806)	9,113
Decrease in accrued business reorganization expenses	(2,965)	(107)	(6,688)
Decrease in accrued merger and integration expenses	(1,948)	(790)	(1,651)
Total adjustments	22,760	15,439	(26,499)
Net cash provided by (used in) operating activities	37,741	35,867	(26,298)
Cash flows from investing activities:			
Capital expenditures	(13,250)	(11,210)	(9,933)
Proceeds from the sale of assets	2,859	23,323	—
Payments for acquisitions, net of cash acquired	(37,546)	(10,232)	(25,782)
Increase in restricted cash	(2,900)	—	—
Net cash provided by (used in) investing activities	(50,837)	1,881	(35,715)
Cash flows from financing activities:			
Borrowings under credit facility	485,423	540,869	355,644
Repayments under credit facility	(485,423)	(570,941)	(325,571)
Net payments on long-term debt	(279)	(2,807)	(2,791)
Issuance of common stock—Long Term Incentive Plan option exercises	3,606	1,961	1,472
Issuance of common stock—employee stock purchase plans	1,652	2,115	2,142
Proceeds from issuance of common stock	—	—	44,961
Purchase of restricted stock from employees	(115)	—	—
Net cash (used in) provided by financing activities	4,864	(28,803)	75,857
Effect of exchange rates on cash and cash equivalents	2,828	1,596	(800)
Net increase (decrease) in cash and cash equivalents	(5,404)	10,541	13,044
Cash and cash equivalents, beginning of year	44,649	34,108	21,064
Cash and cash equivalents, end of year	$ 39,245	$ 44,649	$ 34,108

See accompanying notes to consolidated financial statements.

HUDSON HIGHLAND GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Common stock		Additional paid-in capital	Accumulated (deficit) earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total	Total comprehensive income (loss)
	Shares	Value						
Balance January 1, 2005	20,597,168	$ 21	$ 361,049	$ (318,800)	$ 41,694	$ (230)	$ 83,734	$ (27,614)
Net income				201			201	201
Other comprehensive loss, translation adjustments					(6,883)		(6,883)	(6,883)
Issuance of shares for 401(k) plan contribution	94,960		1,563				1,563	
Issuance of shares from exercise of stock options	187,038		1,472				1,472	
Issuance of shares for employee stock purchase plans	167,583		2,142				2,142	
Issuance of shares	3,223,640	3	44,958				44,961	
Stock-based compensation	54,275		5,264				5,264	
Balance December 31, 2005	24,324,664	24	416,448	(318,599)	34,811	(230)	132,454	$ (6,682)
Cumulative effect of the adoption of SAB 108 (Note 2)			(907)	(1,860)			(2,767)	
Net income (Restated, Note 2)				20,428			20,428	$ 20,428
Other comprehensive loss, translation adjustments					9,104		9,104	9,104
Issuance of shares for 401(k) plan contribution	126,950		2,073				2,073	
Issuance of shares from exercise of stock options	243,105		1,961				1,961	
Issuance of shares for employee stock purchase plans	229,380	1	2,114				2,115	
Stock-based compensation	17,835		5,956				5,956	
Balance December 31, 2006 (Restated, Note 2)	24,941,934	25	427,645	(300,031)	43,915	(230)	171,324	$ 29,532
Cumulative effect of adoption of FIN 48				(3,537)			(3,537)	
Net income				14,981			14,981	$ 14,981
Other comprehensive income, translation adjustments					1,031		1,031	1,031
Purchase of treasury stock	(8,882)					(115)	(115)	
Compensation on JMT acquisition			3,551				3,551	
Issuance of shares for 401(k) plan contribution	134,331		2,108				2,108	
Issuance of shares from exercise of stock options	397,960	1	3,605				3,606	
Issuance of shares for employee stock purchase plans	151,108		1,652				1,652	
Stock-based compensation	49,500		5,514				5,514	
Balance December 31, 2007	25,665,951	$ 26	$ 444,075	$ (288,587)	$ 44,946	$ (345)	$200,115	$ 16,012

See accompanying notes to consolidated financial statements.

HUDSON HIGHLAND GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Basis of Presentation

Hudson Highland Group, Inc. and its subsidiaries (the "Company") are comprised of the operations, assets and liabilities of the three Hudson regional businesses of Hudson Americas, Hudson Europe and Hudson Asia Pacific ("Hudson regional businesses" or "Hudson"). The Company has operated as an independent publicly held company since its spin-off (the "Distribution") from Monster Worldwide, Inc. ("Monster"), formerly TMP Worldwide, Inc., on March 31, 2003 (the "Distribution Date").

Reporting Segments

The Company provides professional staffing services on a permanent and contract basis and a range of human capital services to businesses operating in a wide variety of industries. The Company is organized into three reportable segments: Hudson Americas, Hudson Europe, and Hudson Asia Pacific, which constituted approximately 17%, 47% and 36% of the Company's gross margin, respectively, for the year ended December 31, 2007.

Corporate expenses are reported separately from the three reportable segments and consist primarily of expenses for compensation, marketing programs, rent and professional consulting.

Hudson Americas operates from 35 offices in two countries, with 95% of its 2007 gross margin generated in the United States. Hudson Europe operates from 46 offices in 17 countries, with 54% of its 2007 gross margin coming from the United Kingdom operations. Hudson Asia Pacific operates from 21 offices in 6 countries, with 65% of its 2007 gross margin stemming from Australia.

Hudson's three regional businesses provide contract personnel and permanent recruitment services to a wide range of clients. With respect to contract personnel, Hudson focuses on providing candidates with specialized functional skills and competencies, such as accounting and finance, legal and information technology. The Company is one of the world's largest specialized professional staffing and talent management solutions firms. The assignment can vary, but engagements at the professional level tend to be longer than those in the general clerical or industrial sectors. With respect to permanent recruitment, Hudson focuses on mid-level professionals typically earning between $50,000 and $150,000 annually and possessing the professional skills and/or profile required by clients. Hudson provides permanent recruitment services on both a retained and contingent basis. In larger markets, Hudson's sales strategy focuses on both clients operating in particular industry sectors, such as financial services, or technology, and candidates possessing particular professional skills, such as accounting and finance, information technology, legal and human resources. Hudson uses both traditional and interactive methods to select potential candidates for its clients, employing a suite of products that assesses talent and helps predict whether a candidate will be successful in a given role.

All of the Hudson regional businesses also provide organizational effectiveness and development services through their Talent Management Solutions units. These services encompass candidate assessment, competency modeling, leadership development, performance management, and career transition. These services enable Hudson to offer clients a comprehensive set of management services, across the entire employment life cycle, from attracting, assessing and selecting best-fit employees to engaging and developing those individuals to help build a high-performance organization.

Discontinued Operations

The Company has designated certain of its operations as discontinued operations in the accompanying financial statements, as further discussed in Note 4.

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2. RESTATEMENT OF RESULTS AND ADOPTION OF SAB 108

Restatement for Balance—Consideration Paid to Shareholders of Balance Ervaring Op Projectbasis B.V.

The Company has restated its Consolidated Financial Statements as of and for the year ended December 31, 2006 and its quarterly results of operations for the three months ended September 30, 2006 and December 31, 2006. In addition, the Company has restated its quarterly results of operations for the three months ended March 31, 2007, June 30, 2007 and September 30, 2007. The restatement involved the timing of recording contingent payments related to the acquisition of Balance Ervaring Op Projectbasis B.V. ("Balance") and to expense a portion of the contingent payments, including $1,687 (€1,300) that was previously recorded as goodwill when the amount was paid in the second quarter of 2007.

The following is a description of the accounting adjustments included in the restatement of the Company's Consolidated Financial Statements and the effect of such adjustments at December 31, 2006 on the Consolidated Balance Sheet and on the Consolidated Statement of Operations and Change in Stockholders' Equity for the year then ended and on the unaudited selected quarterly financial data for the three months ended September 30, 2006, December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007. All amounts included in this report as of and for the years ended December 31, 2005 and for the three months ended March 31, 2006 and June 30, 2006 were not affected by the restatement.

This restatement resulted in an increase in the Company's and the Hudson Europe segment's reported operating expenses and related impact on EBITDA (see Note 19), operating income (loss), income (loss) from continuing operations and net income (loss) for each of the periods as follows:

Three months ended September 30, 2006	$829 ($0.03 per basic and diluted share)
Three months ended December 31, 2006	$858 ($0.03 per basic and diluted share)
Year ended December 31, 2006	$1,687 ($0.07 per basic and diluted share)
Three months ended March 31, 2007	$298 ($0.01 per basic and diluted share)
Three months ended June 30, 2007	$302 ($0.01 per basic and diluted share)
Three months ended September 30, 2007	$311 ($0.01 per basic and diluted share)

The restatement also resulted in an increase in goodwill and accrued expenses as of December 31, 2006 of $1,313 and $3,019, respectively.

The restatement did not affect the Company's cash flows for any of the periods.

The Company entered into a share purchase agreement dated July 19, 2005 for the acquisition of Balance. The purchase price for Balance was €20,750 plus a series of contingent payments to be made annually based upon future minimum annual earnings thresholds during the first three years subsequent to the purchase. On July 12, 2006, the Company entered into an amendment to the share purchase agreement, which changed the earn-out formula to increase the potential future maximum contingent payments related to calendar 2006 from €1,000 to €2,300 and in calendar 2007 from €2,250 to €3,500. The Company recorded the contingent payment for calendar 2006, including the increased maximum earn-out, when paid in April 2007 as an adjustment of the purchase price and added the amount to the recorded value of goodwill. The Company has evaluated the amendment and has determined that this amendment would be considered a new agreement, separate from the original share purchase agreement, outside of the guidance of Statement of Financial Accounting Standards ("SFAS") 141, "Business Combinations." Accordingly, the amount paid in excess of the original maximum contingent payment would not be considered additional purchase price under the contingent consideration provisions of SFAS 141. Instead it should be recorded as expense in the period in which the amount is estimable and becomes probable of being paid under the guidance of SFAS 5, "Accounting for Contingencies," also considering the interim accounting guidance provided under Accounting Principles Board Opinion No. 28, "Interim Financial Reporting." Accordingly, the Company accrued $1,687 (€1,300) that it previously recorded as goodwill when paid in April 2007 as an expense in the third and fourth quarters of 2006 and accrued the remaining contingent payment related to calendar 2006 of approximately $1,313 (€1,000) as goodwill as of December 31, 2006. In addition, the Company recorded a total of approximately $911 as a period expense over the first, second and third quarters of 2007 related to the increased maximum contingent payment amount for calendar 2007 to be paid in April 2008.

The following table presents the effect of the restatement on the previously reported Consolidated Condensed Statement of Operations for the three months ended September 30, 2006 (dollars in thousands)—(unaudited):

	Three months ended September 30, 2006		
	As reported (a)	Adjustment	Restated
Revenue	$ 299,517	$ —	$299,517
Direct costs	181,190	—	181,190
Gross margin	118,327	—	118,327
Selling, general and administrative expenses	109,364	—	109,364
Acquisition-related expenses	—	829	829
Depreciation and amortization	3,732	—	3,732
Business reorganization expenses	2,062	—	2,062
Merger and integration expenses	14	—	14
Operating income	3,155	(829)	2,326
Other income (expense)			
Other, net	727	—	727
Interest, net	(662)	—	(662)
Income from continuing operations before income taxes	3,220	(829)	2,391
Income taxes	1,994	—	1,994
Income from continuing operations	1,226	(829)	397
Income from discontinued operations	3,100	—	3,100
Net income	$ 4,326	$ (829)	$ 3,497
Basic income per share:			
Income from continuing operations	$ 0.05		$ 0.02
Income from discontinued operations	0.13		0.13
Net income	$ 0.18		$ 0.15
Diluted income per share:			
Income from continuing operations	$ 0.05		$ 0.02
Income from discontinued operations	0.12		0.12
Net income	$ 0.17		$ 0.14

(a) The "As Reported" column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

The following table presents the effect of the restatement on the previously reported Consolidated Condensed Statement of Operations for the three months ended December 31, 2006 (dollars in thousands)—(unaudited):

	Three months ended December 31, 2006		
	As reported (a)	Adjustment	Restated
Revenue	$ 286,421	$ —	$286,421
Direct costs	168,355	—	168,355
Gross margin	118,066	—	118,066
Selling, general and administrative expenses	106,289	—	106,289
Acquisition-related expenses	—	858	858
Depreciation and amortization	8,117	—	8,117
Business reorganization expenses	3,297	—	3,297
Merger and integration expenses	287	—	287
Operating income (loss)	76	(858)	(782)
Other income (expense):			
Interest, net	173	—	173
Other, net	(223)	—	(223)
Income (loss) from continuing operations before income taxes	26	(858)	(832)
Income taxes (benefit)	(2,011)	—	(2,011)
Income from continuing operations	2,037	(858)	1,179
Income from discontinued operations	21,666	—	21,666
Net income	$ 23,703	$ (858)	$ 22,845
Basic income per share:			
Income from continuing operations	$ 0.08		$ 0.05
Income from discontinued operations	0.88		0.88
Net income	$ 0.96		$ 0.93
Diluted income per share:			
Income from continuing operations	$ 0.08		$ 0.05
Income from discontinued operations	0.86		0.86
Net income	$ 0.94		$ 0.91

(a) The "As Reported" column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

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The following table presents the effect of the restatement on the previously reported Consolidated Statement of Operations for the year ended December 31, 2006 (dollars in thousands):

	Year ended December 31, 2006		
	As reported (a)	Adjustment	Restated
Revenue	$ 1,157,874	$ —	$1,157,874
Direct costs	698,619	—	698,619
Gross margin	459,255	—	459,255
Selling, general and administrative expenses	435,754	—	435,754
Acquisition-related expenses	—	1,687	1,687
Depreciation and amortization	19,803	—	19,803
Business reorganization expenses	6,015	—	6,015
Merger and integration expenses	362	—	362
Operating loss	(2,679)	(1,687)	(4,366)
Other income (expense):			
Interest, net	(1,634)	—	(1,634)
Other, net	1,584	—	1,584
Loss from continuing operations before income taxes	(2,729)	(1,687)	(4,416)
Income taxes	3,771	—	3,771
Loss from continuing operations	(6,500)	(1,687)	(8,187)
Income from discontinued operations	28,615	—	28,615
Net income	$ 22,115	$ (1,687)	$ 20,428
Basic income per share:			
Loss from continuing operations	$ (0.27)		$ (0.34)
Income from discontinued operations	1.17		1.17
Net income	$ 0.90		$ 0.83
Diluted income per share:			
Loss from continuing operations	$ (0.27)		$ (0.34)
Income from discontinued operations	1.17		1.17
Net income	$ 0.90		$ 0.83

(a) The “As Reported” column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

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The following table presents the effect of the restatement on the previously reported Consolidated Condensed Statement of Operations for the three months ended March 31, 2007 (dollars in thousands)—(unaudited):

	Three months ended March 31, 2007		
	As reported (a)	Adjustment	Restated
Revenue	$ 288,150	$ —	$288,150
Direct costs	170,407	—	170,407
Gross margin	117,743	—	117,743
Selling, general and administrative expenses	112,965	—	112,965
Acquisition-related expenses	—	298	298
Depreciation and amortization	3,695	—	3,695
Business reorganization expenses	3,116	—	3,116
Operating loss	(2,033)	(298)	(2,331)
Other income:			
Interest, net	212	—	212
Other, net	2,607	—	2,607
Income from continuing operations before income taxes	786	(298)	488
Income taxes	2,266	—	2,266
Loss from continuing operations	(1,480)	(298)	(1,778)
Income from discontinued operations	1,833	—	1,833
Net income	$ 353	$ (298)	$ 55
Basic income per share:			
Loss from continuing operations	$ (0.06)		$ (0.07)
Income from discontinued operations	0.07		0.07
Net income	$ 0.01		$ —
Diluted income per share:			
Loss from continuing operations	$ (0.06)		$ (0.07)
Income from discontinued operations	0.07		0.07
Net income	$ 0.01		$ —

(a) The “As Reported” column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

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The following table presents the effect of the restatement on the previously reported Consolidated Condensed Statement of Operations for the three months ended June 30, 2007 (dollars in thousands)—(unaudited):

	Three months ended June 30, 2007		
	As reported (a)	Adjustment	Restated
Revenue	$ 298,528	$ —	$ 298,528
Direct costs	168,324	—	168,324
Gross margin	130,204	—	130,204
Selling, general and administrative expenses	117,978	—	117,978
Acquisition-related expenses	3,551	302	3,853
Depreciation and amortization	3,854	—	3,854
Business reorganization expenses	1,578	—	1,578
Merger and integration recoveries	(42)	—	(42)
Operating income	3,285	(302)	2,983
Other income (expense):			
Interest, net	435	—	435
Other, net	(19)	—	(19)
Income from continuing operations before income taxes	3,701	(302)	3,399
Income taxes	4,491	—	4,491
Loss from continuing operations	(790)	(302)	(1,092)
Income from discontinued operations	474	—	474
Net loss	$ (316)	$ (302)	$ (618)
Basic income per share:			
Loss from continuing operations	$ (0.03)		$ (0.04)
Income from discontinued operations	0.02		0.02
Net loss	$ (0.01)		$ (0.02)
Diluted income per share:			
Loss from continuing operations	$ (0.03)		$ (0.04)
Income from discontinued operations	0.02		0.02
Net loss	$ (0.01)		$ (0.02)

(a) The “As Reported” column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

The following table presents the effect of the restatement on the previously reported Consolidated Condensed Statement of Operations for the three months ended September 30, 2007 (dollars in thousands)—(unaudited):

	Three months ended September 30, 2007		
	As reported (a)	Adjustment	Restated
Revenue	$ 301,913	$ —	$301,913
Direct costs	171,931	—	171,931
Gross margin	129,982	—	129,982
Selling, general and administrative expenses	118,959	—	118,959
Acquisition-related expenses	—	311	311
Depreciation and amortization	3,543	—	3,543
Business reorganization recoveries	(56)	—	(56)
Merger and integration recoveries	(753)	—	(753)
Operating income	8,289	(311)	7,978
Other income (expense):			
Interest, net	(142)	—	(142)
Other, net	1,099	—	1,099
Income from continuing operations before income taxes	9,246	(311)	8,935
Income taxes	5,721	—	5,721
Income from continuing operations	3,525	(311)	3,214
Income from discontinued operations	365	—	365
Net income	$ 3,890	$ (311)	$ 3,579
Basic income per share:			
Income from continuing operations	$ 0.14		$ 0.13
Income from discontinued operations	0.01		0.01
Net income	$ 0.15		$ 0.14
Diluted income per share:			
Income from continuing operations	$ 0.14		$ 0.13
Income from discontinued operations	0.01		0.01
Net income	$ 0.15		$ 0.14

(a) The “As Reported” column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

The following table presents the effect of the restatement on the previously reported Consolidated Balance Sheet as of December 31, 2006 (dollars in thousands)—(unaudited):

	As of December 31, 2006		
	As reported (a)	Adjustment	Restated
ASSETS			
Current assets:			
Cash and cash equivalents	$ 44,649	$ —	$ 44,649
Accounts receivable, net	204,746	—	204,746
Prepaid and other	16,609	—	16,609
Current assets of discontinued operations	14,103	—	14,103
Total current assets	280,107	—	280,107
Intangibles, net	37,603	1,313	38,916
Property and equipment, net	27,276	—	27,276
Other assets	4,560	—	4,560
Non-current assets of discontinued operations	1,323	—	1,323
Total assets	$ 350,869	$ 1,313	$ 352,182
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 21,274	—	$ 21,274
Accrued expenses and other current liabilities	122,542	3,019	125,561
Short-term borrowings and current portion of long-term debt	238	—	238
Accrued business reorganization expenses	5,077	—	5,077
Accrued merger and integration expenses	837	—	837
Liabilities from discontinued operations	14,302	—	14,302
Total current liabilities	164,270	3,019	167,289
Other non-current liabilities	8,204	—	8,204
Accrued business reorganization expenses, non-current	3,409	—	3,409
Accrued merger and integration expenses, non-current	1,721	—	1,721
Long-term debt, less current portion	235	—	235
Total liabilities	177,839	3,019	180,858
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	25	—	25
Additional paid-in capital	427,645	—	427,645
Accumulated deficit	(298,344)	(1,687)	(300,031)
Accumulated other comprehensive income-translation adjustments	43,934	(19)	43,915
Treasury stock	(230)	—	(230)
Total stockholder's equity	173,030	(1,706)	171,324
	$ 350,869	$ 1,313	$ 352,182

(a) The "As Reported" column reflects amounts previously reported adjusted for discontinued operations (see Note 4).

Adoption of SAB 108

In September 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 108, which became effective for years ending on or after November 15, 2006. SAB 108 provides guidance on the consideration of the effects of prior period misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB 108 permitted companies to initially apply its provisions by either restating prior financial statements or recording a cumulative effect adjustment to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment to retained earnings for errors that were previously deemed immaterial but are material under the guidance in SAB 108.

The Company adopted SAB 108, effective January 1, 2006, with an adjustment to record credits of $923 to unbilled accounts receivable, $140 to accrued expenses and other current liabilities and $1,704 to other long-term liabilities with the offsetting debits of $1,860 to retained deficit and $907 to additional paid-in capital.

This adjustment represents two items: an un-reconciled difference in unbilled accounts receivable, for which the applicable prior period could not practicably be determined, and a correction of an error in the amortization of a free rent amount related to a lease of office space in the United Kingdom. The un-reconciled difference in unbilled accounts receivable was discovered in the second quarter of 2006 during a comprehensive review of the accounting processes supported by the new PeopleSoft accounting and management reporting system implemented in 2005 in the Hudson Americas business units. An adjustment of unbilled accounts receivable totaling $923 could not be reconciled to the reported balances. After an extensive financial and accounting review by the Company and its experts, the period in which the error occurred could not be determined with certainty, but management concluded that the error most likely occurred prior to January 1, 2005, as the periods after that date were covered by the comprehensive review. The possible overstatement of revenue during the years prior to December 31, 2004 was not considered material, separately or in addition to the lease item noted below, to the reported losses in those years and those results therefore were not restated.

The second item was a lease entered into in 2001. The lease has a term of twenty years; however the initial amortization of the free rent period was incorrectly taken over a four and a half year period, until the first rent review date, rather than the lease term. The error was discovered during the year ended December 31, 2005 and that year's statement of operations was properly stated. The understatement of expense for the years ended December 31, 2004, 2003, 2002 and 2001 totaled $1,844 and was not considered material to the reported losses in those years and those results therefore were not restated. The $907 debit to additional paid-in capital represents the portion of the adjustment for the lease that relates to the period prior to the Distribution.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All significant inter-company accounts and transactions between and among the Company and its subsidiaries have been eliminated in consolidation. Transactions and balances between the Company and Monster are included in the accompanying consolidated financial statements.

Nature of Business and Credit Risk

The Company's revenue is earned from professional placement services, mid-level employee professional staffing and temporary contracting services. These services are provided to a large number of customers in many different industries. The Company operates throughout North America, the United Kingdom, Continental Europe and the Asia Pacific region (primarily Australia).

Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash and accounts receivable. The Company performs continuing credit evaluations of its customers and does not require collateral. The Company has not experienced significant losses related to receivables from individual customers or groups of customers in any particular industry or geographic area.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value generally due to the short-term nature of the underlying instruments.

Foreign Currency Risk Management

The Company periodically enters into forward contracts to reduce exposure to currency exchange rate risk related to short-term inter-company loans denominated in currencies other than the functional currency. The Company does not apply hedge accounting, and all gains and losses are included in other expense. The Company does not trade derivative financial instruments for speculative purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates include, among others, allowances for doubtful accounts, net realizable values for long-lived assets, and the recoverability of deferred tax assets. Actual results could differ from these estimates.

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.

The Company recognizes revenue for temporary services at the time services are provided and revenue is recorded on a time and materials basis. Temporary contracting revenue is reported gross when the Company acts as the principal in the transaction and is at risk for collection. Revenues that do not meet the criteria for gross revenue reporting are reported on a net basis. Revenue generated when the Company permanently places an individual with a client on a contingent basis is recorded at the time of acceptance of employment, net of an allowance for estimated fee reversals. Revenue generated when the Company permanently places an individual with a client on a retained basis is recorded ratably over the period services are rendered, net of an allowance for estimated fee reversals.

Revenue, direct costs and gross margin of the Company were as follows:

	Year ended December 31, 2007			Year ended December 31, 2006			Year ended December 31, 2005		
	Temporary	Other	Total	Temporary	Other	Total	Temporary	Other	Total
Revenue	$ 808,085	$ 370,990	$ 1,179,075	$ 838,192	$ 319,682	$ 1,157,874	$ 831,353	$ 297,101	$ 1,128,454
Direct costs	640,534	30,628	671,162	673,854	24,765	698,619	670,237	25,774	696,011
Gross margin	$ 167,551	$ 340,362	$ 507,913	$ 164,338	$ 294,917	$ 459,255	$ 161,116	$ 271,327	$ 432,443

Direct Costs and Gross Margin

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 Other category, which includes search, permanent placement and other talent management revenue. Gross margin represents revenue less direct costs. The region where services are provided, the mix of temporary and permanent placements, and the functional nature of the staffing services provided can affect gross margin.

Operating Expenses

Salaries and related expenses include the salaries, commissions, payroll taxes and employee benefits related to recruitment professionals, executive level employees, administrative staff and other employees of the Company who are not temporary contractors. Office and general expenses include occupancy, equipment leasing and maintenance, utilities, travel expenses, professional fees and provision for doubtful accounts. The Company expenses the costs of advertising as incurred.

Accounts Receivable

The Company's accounts receivable balances are composed of trade and unbilled receivables. The Company maintains an allowance for doubtful accounts and makes ongoing estimates as to the ability to collect on the various receivables. If the Company determines that the allowance for doubtful accounts is not adequate to cover estimated losses, an expense to provide for doubtful accounts is recorded in office and general expenses. If an account is determined to be uncollectible, it is written off against the allowance for doubtful accounts. Management's assessment and judgment are vital requirements in assessing the ultimate realization of these receivables, including the current credit-worthiness, financial stability and effect of market conditions on each customer.

Cash and Cash Equivalents

Cash and cash equivalents, which consist primarily of money market funds, are stated at cost, which approximates fair value. For financial statement presentation purposes, the Company considers all highly liquid investments having an original maturity of three months or less as cash equivalents. At December 31, 2007 and 2006, outstanding checks in excess of cash account balances were $7,025 and $7,798, respectively, and are included in accounts payable on the accompanying balance sheet.

Restricted Cash

During 2007, the Company deposited $2,900 with an independent financial institution in a restricted account for the purpose of securing its Hudson U.S. workers' compensation obligations. These deposits are restricted cash and represent deposits that have been provided or pledged to an insurance company to cover the cost of claims in the event the Company is unable to make payment on such claims. The restrictions on these deposits may be released as workers' compensation claims are paid or when letters of credit are issued to cover the estimated obligation. This replaces a letter of credit of $2,900 that the Company had for this purpose. This restricted cash is held in interest bearing accounts and the interest is accrued for the benefit of the Company. Restricted cash is included in other long term assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the following estimated useful lives:

	Years
Furniture and equipment	3 – 7
Capitalized software costs	2 – 5
Computer equipment	3 – 4

Leasehold improvements are amortized over the shorter of their estimated useful lives or the lease term. The amortization periods of material leasehold improvements are estimated at the inception of the lease term.

Capitalized Software Costs

Capitalized software costs consist of costs to purchase and develop software for internal use. The Company capitalizes certain incurred software development costs in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position No. 98-1, *Accounting for the Cost of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). Costs incurred during the application-development stage for software bought and further customized by outside vendors for the Company's use and software developed by a vendor for the Company's proprietary use have been capitalized. Costs incurred for the Company's own personnel who are directly associated with software development are capitalized as appropriate. Capitalized software costs are included in property and equipment.

Intangibles

Intangibles represent acquisition costs in excess of the fair value of net tangible assets of businesses purchased and consist primarily of client lists, trademarks and goodwill. With the exception of goodwill, these costs are being amortized over periods ranging from three to five years on a straight-line basis or on an accelerated basis where appropriate. The Company evaluates its goodwill annually for impairment for each of its reporting units, or earlier if indicators of potential impairment exist. The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value.

Long-Lived Assets

Long-lived assets, such as intangibles (except for goodwill), and property and equipment, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Impairment, if any, is assessed using discounted cash flows.

Foreign Currency Translation

The financial position and results of operations of the Company's international subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Statements of Operations accounts are translated at the average rate of exchange prevailing during each period. Translation adjustments arising from the use of differing exchange rates from period to period are included in the other comprehensive income (loss) account in stockholders' equity, other than translation adjustments on short-term intercompany balances, which are included in other income (expense). Gains and losses resulting from other foreign currency transactions are included in other income (expense). Intercompany receivable balances of a long-term investment nature are considered part of the Company's permanent investment in a foreign jurisdiction and the gains or losses on these balances are reported in other comprehensive income.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "*Accounting for Income Taxes*" ("SFAS 109"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss and tax credit carry-forwards, and tax contingencies. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a valuation allowance against deferred tax assets to the extent that it is more likely than not that some portion, or all of, the deferred tax assets will not be realized.

On July 13, 2006, the Financial Accounting Standards Board (the "FASB") issued SFAS Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes"* ("FIN 48")—an interpretation of SFAS No. 109, "*Accounting for Income Taxes*" ("SFAS 109"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company's adoption of FIN 48 as of January 1, 2007 resulted in a cumulative adjustment of $3,537, which was accounted for as an increase in non-current liabilities for unrecognized tax benefits and an increase to beginning retained deficit. The cumulative effect adjustment consisted of $1,969 for income taxes related to both foreign and U.S. state and local jurisdictions, $671 of interest and $897 of penalties related to uncertain tax benefits. Accrued interest and penalties were $1,568 as of January 1, 2007. As of December 31, 2007, the Company had approximately $6,390 of unrecognized tax benefits, excluding interest and penalties of $2,019 which if recognized in the future, would affect the annual effective income tax rate. See Note 14—Income Taxes for further information regarding FIN 48.

Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing the Company's income (loss) by the weighted average number of shares outstanding during the period. When the effects are not anti-dilutive, diluted earnings per share is computed by dividing the Company's income (loss) by the weighted average number of shares outstanding and the impact of all dilutive potential common shares, primarily stock options and unvested restricted stock. The dilutive impact of stock options and unvested restricted stock is determined by applying the "treasury stock" method. For periods in which losses are presented, dilutive loss per share calculations do not differ from basic loss per share because the effects of any potential common stock were anti-dilutive and therefore not included in the calculation of dilutive earnings per share. For the years ended December 31, 2006 and 2005, the effect of approximately 768,000 and 1,379,000, respectively, of outstanding stock options and other common stock equivalents was excluded from the calculation of diluted loss per share because the effect was anti-dilutive.

Income (loss) per share calculations for each quarter include the weighted average effect for the quarter; therefore, the sum of quarterly income (loss) per share amounts may not equal year-to-date income (loss) per share amounts, which reflect the weighted average effect on a year-to-date basis.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. The Company's other comprehensive income (loss) is solely comprised of foreign currency translation adjustments, which relate to investments that are permanent in nature. To the extent that such amounts relate to investments that are permanent in nature, no adjustments for income taxes are made.

Stock-Based Compensation

In the first quarter of 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), Share-Based Payment ("SFAS 123R"), which revises SFAS 123 Accounting for Stock-Based Compensation ("SFAS 123") and supersedes Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees. In adopting SFAS 123R, the Company chose to apply the "modified retrospective method," requiring the Company to recognize stock compensation expense for stock options granted prior to its adoption of SFAS 123R under the fair value method and expense these amounts over the remaining vesting period of the stock options. Prior period results have been adjusted for the application of the modified retrospective method. For additional discussion of stock-based compensation, see Note 5.

Effect of Recently Issued Accounting Standards

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. In February 2008, the FASB issued FSP 157-2 "Partial Deferral of the Effective Date of Statement 157" (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The Company believes that the adoption of SFAS 157 will not have a material effect on its results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with changes in fair value recognized in earnings each reporting period. The election, called the fair value option, will enable entities to achieve an offset accounting effect for changes in fair value of certain related assets and liabilities without having to apply complex hedge accounting provisions. The statement is effective in the fiscal first quarter of 2008 and the Company expects to adopt the statement at that time. The Company believes that the adoption of SFAS 159 will not have a material effect on its results of operations or financial position.

On December 4, 2007, the FASB issued SFAS 141(R), *Business Combinations* ("SFAS 141R"). SFAS 141R replaces SFAS 141, *Business Combinations* and applies to all transactions or other events in which an entity obtains control of one or more businesses. SFAS 141R requires the acquiring entity in a business combination to recognize the acquisition-date fair value of all assets acquired and liabilities assumed including contingent consideration and those relating to minority interests. SFAS 141R also requires acquisition-related transaction expenses and restructuring costs to be expensed as incurred rather than capitalized as a component of the business combination. SFAS 141R is effective for fiscal years beginning after December 15, 2008 and may not be applied before that date. The provisions of SFAS 141R will impact the Company if it is party to a business combination after the pronouncement has been adopted.

On December 4, 2007, the FASB also issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest (previously referred to as minority interests) in a subsidiary and for the deconsolidation of a subsidiary by requiring all noncontrolling interests in subsidiaries be reported in the same way, as equity in the consolidated financial statements and eliminates the diversity in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and may not be applied before that date. The Company does not currently expect the adoption of SFAS 160 to have a material effect on its consolidated results of operations and financial condition.

4. DISCONTINUED OPERATIONS

In December 2007, the Company committed to a plan to sell the assets of its Hudson Americas' energy, engineering and technical staffing division ("ETS"), to make such assets available immediately for sale and actively seek a buyer for such assets. The Company determined that the sale of the assets was probable within one year. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,"* the assets of ETS were classified on the balance sheet as discontinued operations and the results of operations of ETS have been included in the results from discontinued operations. See Note 21, Subsequent Events, for details regarding the subsequent sale of ETS.

On December 14, 2007, the Company completed the sale (the "HHCS Sale") of all of the outstanding shares of its Netherlands reintegration subsidiary, Hudson Human Capital Solutions B.V. ("HHCS") to Workx! Holding

B.V (“Workx”). Workx is controlled by certain officers and key employees of HHCS. At the closing of the HHCS Sale, the Company received €500 in cash. The Share Purchase Agreement entered into in connection with the HHCS Sale provides for contingent payments to the Company of up to €200 subject to the achievement by HHCS of certain earnings before interest, tax, depreciation and amortization (“EBITDA”) targets in 2008 and 2009. The gain before income taxes on the HHCS Sale was $4,921, which includes approximately $7,354 of accumulated foreign currency translation gains previously included in other comprehensive income and now reclassified in accordance with SFAS No. 52, “*Foreign Currency Translation*” as a result of the sale of the entity, offset by severance and professional fees of approximately $2,478. The gain on sale and results from HHCS’ operations have been included in discontinued operations.

Effective October 29, 2007, certain of the Company’s subsidiaries completed the sale (the “T&I Sale”) of Hudson Asia Pacific’s Australian blue-collar trade and industrial business (“T&I”) to Skilled Group Limited. The Company recorded a gain on the T&I Sale of $1,877 from cash proceeds of approximately $3,000. The gain was net of approximately $1,000 of estimated expenses for lease abandonment, professional service fees and severance costs. The Company retained approximately $3,600 in net assets, primarily accounts receivable, of T&I that the Company subsequently collected. The gain on sale and results from T&I’s operations have been included in discontinued operations.

Effective October 1, 2006, the Company completed the sale of Highland to Heidrick (the “Heidrick Sale”). Heidrick also assumed certain on-going liabilities and obligations of Highland. The Company recorded a gain of $20,358 from the Heidrick Sale, from cash proceeds of $36,600, less post-closing net working capital adjustments, $9,550 paid to certain partners of Highland in consideration for providing assistance in completing the Heidrick Sale, entering into employment agreements with Heidrick and providing the Company with a general release from liability, and other direct costs of the transaction. The Company may receive up to an additional $15,000 from Heidrick at future dates, subject to the achievement by Highland of certain future revenue metrics in 2007 and 2008. Under the purchase agreement, Heidrick has to provide the Company with a Revenue Notice (as defined in the purchase agreement) thirty days after Heidrick’s public release of its consolidated results of operations, or approximately later March 2008 and 2009. The Company will determine the future amounts to be received under the Heidrick purchase agreement at that time.

The Highland business was a separate reportable segment of the Company. The gain on sale and results from Highland’ operations have been included in discontinued operations.

ETS was part of the Hudson Americas reportable segment, HHCS was part of the Hudson Europe reportable segment, T&I was part of the Hudson Asia Pacific reportable segment and Highland was a separate reportable segment of the Company.

Reported results for the discontinued operations by period were as follows:

	For the year ended December 31, 2007				
	Highland	T&I	HHCS	ETS	Total
Revenue	$ —	$36,611	$13,293	$146,237	$196,141
Gross margin	—	4,208	6,010	18,700	28,918
EBITDA (loss) (a)	(907)	1,232	364	3,393	4,082
Depreciation and amortization	—	3	280	82	365
Operating income (loss)	(907)	1,229	84	3,311	3,717
Other income (expense)	(64)	—	6	(8)	(66)
Gain from sale of discontinued operations	—	1,877	4,921	—	6,798
Provision for income taxes (b)	3	372	—	—	375
Income (loss) from discontinued operations	$ (974)	$ 2,734	$ 5,011	$ 3,303	$ 10,074

	For the year ended December 31, 2006				
	Highland	T&I	HHCS	ETS	Total
Revenue	$44,419	$44,437	$18,674	$152,488	$260,018
Gross margin	$41,762	$ 6,363	$ 8,921	$ 20,060	$ 77,106
EBITDA (a)	$ 2,861	$ 2,277	$ 1,566	$ 5,931	$ 12,635
Depreciation and amortization	920	21	438	110	1,489
Operating income	1,941	2,256	1,128	5,821	11,146
Other income (expense)	(983)	—	(406)	(14)	(1,403)
Gain from sale of discontinued operations	20,358	—	—	—	20,358
Provision for income taxes (b)	713	678	95	—	1,486
Income from discontinued operations	$20,603	$ 1,578	$ 627	$ 5,807	$ 28,615

	For the year ended December 31, 2005				
	Highland	T&I	HHCS	ETS	Total
Revenue	$62,827	$50,359	$30,896	$155,097	$299,179
Gross margin	$59,733	$ 6,832	$14,996	$ 22,284	$103,845
EBITDA (a)	$ 4,166	$ 2,476	$ 2,774	$ 7,933	$ 17,349
Depreciation and amortization	1,354	16	420	119	1,909
Operating income	2,812	2,460	2,354	7,814	15,440
Other income (expense)	1,840	—	(335)	(14)	1,491
Gain/ (loss) from sale of discontinued operations	—	—	—	—	—
Provision (benefit) for income taxes (b)	(79)	738	(155)	—	504
Income from discontinued operations	$ 4,731	$ 1,722	$ 2,174	$ 7,800	$ 16,427

(a) Non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization ("EBITDA") are presented to provide additional information about the Company's operations on a basis consistent with the measures which the Company uses to manage its operations and evaluate its performance. Management also uses these measurements to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the Company's profitability or liquidity. Furthermore, EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

(b) Income tax expense (benefit) is provided at the effective tax rate by taxing jurisdiction and differs from the U.S. statutory tax rate of 35% for differences in the foreign statutory tax rates, as well as the ability to offset certain NOL's against taxable profits.

Reported assets and liabilities for discontinued operations were as follows:

	As of December 31, 2006				As of December 31, 2007
	T & I	HHCS	ETS	TOTAL	ETS
Assets—discontinued operations					
Accounts receivable, net	$ —	$2,595	$11,381	$13,976	$ 12,210
Other current assets	54	13	60	127	55
Current assets of discontinued operations	54	2,608	11,441	14,103	12,265
Property and equipment	5	524	300	829	205
Intangibles	—	—	9	9	—
Other assets	—	475	10	485	7
Non-current assets of discontinued operations	5	999	319	1,323	212
Total assets of discontinued operations	$ 59	$3,607	$11,760	$15,426	$ 12,477
Liabilities—discontinued operations					
Accounts payable	$ 33	$1,090	$ 1,678	$ 2,801	$ 2,509
Accrued and other liabilities	1,101	5,569	4,831	11,501	3,791
Total liabilities of discontinued operations	$1,134	$6,659	$ 6,509	$14,302	$ 6,300

5. STOCK BASED COMPENSATION

In the first quarter of 2006, the Company adopted SFAS 123R, which revised SFAS 123 and supersedes Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees. The Company had adopted the disclosure only provisions of SFAS 123 and SFAS 148—*Accounting for Stock-Based Compensation—Transition and Disclosure*, which required certain financial statement disclosures, including pro forma operating results, as if the Company had prepared its consolidated financial statements in accordance with the fair value based method of accounting for stock-based compensation. In adopting SFAS 123R, the Company chose to apply the "modified retrospective method," requiring the Company to recognize stock compensation expense for stock options granted prior to its adoption of SFAS 123R under the fair value method and expense these amounts over the remaining vesting period of the stock options. Prior period results have been adjusted for the application of the modified retrospective method. All employee stock option grants made since the beginning of 2003 have been reflected as an expense in prior years or will be expensed over the related remaining stock option vesting period based on the estimated fair value at the date the options are granted. As a result of the adoption of SFAS 123R using the modified retrospective method, the Company recognized expenses from continuing operations of $4,041, $4,545 and $4,183 in the years ended December 31, 2007, 2006 and 2005, respectively, for the stock option and employee stock purchase plans. These expenses are included in selling, general and administrative expenses. The Company also recognized expenses in discontinued operations of $0, $263 and $286 in the years ended December 31, 2007, 2006 and 2005, respectively, for the stock option and employee stock purchase plans related to the discontinued operations of the Highland segment. In addition, SFAS 123R requires the Company to reflect the tax savings resulting from tax deductions in excess of expense as a financing cash flow in its statement of cash flows rather than as an operating cash flow as in prior periods. The Company recognized a current tax benefit for the year ended December 31, 2007 and 2006, of $347 and $541, respectively, in certain foreign jurisdictions where the Company has taxable income. As of December 31, 2007, there was approximately $3,787 of compensation expense that has yet to be recognized related to non-vested stock option awards. This expense is expected to be recognized over a weighted-average period of 2.3 years. All share issuances related to stock compensation plans are issued from unissued shares of stockholder approved compensation plans.

The following were the weighted average assumptions used to determine the fair value of options granted and the details of option activity as of and for the respective periods:

	For the years ended December 31, 2007	2006	2005
Risk free interest rate	4.7%	4.4%	4.0%
Volatility	60.0%	55.0%	55.0%
Expected life (years)	5.0	5.0	5.0
Dividends	0.0%	0.0%	0.0%
Weighted average fair value of options granted during the period	$ 9.29	$ 7.69	$ 7.52

Under SFAS 123R, the Company is required to select a valuation technique or option-pricing model that meets the criteria as stated in the standard. Two models that meet the criteria required under SFAS 123R are a lattice model (for example, a binomial model) and a closed-form model (for example, the Black-Scholes-Merton option-pricing model). The Company is continuing to use the Black-Scholes-Merton option-pricing model. SFAS 123R also requires the Company to estimate forfeitures in calculating the expense relating to stock-based compensation, as opposed to only recognizing forfeitures and the corresponding reduction in expense as they occur. Volatility is determined using historical prices to estimate the expected future fluctuations in the Company's share price. There was no material impact on basic or diluted earnings per share due to the adoption of SFAS No. 123R. See Note 13 for additional information about the Company's stock-based compensation plans.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	December 31, 2007	2006
Computer equipment	$ 27,367	$ 30,655
Furniture and equipment	20,360	22,047
Capitalized software costs	29,208	30,996
Leasehold and building improvements	23,754	24,635
Transportation equipment	211	371
	101,900	108,704
Less: accumulated depreciation and amortization	71,430	81,428
Property and equipment, net	$ 29,470	$ 27,276

Leasehold improvements included assets classified under capital leases at December 31, 2007 and 2006 with a cost of $873 and $785, respectively, and accumulated amortization of $312 and $168, respectively. Capitalized software costs included software under capital leases at December 31, 2007 and 2006 with a cost of $4,861 and $4,716, respectively and accumulated amortization of $2,501 and $1,408, respectively. Computer equipment with a cost of $153 included equipment classified under capital leases at December 31, 2006 and accumulated amortization of $127. In 2006, the Company included $2,774 of accelerated amortization expense, as a result of a change in estimated useful life, related to leasehold improvements of its former corporate offices vacated in early 2007.

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7. GOODWILL AND INTANGIBLES

A summary of changes in the Company's goodwill by reporting unit follows. Additions in 2007, 2006 and 2005 reflect acquisitions and purchase price adjustments made during that year, as described in Note 8.

	December 31, 2006	Additions and adjustments	Impairments (a)	Currency translation	December 31, 2007
Hudson Americas	$ 13,351	$ 30,631	$ —	$ —	$ 43,982
Hudson Europe	19,807	2,482	—	1,933	24,222
Hudson Asia Pacific	—	5,238	—	—	5,238
	$ 33,158	$ 38,351	$ —	$ 1,933	$ 73,442

	December 31, 2005	Additions and adjustments	Impairments	Currency translation	December 31, 2006
Hudson Americas	$ 6,022	$ 8,629	$ (1,300)	$ —	$ 13,351
Hudson Europe	15,310	2,587 (b)	—	1,910	19,807
	$ 21,332	$ 11,216	$ (1,300)	$ 1,910	$ 33,158

	December 31, 2004	Additions and adjustments	Impairments	Currency translation	December 31, 2005
Hudson Americas	$ 4,567	$ 1,455	$ —	$ —	$ 6,022
Hudson Europe	—	15,400	—	(90)	15,310
	$ 4,567	$ 16,855	$ —	$ (90)	$ 21,332

(a) Impairments were reported in depreciation and amortization expense.
(b) Restated—See Note 2.

As of December 31, 2007 and 2006, intangible assets consisted of the following:

	December 31, 2007		December 31, 2006 (Restated)	
	Gross carrying amount	Accumulated amortization	Gross Carrying amount	Accumulated amortization
Goodwill	$73,442	$ —	$33,158	$ —
Amortizable intangible assets:				
Client lists and other amortizable intangibles	15,523	(10,730)	13,652	(7,894)
Total intangible assets	$88,965	$ (10,730)	$46,810	$ (7,894)

Amortization of intangible assets, including 2006 impairments, were $3,240, $6,045 and $1,980, for the years ended December 31, 2007, 2006 and 2005, respectively. Estimated intangible asset amortization expense is expected to be $2,351 and $2,442 for the years ended December 31, 2008 and 2009, respectively.

SFAS 142 *Goodwill and Other Intangible Assets* requires that goodwill and indefinite-lived intangible assets not be amortized but be tested for impairment on an annual basis, or more frequently if circumstances warrant. As a result of this test and the related fair value examination, the Company recorded a non-cash goodwill impairment charge for the Alder Novo acquisition, a unit within the Talent Management Solutions reporting unit, of $1,300, in the fourth quarter of 2006. The impairment valuation was based upon a discounted cash flow approach that used estimated future revenue and costs for the Hudson Americas' Talent Management Solutions reporting unit as well as appropriate discount rates. The estimates that were used are consistent with the plans and estimates the Company was using to manage the underlying business. The 2006 goodwill impairment charge wrote-off all goodwill related to Alder Novo and was recorded in depreciation and amortization expense.

8. BUSINESS REORGANIZATION EXPENSES

In the third quarter of 2006, the Company's Board of Directors approved the 2006 reorganization program with costs for related actions in the following categories: consolidation of support functions, particularly between the Hudson Americas and corporate; closing or reducing redundant sales functions and unprofitable offices, particularly in Hudson Americas, corporate and Hudson Europe; and programs to reduce management staffing levels in Hudson Asia Pacific. During 2007, the Company recorded reorganization expenses of $4,663, and a change in estimate resulting in recoveries of $317, associated with the 2006 program, primarily for the abandonment of a lease in London, and the cancellation of a lease in New York City and other property leases in the U.K. and the Netherlands. During 2006, the Company recorded reorganization expenses of $4,971 associated with the 2006 program.

In addition, the Company recorded changes in estimates to prior period programs, other than the 2006 program, resulting in additional costs of $16 during 2007. The Company recorded changes in estimates to prior period program costs of $1,044 and business reorganization expense of $511 for the years ended December 31, 2006 and 2005, respectively, primarily for lease on facilities included in prior programs where the leases related to these facilities have garnered lower sublease income than estimated or have remained vacant longer than expected because of deteriorating market conditions. Such amounts have been classified as a component of operating expenses.

The reorganization accruals for discontinued operations are classified as liabilities from continuing operations for all periods presented. In 2007, the Company recorded a change in estimate to business reorganization expense (recoveries) of $(301) within continuing operations. In 2006 and 2005, the Company recorded $58 and $(278), respectively, as a component of income from discontinued operations. The Company does not expect there to be any material changes to these discontinued operations' accruals in the future, but cannot assure that additional expenses will not be required.

Consolidation of Excess Facilities

During the year ended December 31, 2007, the Company recorded expenses for the 2006 reorganization program of $4,535 for leases in Hudson Europe and Hudson Americas and expense recovery of $11 for changes in estimates to prior programs' expenses. During the year ended December 31, 2006, the Company recorded expenses for the 2006 program of $581 for leases in Hudson Europe and Hudson Americas and expense of $1,303 for changes in estimates to prior programs' expenses, primarily in Hudson Europe for leases on facilities included in prior programs where the leases related to these facilities have garnered lower sublease income than estimated or have remained vacant longer that expected, and in Hudson Americas on a number of leases in their final year. As of December 31, 2007, the remaining accrual related to approximately eight locations and will be paid over the remaining lease terms, which have various expiration dates up until 2011, except one with a 2021 expiration date. The estimated payments for 2008 are $3,335.

During the years ended December 31, 2007, 2006 and 2005, the Company recorded, as a component of income from discontinued operations, recoveries of prior period expenses related to leases and facilities of $0, $90 and $312, respectively.

Workforce Reduction

During the year ended 2007, the Company recorded additional charges for workforce reductions of $87 and recoveries for changes in estimates to prior programs of $134 for costs associated with workforce reductions. During the year ended 2006, the Company recorded additional charges for workforce reductions of $4,277 and recoveries for changes in estimates to prior programs of $309 for costs associated with workforce reductions. The 2006 expenses were primarily comprised of $1,520 in Hudson Americas, primarily related to the closing of the Center for High Performance and closing or reducing redundant sales functions and unprofitable offices, $1,168 in

Hudson Europe to reduce redundant sales functions and unprofitable offices and close the Norway office, $596 in Hudson Asia Pacific for management changes in Japan and Australian reductions in redundant sales functions and $690 related to corporate expense. As of December 31, 2007, the workforce reduction accrual related to settlements and termination payments for one former employee, which are all payable in 2008.

During the years ended December 31, 2007, 2006 and 2005, the Company recorded, as a component of income from discontinued operations, a recovery of $0, an expense of $27 and a recovery of $91, respectively, for prior period reorganization programs' workforce reduction expenses.

Professional Fees and Other Charges

During the year ended 2007, the Company recorded additional charges of $41 and recoveries for changes in estimates to prior programs of $156 for professional fees and other charges. Professional fees and other charges were $113 and $0 in the years ended December 31, 2006 and 2005, respectively. This accrual at December 31, 2007 was included in current liabilities.

During the years ended December 31, 2007, 2006 and 2005, the Company recorded, as a component of income from discontinued operations, expenses of $0, $121 and $125, respectively, for prior period reorganization programs' professional fees and other charges.

Amounts under the "Utilization" caption of the following tables are primarily the cash payments associated with the plans. Business reorganization expense activities and liability balances were as follows:

Year ended December 31, 2007	December 31, 2006	Changes in estimate	Additional charges	Utilization	December 31, 2007
Consolidation of excess facilities	$ 6,489	$ (11)	$ 4,535	$ (4,989)	$ 6,024
Workforce reduction	1,877	(134)	87	(1,759)	71
Professional fees and other	120	(156)	41	79	84
Total	$ 8,486	$ (301)	$ 4,663	$ (6,669)	$ 6,179

Year ended December 31, 2006	December 31, 2005	Changes in estimate	Additional charges	Utilization	December 31, 2006
Consolidation of excess facilities	$ 7,288	$ 1,303	$ 581	$ (2,683)	$ 6,489
Workforce reduction	361	(309)	4,277	(2,452)	1,877
Professional fees and other	669	108	113	(770)	120
Total	$ 8,318	$ 1,102	$ 4,971	$ (5,905)	$ 8,486

Year ended December 31, 2005	December 31, 2004	Changes in estimate	Additional charges	Utilization	December 31, 2005
Consolidation of excess facilities	$ 12,894	$ 309	$ —	$ (5,915)	$ 7,288
Workforce reduction	663	(124)	—	(178)	361
Professional fees and other	2,205	48	—	(1,584)	669
Total	$ 15,762	$ 233	$ —	$ (7,677)	$ 8,318

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The following table presents a summary of plan activity related to business reorganization costs by plan period.

Year ended December 31, 2007	December 31, 2006	Changes in estimate	Additional charges	Utilization	December 31, 2007
Second Quarter 2002 Plan	$ 444	$ 85	$ —	$ (529)	$ —
Fourth Quarter 2002 Plan	4,631	24	—	(666)	3,989
Fourth Quarter 2003 Plan	1,069	(93)	—	(976)	—
2006 Plan	2,342	(317)	4,663	(4,498)	2,190
Total	$ 8,486	$ (301)	$ 4,663	$ (6,669)	$ 6,179

Year ended December 31, 2006	December 31, 2005	Changes in estimate	Additional charges	Utilization	December 31, 2006
Second Quarter 2002 Plan	$ 1,409	$ (301)	$ —	$ (664)	$ 444
Fourth Quarter 2002 Plan	4,996	1,124	—	(1,489)	4,631
Fourth Quarter 2003 Plan	1,913	246	—	(1,090)	1,069
2006 Plan	—	33	4,971	(2,662)	2,342
Total	$ 8,318	$ 1,102	$ 4,971	$ (5,905)	$ 8,486

Year ended December 31, 2005	December 31, 2004	Changes in estimate	Additional charges	Utilization	December 31, 2005
Second Quarter 2002 Plan	$ 3,062	$ 320	$ —	$ (1,973)	$ 1,409
Fourth Quarter 2002 Plan	7,921	5	—	(2,930)	4,996
Fourth Quarter 2003 Plan	4,779	(92)	—	(2,774)	1,913
Total	$ 15,762	$ 233	$ —	$ (7,677)	$ 8,318

9. BUSINESS COMBINATIONS—MERGER AND INTEGRATION EXPENSES

Acquisitions Accounted for Using the Purchase Method

In February 2007, the Company and one of its subsidiaries entered into a purchase agreement to acquire the business assets of Tong Zhi (Beijing) Consulting Service Ltd and Guangzhou Dong Li Consulting Service Ltd (collectively, “TKA”) for an initial investment of $1,000. On May 2, 2007, the Company completed the acquisition of TKA (the “Completion”) for consideration of $4,000, consisting of $2,500 paid in cash at or shortly after the Completion, $500 held in escrow to be payable within 90 days of the third anniversary of the Completion and $700 in notes with an interest rate of 6.18% paid in November 2007. The Company recorded the preliminary allocation of the purchase price to the estimated fair value of the net identifiable assets acquired ($45 in assets, $525 for non-contractual client relationships and other current liabilities of $596), with the excess of $5,026 allocated to goodwill, which is non-deductible for tax purposes. The purchase agreement also provides for contingent payouts to the sellers over the next three years, based upon future minimum annual and cumulative earnings thresholds, of up to a maximum of $8,500. If and when such payments become determinable beyond a reasonable doubt, the amounts paid will be added to the recorded value of goodwill. TKA is an information technology recruitment business serving multinational clients in China, and its results have been included in the Hudson Asia Pacific segment since the Completion. Pro forma information for this acquisition is not included as it would not have a material impact on the Company’s consolidated financial position or results of operations.

In April 2006, Hudson Americas purchased Professional Solutions LLC, a Cleveland, Ohio-based professional services firm, for a total cash consideration of $4,666. The Company recorded the preliminary allocation of the purchase price to the estimated fair value of the net assets acquired ($604 in assets, $205 in liabilities), with the excess of $4,267 allocated to goodwill, which is deductible for tax purposes. The purchase agreement provides for contingent payouts to the sellers over the next three years, based upon future minimum annual and cumulative earnings thresholds of up to a maximum of $13,500. If and when such payments become determinable beyond a reasonable doubt, the amounts paid will be added to the recorded value of goodwill. The results of the acquired business have been included in the Hudson Americas segment of the consolidated financial statements since the acquisition date. In 2007, the Company made an earn-out of $133 related to this acquisition and added this amount to the recorded value of goodwill.

In January 2006, Hudson Americas, through its Talent Management Solutions business, purchased Alder Novo for a total cash consideration of $1,315. The Company recorded the preliminary allocation of the purchase price to the estimated fair value of the net assets acquired ($25 in tangible assets, $75 in intangible assets, $85 in liabilities) with the excess of $1,300 allocated to goodwill, which is deductible for tax purposes. The purchase agreement provides for contingent payouts to the sellers over the next three years, based upon future minimum annual and cumulative earnings thresholds of up to a maximum of $16,550. The results of the acquired business have been included in the Hudson Americas segment since the acquisition date. In the fourth quarter of 2006, the Company determined that the Alder Novo goodwill was impaired and expensed the entire balance of $1,300 in depreciation and amortization. In 2007, the Company determined that Alder Novo was not performing at the level originally expected and, based on this determination, sold Alder Novo to the original selling shareholders in the second quarter of 2007 for nominal consideration and recognized a nominal loss on the sale.

Pro forma information related to the two acquisitions completed in 2006 are not included because the impact of these acquisitions, both individually and in the aggregate, on the Company's consolidated financial position or results of operations is not considered material.

In August 2005, the Company and its subsidiary Hudson Group Holdings B.V. completed the acquisition of all of the shares of Balance Ervaring op Projectbasis B.V. ("Balance"), a leading professional temporary and contract-staffing firm in the Netherlands, pursuant to a Share Purchase Agreement (the "Purchase Agreement"). The Purchase Agreement provided for a payment at closing of €17,750, up to €3,000 paid into escrow to be paid to the sellers in 2006 based upon 2005 earnings thresholds for Balance, and additional earn-out payments of up to €4,250 based on higher earnings thresholds for Balance from 2005 through 2007 (the "original earn-out"). Converted to U.S. dollars, the payment in Euros at closing including escrow and all costs totaled $24,210 (net of cash acquired of $1,900). The Company recorded the allocation of the purchase price to the estimated fair value of the net assets acquired of approximately $9,410 in current assets, $8,650 in current liabilities, $500 in non-current assets and $10,800 for amortizable intangible assets (primarily customer base ($7,100) and trade name ($3,400), to be amortized on an accelerated basis that matches the estimated discounted cash flows related to the assets over their estimated useful lives of 3 to 5 years), $3,250 for deferred tax liabilities and the balance of $15,400 allocated to non-amortizable goodwill, which is not deductible for tax purposes. The following unaudited pro forma results are not necessarily indicative of the results that would have been achieved if the Company had acquired Balance at the beginning of the periods presented: net income for the twelve month period ended December 31, 2005 would have been approximately $2,650 ($0.12 per basic and diluted share). The effect on annual revenue in 2005 would not have been material. In April 2006, the Company made a payment relating to the original earn-out for 2005 of €1,000, or $1,274, which was recorded as additional goodwill. The payment relating to the original earn-out for 2006 of €1,000, or $1,313, was accrued as of December 31, 2006, as the amount due was determinable beyond a reasonable doubt, with a corresponding amount recorded to goodwill (See Note 2) and was paid in April 2007. The payment relating to the original earn-out for 2007 of €2,250, or $3,260, was accrued for as of December 31, 2007 as the amount due was determinable beyond a reasonable doubt, with a corresponding amount recorded to goodwill. The payment relating to the original earn-out for 2007 will be paid in April 2008.

As discussed in Note 2, the Company amended the Balance Purchase Agreement in July 2006 to increase the potential maximum contingent payments for 2006 and 2007 (the "incremental earn-out"). The incremental earn-out for 2006 of €1,300, or $1,687, was accrued for as of December 31, 2006 with the expense recorded in the third and fourth quarters of 2006. The incremental earn-out for 2007 of €1,250, or $1,748, was accrued and expensed over the four quarters of the year ending December 31, 2007 as the amount was estimated to have been earned. The 2006 incremental earn-out was paid in April 2007. The 2007 incremental earn-out will be paid in April 2008.

The incremental earn-out accrued for Balance as a result of the amendment was recorded as acquisition-related expenses in the statements of operations in 2007 and 2006.

The Company also purchased a Ukrainian business in August 2005 for $117. The results of Balance and other 2005 acquired businesses have been included in the Hudson Europe segment of the consolidated financial statements since the respective dates of acquisition.

The Company purchased JMT Financial Partners, LLC ("JMT") on June 2, 2004 with an effective date of May 31, 2004. The purchase price for JMT was $5,300 plus a series of contingent payments ("Earn-Out Payment or Payments"), with interim Earn-Out Payments to be made annually based upon future minimum annual and cumulative earnings thresholds during the first three years subsequent to the purchase (the "Earn-Out Period"). In connection with the Company's purchase of JMT, the Company considered the accounting guidance in EITF 95-8, *Accounting for Contingent Consideration Paid to Shareholders of an Acquired Enterprise in a Purchase Business Combination* and concluded that any future Earn-Out Payments should be recorded as an adjustment of the purchase price.

The owners of JMT (collectively the "Sellers") entered into an agreement with each other dated concurrent with the Company's purchase of JMT (the "Members' Letter") intended to address matters solely related to the partnership. The Company was not a party to the Members' Letter and did not become aware of it until October 16, 2007. The Members' Letter contained (a) a provision for an increasing percentage of each Earn-Out Payment to one of the Sellers through the Earn-Out Period; and (b) a provision that if any of the Sellers did not remain in employment with the Company, they would relinquish their right to 50%, 40% and 30% of the remaining Earn-Out Payments to the remaining Sellers, not the Company, if the Seller left JMT in the first, second and third years, respectively, after the closing of the acquisition.

The Company determined that, as a result of the Members' Letter, the portion of the Earn-Out Payments for the acquisition of JMT that three of the Sellers reallocated to the fourth Seller was required to be accounted for as compensation expense by the Company. Accordingly, the Company recorded approximately $3,551 as non-cash compensation expense with a corresponding credit to additional paid in capital in the second quarter of 2007. The non-cash compensation expense for JMT and the incremental payments accrued for Balance as a result of the amendment was recorded as acquisition-related expenses in the statements of operations in 2007 and 2006. In April 2007, the Company made a final Earn-Out Payment of $30,499 relating to JMT, and added this payment to the recorded value of goodwill, which is deductible for tax purposes.

The primary reasons for the Company's acquisitions and the principal factors that contribute to the recognition of goodwill are the strengthening of the Company's presence in a particular geographic region and/or the synergies and related cost savings gained from the integration of the acquired operations.

Merger and Integration Expenses Incurred with Pooling of Interests Transactions

In connection with pooling of interests transactions completed prior to June 30, 2001, the Company formulated plans to integrate the operations of such companies. Such plans involved the closure of certain offices of the acquired and merged companies and the termination of certain management and employees. The objectives of the plans were to eliminate redundant facilities and personnel, and to create a single brand in the related markets in which the Company operates. As of December 31, 2004, all remaining integration balances are for assumed lease obligations on closed facilities. The merger and integration accruals for the Highland segment are classified as liabilities from continuing operations for all periods presented. These liabilities were not transferred to Heidrick upon the sale.

The Company adjusted its estimates of these merger and integration costs by recognizing a recovery of $787 and $70 for the years ended December 31, 2007 and 2005, respectively and an expense of $362 for the year ended December 31, 2006, which consisted of additional changes in the estimated costs associated with assumed lease obligations on closed facilities related to leased office locations of acquired companies that were either under-utilized prior to the acquisition date or closed by the Company in connection with acquisition-related restructuring plans. The amount is based on the present value of minimum future lease obligations, net of estimated sublease income. The Company also recorded merger and integration expenses of $218, classified as a component of income from discontinued operations, for the year ended December 31, 2006.

Amounts reflected in the "Expense" column in the following tables represent changes in estimates to established plans subsequent to finalization. Amounts under the "Utilization" column of the following tables are primarily the cash payments associated with the plans.

The following tables present a summary of activity relating to the Company's integration plans for acquisitions made in prior years by the year of acquisition.

Year ended December 31, 2007	December 31, 2006	Expenses	Utilization	December 31, 2007
2000 Plans	$ 1,083	$ (737)	$ (346)	$ —
2002 Plans	1,475	(50)	(784)	641
Total	$ 2,558	$ (787)	$ (1,130)	$ 641

Year ended December 31, 2006	December 31, 2005	Expenses	Utilization	December 31, 2006
2000 Plans	$ 1,671	$ 170	$ (758)	$ 1,083
2001 Plans	456	—	(456)	—
2002 Plans	1,150	410	(85)	1,475
Total	$ 3,277	$ 580	$ (1,299)	$ 2,558

Year ended December 31, 2005	December 31, 2004	Expenses	Utilization	December 31, 2005
2000 Plans	$ 2,407	$ (35)	$ (701)	$ 1,671
2001 Plans	800	(35)	(309)	456
2002 Plans	1,994	—	(844)	1,150
Total	$ 5,201	$ (70)	$ (1,854)	$ 3,277

The estimated payments for 2008 are $314 with the remaining balance paid over the terms of the five leases that end in various years through 2010.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2007	2006 (Restated)
Salaries, commissions and benefits	$ 53,018	$ 53,705
Sales, use and income taxes	28,973	28,057
Fees for professional services	3,851	6,707
Rent	3,998	6,842
Other accruals	31,002	30,250
	$ 120,842	$ 125,561

11. LONG-TERM DEBT

Long-term debt obligations consisted of the following:

	December 31, 2007	December 31, 2006
Capitalized lease, payable with interest of 7.2%, in installments through 2009	$243	$473
Less: Current portion	243	238
	$—	$235

As of December 31, 2007, long-term debt matures as follows: $243 in 2008. Certain of the leases can be paid prior to the scheduled maturity. Capital lease obligations presented here exclude the interest portion of the obligation, which is considered immaterial.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended December 31, 2007	2006	2005
Interest paid	$ 1,557	$3,331	$2,741
Income taxes paid	$11,835	$6,920	$3,313
Value of common stock issued to satisfy 401(k) contribution (a)	$ 2,108	$2,073	$1,563
Capital lease obligations incurred	—	—	$2,079

(a) The Company issued 133,952,126,950 and 94,960 shares of its common stock in 2007, 2006 and 2005, respectively.

13. STOCK COMPENSATION PLANS

The Company maintains the Hudson Highland Group, Inc. Long Term Incentive Plan (the “LTIP”) pursuant to which it granted 374,000, 340,500 and 1,389,000 stock options to purchase shares of the Company’s common stock to certain key employees during the years ended December 31, 2007, 2006 and 2005, respectively. All options granted have a contractual term of ten years. Unvested options outstanding have vesting periods of four years, which vest 25% on each of the four anniversary dates or 50% on the third and fourth anniversary dates. Options exercisable within one year from December 31, 2007 totaled 1,279,375. No options related to the common stock of Monster were converted at the Distribution into options to purchase the Company’s stock.

The Company granted 100,000 options to purchase shares of the Company’s common stock under the LTIP to two non-employee members of the Board of Directors in 2006 and 250,000 options in periods prior to January 1, 2004. These options had an immediate vesting of 40% of the options granted with the remaining options vesting evenly over the next three years. All options granted have a contractual term of ten years. Of these options 60,000 have been exercised and the remaining 290,000 were outstanding as of December 31, 2007. Options exercisable within one year from December 31, 2007 totaled 250,000, which includes 50,000 options of one former member of the Board of Directors, which expire in May 2008.

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Stock option activity for the three years ended December 31, 2007 follows:

	LTIP shares available for grant	Number of options outstanding	Weighted average exercise price per share
As of January 1, 2005	872,210	1,641,866	$ 8.37
Additional shares reserved	1,200,000	—	—
Options granted	(1,389,000)	1,389,000	14.82
Restricted shares granted	(57,000)	—	—
Options exercised	—	(187,038)	7.91
Options forfeited/canceled	48,413	(48,413)	9.95
Options expired	—	(1,250)	7.93
Restricted shares forfeited/canceled	2,063	—	—
As of December 31, 2005	676,686	2,794,165	11.57
Options granted	(440,500)	440,500	14.78
Restricted shares granted	(31,400)	—	—
Options exercised	—	(243,104)	8.04
Options forfeited/canceled	339,475	(339,475)	12.78
Options expired	—	(11,675)	12.69
Restricted shares forfeited/canceled	11,000	—	—
As of December 31, 2006	555,261	2,640,410	12.27
Options granted	(374,000)	374,000	16.69
Restricted shares granted	(57,500)	—	—
Options exercised	—	(397,960)	9.06
Options forfeited/canceled	203,800	(203,800)	14.70
Options expired	—	(26,125)	9.02
Restricted shares forfeited/canceled	8,000	—	—
As of December 31, 2007	335,561	2,386,525	$ 13.33

The Company may grant restricted stock to employees under the LTIP. These shares are provided at no cost to the employee. As of December 31, 2007, there was unrecognized compensation expense related to the unvested restricted stock granted under the LTIP of $882 to be recognized over a weighted-average period of 2.2 years. During the first quarter of 2008, the Company also granted 3,700 shares of restricted stock, which vested immediately, to 37 employees as performance awards. Restricted stock activity and fair value information for the three years ended December 31, 2007 follows:

	Year Ended December 31,		
	2007	2006	2005
Opening balance unvested restricted stock	96,500	138,250	138,625
Grants issued with two year vesting (e)	34,000	—	—
Grants issued with four year vesting (a)	19,100	27,500	53,000
Grants issued with immediate vesting (b)	4,400	3,900	4,000
Grants canceled	(8,000)	(11,000)	(2,063)
Grants vested with three year vesting (c)	—	(25,750)	(27,812)
Grants vested with four year vesting (a)	(33,875)	(32,500)	(23,500)
Grants vested with immediate vesting (b)	(4,400)	(3,900)	(4,000)
Ending balance unvested restricted stock	107,725	96,500	138,250
Weighted average grant date fair value:			
Opening unvested balance	$ 16.46	$ 17.98	$ 11.23
Grants issued	$ 14.80	$ 13.63	$ 24.28
Grants canceled	$ 12.85	$ 11.37	$ 6.83
Grants vested	$ 17.48	$ 12.44	$ 10.03
Ending unvested balance	$ 11.86	$ 16.46	$ 17.98
Restricted stock expense (d)	$ 908	$ 1,148	$ 795

(a) Restricted stock with a four-year vesting period vests 25% on each of the four anniversary dates.
(b) Restricted shares that vested immediately were granted to a total of 160 employees as performance awards.
(c) Restricted stock with a three-year vesting period vests 50% on the first anniversary of the date of grant and 25% on each of the two succeeding anniversaries of the date of grant.
(d) Expense consists of the value of the restricted stock and share incentive plan at the date of grant is amortized over the related vesting period as a charge to compensation expense and an increase in additional paid-in capital.
(e) Restricted stock with a two-year vesting period vests 50% on each of the two anniversary dates.

The following table summarizes stock options information at December 31, 2007:

	Options outstanding				Options exercisable		
Range of exercise prices	Number outstanding	Weighted-average remaining contractual life	Weighted-average exercise price	Aggregate intrinsic value	Number exercisable	Weighted-average exercise price	Aggregate intrinsic value
$6.83	507,250	5.3 years	$ 6.83	$ 801	507,250	$ 6.83	$ 801
$ 8.61 to $10.77	113,500	7.5 years	$ 9.20	—	77,375	$ 9.19	—
$11.07 to $12.85	76,850	5.9 years	$ 11.83	—	69,600	$ 11.78	—
$13.25 to $13.91	759,500	7.1 years	$ 13.25	—	43,500	$ 13.30	—
$14.06 to $16.33	731,925	8.4 years	$ 15.91	—	156,125	$ 14.95	—
$17.92 to $25.94	197,500	8.1 years	$ 23.74	—	30,000	$ 17.92	—
	2,386,525	7.2 years	$ 13.33	$ 801	883,850	$ 9.56	$ 801

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value based on the Company's closing stock price of $8.41 as of December 31, 2007 that would have been received by the option holders had all option holders exercised their options as of that date. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was $3,457, $1,926 and $2,138, respectively.

The Company maintains the Hudson Highland Group, Inc. Employee Stock Purchase Plan (the “ESPP”), pursuant to which eligible employees may purchase shares of the Company’s common stock at the lesser of 85% of the fair market value at the commencement of each plan purchase period or 85% of the fair market value as of the purchase date. ESPP purchase dates are generally every six months ended June 30 and December 31. The Company recorded expense for the ESPP in salaries and related of $565, $648 and $586 for 2007, 2006 and 2005, respectively. The Company also recorded expense for the ESPP in income from discontinued operations of $0, $61 and $67 for 2007, 2006 and 2005, respectively. The Company issued 147,183, 225,865 and 164,930 shares of common stock pursuant to the ESPP at an average price of $10.90, $9.17 and $12.71 per share in 2007, 2006 and 2005, respectively. As of December 31, 2007, the Company has 412,885 shares reserved for future share issuances under the ESPP and SIP (as defined below).

The Company’s United Kingdom subsidiary maintains the Hudson Global Resources Share Incentive Plan (the “SIP”), a stock purchase plan for its employees, whereby eligible employees may purchase shares on the open market at the end of each month, and the Company matches the employee purchases with a contribution of shares equal to 50% of the number of employee shares purchased. The Company issued 4,156, 3,515, and 2,653 shares of common stock pursuant to the SIP in 2007, 2006 and 2005, respectively. Shares are issued under the SIP from the ESPP share reserve.

The Company maintains the Hudson Highland Group, Inc. 401(k) Savings Plan (the “401(k) plan”). The 401(k) plan allows eligible employees to contribute up to 15% of their earnings to the 401(k) plan. The Company matches contributions up to 3% for contributions through a contribution of the Company’s common stock. Vesting of the Company’s contribution occurs over a five-year period. Expense, included in continuing operations, for the years ended December 31, 2007, 2006 and 2005 for the 401(k) plan was $1,608, $1,932 and $1,733, respectively. Expense, included in income from discontinued operations, for the years ended December 31, 2007, 2006 and 2005 for the 401(k) plan was $500, $278 and $338, respectively. In March 2007, the Company issued 134,331 shares of its common stock with a value of $2,108 to satisfy the 2006 contribution liability to the 401(k) plan. In March 2006, the Company issued 126,950 shares of its common stock with a value of $2,073 to satisfy the 2005 contribution liability to the 401(k) plan. The 2007 401(k) plan matching shares will be issued in the first quarter of 2008.

For all share plans described above, the Company has issued new shares of the Company’s common stock from stockholder approved stock compensation plans.

14. PROVISION FOR INCOME TAXES

The domestic and foreign components of income (loss) before income taxes from continuing operations:

	Year ended December 31,		
	2007	2006	2005
Domestic	$(24,772)	$(52,540)	$(37,351)
Foreign	46,919	48,124	25,657
Income (loss) from continuing operations before provision for income taxes	$ 22,147	$ (4,416)	$(11,694)

The provision (benefit) for income taxes from continuing operations:

	Year ended December 31,		
	2007	2006	2005
Current tax provision (benefit):			
U.S. Federal	$ —	$ —	$ —
State and local	2,093	2,135	106
Foreign	15,719	8,874	3,789
Total current	17,812	11,009	3,895
Deferred tax provision (benefit)			
U.S. Federal	—	—	—
State and local	—	—	—
Foreign	(572)	(7,238)	637
Total deferred	(572)	(7,238)	637
Total provision	$17,240	$ 3,771	$4,532

Deferred income taxes are provided for the tax effects of temporary differences between the financial reporting basis and the tax basis of assets and liabilities. Significant temporary differences at December 31, 2007 and 2006:

	December 31,	
	2007	2006
Current deferred tax assets:		
Allowance for doubtful accounts	$ 1,255	$ 1,104
Capital allowances	2,163	3,444
Accrued and other current liabilities	2,652	1,911
Accrued compensation liabilities	3,642	3,396
Valuation allowance	(1,917)	(1,757)
Total current deferred tax asset	7,795	8,098
Non-current deferred tax assets (liabilities):		
Property and equipment	(1,347)	(1,608)
Intangibles	6,469	8,615
Accrued and other current liabilities and other liabilities	331	406
Deferred compensation	524	724
Tax loss carry-forwards	105,300	100,300
Valuation allowance	(110,168)	(108,612)
Total non-current deferred tax asset (liability)	1,109	(175)
Net deferred tax assets	$ 8,904	$ 7,923

Net deferred tax assets were included in other current assets and other assets.

At December 31, 2007, the Company had net operating loss carry-forwards (“NOLs”) for U.S. Federal tax purposes of approximately $249,600 including approximately $13,900 of tax losses that were not absorbed by Monster on its consolidated U.S. Federal tax returns through the Distribution Date, which expire through 2024. These losses included pre-acquisition losses of certain acquired companies and are subject to an annual limitation on the amount that can be utilized. A recalculation of the Monster stock options deductions for periods prior to the Distribution reduced the unabsorbed U.S. NOL position related to this deduction from $27,400 to $13,900 in 2006. In addition, the Company had NOLs from all other countries outside of the United States of approximately $46,100 as of December 31, 2007, of which approximately $42,500 have no expiration.

Tax years that had net operating losses that carry forward remain open until the losses are utilized in future periods. The open tax years are 2004-2006 for the U.S. Federal, state and local jurisdictions, 2000 through 2006 for the U.K., Australia and most other jurisdictions. The Company is not currently under examination in any jurisdiction.

SFAS 109 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. In making this assessment, management considers the level of historical taxable income, scheduled reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income. The valuation allowance of $112,085 relates to the deferred tax asset for NOLs, $89,000 of which is U.S. Federal and state, and $15,530 of which is foreign, that management has determined will more likely than not expire prior to realization, and $7,555 which relates to deferred tax assets on U.S. temporary differences that management estimates will not be realized due to the Company's U.S. tax losses.

The Company adopted the provisions of FASB Interpretation No 48, "*Accounting for Uncertainty in Income Taxes*" on January 1, 2007. As a result of the implementation, the Company recognized $3,537 increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. A reconciliation of the beginning and ending amounts of unrecognized tax benefits (in thousands):

Balance at January 1, 2007	$6,276
Additions based on tax positions related to the current year	593
Additions for tax positions of prior years	187
Reductions for tax positions of prior years	(326)
Settlements	—
Lapse of statute of limitations	(340)
Balance at December 31, 2007	$6,390

At December 31, 2007, the Company had $8,409, including interest and penalties, of unrecognized tax benefits that, if recognized, would affect its effective tax rate. These unrecognized tax benefits are related to tax positions in jurisdictions in which the Company does not have tax losses to offset the tax liability with respect to the uncertain tax positions. The amount of unrecognized tax benefits pertaining to uncertain tax positions for U.S. state and local income taxes may be reduced by approximately $500 over the next twelve months for the lapse of the statue of limitations with respect to the 2003 tax year.

In evaluating its provision for uncertain tax positions related to a 2007 filing position in a foreign jurisdiction, the Company determined that it was necessary to record an additional provision with respect to the 2005 and 2006 tax years. The liability for uncertain tax positions of prior years was reduced in one foreign jurisdiction by recognizing the liability on the related income tax filings.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in tax expense. During the year ended December 31, 2007, the Company recognized approximately $895 in interest and penalties. No amount of interest and penalties was recognized in 2006 and 2005. At December 31, 2007 and 2006 the Company had accrued approximately $2,019 and $0 for the payment of interest and penalties, respectively.

The effective tax rate differs from the U.S. Federal statutory rate of 35% due to the inability to recognize tax benefits on net U.S. losses, State taxes, non-deductible expenses such as certain acquisition related payments, variations from the U.S. tax rate in foreign jurisdictions and taxes on repatriations of foreign profits. The following is a reconciliation of the effective tax rate from continuing operations for the years ended December 31, 2007, 2006 and 2005 to the U.S. Federal statutory rate of 35%:

	Year ended December 31,		
	2007	2006	2005
Provision (benefit) from continuing operations at Federal statutory rate	$ 7,751	$(1,545)	$(4,093)
State income taxes, net of Federal income tax effect	2,093	2,135	161
Change in valuation allowance	1,716	(2,492)	3,625
Taxes related to foreign income	4,316	4,956	4,205
Nondeductible expenses	1,364	717	634
Income tax provision	$17,240	$ 3,771	$ 4,532

No provision was made for U.S. or foreign taxes on undistributed earnings of foreign subsidiaries as such earnings are considered to be permanently reinvested. Such earnings have been and will continue to be reinvested but could become subject to additional tax if they were remitted as dividends, or were loaned to the Company or a U.S. affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the undistributed foreign earnings.

15. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases facilities and equipment under operating leases that expire at various dates through 2027. Some of the operating leases provide for increasing rents over the terms of the leases; and total rent expense under these leases is recognized ratably over the lease terms. Future minimum lease commitments under non-cancelable operating leases at December 31, 2007, were as follows:

2008	$ 40,340
2009	32,400
2010	24,589
2011	16,263
2012	13,142
Thereafter	49,969
	$ 176,703

Rent and related expenses under operating leases for facilities and equipment were $27,839, $27,721 and $25,780 for the years ended December 31, 2007, 2006 and 2005, respectively. Operating lease obligations after 2010 relate to building leases. Commitments based in currencies other than U.S. dollars were translated using exchanges rates as of December 31, 2007.

Consulting, Employment and Non-compete Agreements

The Company has entered into various consulting, employment and non-compete agreements with certain key management personnel and former owners of acquired businesses. Agreements with key members of management are generally one year in length, on an at will basis, and provide for compensation and severance payments under certain circumstances and are automatically renewed annually unless either party gives sufficient notice of termination. Agreements with certain consultants and former owners of acquired businesses are generally two to five years in length.

Litigation

The Company is subject to various claims from lawsuits, taxing authorities and other complaints arising in the ordinary course of business. The Company records provisions for losses when the claim becomes probable and the amount due is estimable. Although the outcome of these claims cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations, or liquidity.

16. RELATED PARTY TRANSACTIONS

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

17. FINANCIAL INSTRUMENTS

Credit Facility

The Company's liquidity needs arise primarily from funding working capital requirements and capital investment in information technology and facilities.

On July 31, 2007, the Company entered into an amended and restated senior secured credit facility with Wells Fargo Foothill with the ability to borrow up to $75,000 (the "Credit Facility"). The Company may, subject to certain conditions, increase the maximum Credit Facility limit up to $125,000. The maturity date of the Credit Facility is July 31, 2012. Borrowings may be made with a base rate loan having an interest rate based on the prime rate and the Leverage Ratio (as defined in the Credit Facility) or a LIBOR rate loan with an interest rate based on the LIBOR rate and the Leverage Ratio. The Credit Facility is secured by substantially all of the assets of the Company and extensions of credit are based on a percentage of the accounts receivable of the Company.

As of December 31, 2007 there were no outstanding borrowings under the Credit Facility and there were a total of $7,858 of outstanding letters of credit issued under the Credit Facility. Available credit for use under the Credit Facility as of December 31, 2007 was $67,142.

The Company expects to continue to use such credit, if and when required, to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. Letters of credit are used to support certain of the Company's office leases and its finance leases. In July 2007, the Company entered into a collateral trust agreement, which replaced a letter of credit used to support the worker's compensation policy. The estimated collateral under the collateral trust agreement is approximately $2,900, which was provided by the Company as a deposit and is included in other long term assets at December 31, 2007.

The Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends; (2) requirements that the Company maintain its minimum EBITDA (as defined in the Credit Facility) and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness and repurchases of the Company's stock. The Credit Facility allows certain permitted investments in the aggregate amount not to exceed $25,000 per year and certain permitted dispositions in the aggregate amount not to exceed $15,000 per year.

The financial covenants of the Credit Facility include a minimum quarterly EBITDA for a twelve-month period and maximum capital expenditures for each fiscal year. The minimum EBITDA covenant provides that the Company's quarterly EBITDA for a trailing twelve-month period may not be less than $25,000. The maximum capital expenditure covenant provides that the Company's capital expenditures in each fiscal year may not exceed $18,000. The borrowing base is determined under the Credit Facility as an agreed percentage of eligible accounts receivable, less reserves. 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.

Outstanding Letters of Credit

The Company had letters of credit outstanding at December 31, 2007 of $7,858, leaving $67,142 of the Credit Facility available for use on the terms set forth in the Credit Facility. These letters of credit have various maturity dates through 2017 and are primarily used to secure operating and capital lease financing.

Shelf Registration Statement Filing

The Company has on file with the SEC a shelf registration to enable it to issue up to 1,350,000 shares of its common stock from time to time in connection with acquisitions of businesses, assets or securities of other companies, whether by purchase, merger or any other form of acquisition or business combination. If any shares are issued using this shelf registration, the Company will not receive any proceeds from these offerings other than the assets, businesses or securities acquired. As of December 31, 2007, all of the 1,350,000 shares were still available.

Forward Contracts

The Company periodically may enter into forward contracts to minimize the exposure to foreign exchange rate risk related to inter-company loan balances denominated in currencies other than the functional currency. The Company does not apply hedge accounting and accordingly, any gains or losses resulting from changes in the fair value of the forward contracts are included in other income (expense) in the consolidated statements of income. The earnings impact of gains and losses on foreign currency forward contracts was immaterial for 2007, 2006 and 2005. At December 31, 2007, there was one outstanding foreign currency forward contract, which matured in early January 2008.

18. STOCKHOLDER RIGHTS PLAN

On February 2, 2005, the Board of Directors of the Company declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock of the Company. The dividend was payable upon the close of business on February 28, 2005 to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $.001 par value ("Preferred Shares"), of the Company, at a price of $60 per one one-hundredth of a Preferred Share, subject to adjustment. If any person becomes a 15% or more stockholder of the Company, then each Right (subject to certain limitations) will entitle its holder to purchase, at the Right's then current exercise price, a number of shares of common stock of the Company or of the acquirer having a market value at the time of twice the Right's per share exercise price. The Company's Board of Directors may redeem the Rights for $.001 per Right at any time prior to the time when the Rights become exercisable. Unless the Rights are redeemed, exchanged or terminated earlier, they will expire on February 28, 2015.

19. SEGMENT AND GEOGRAPHIC DATA

The Company operates in three reportable segments: the Hudson regional businesses of Hudson Americas, Hudson Europe and Hudson Asia Pacific.

Segment information is presented in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*. This standard is based on a management approach that requires segmentation based upon the Company's internal organization and disclosure of revenue, certain expenses 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. Accounts receivable, net and long-lived assets are the only significant assets separated by segment for internal reporting purposes.

	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
For the Year Ended December 31, 2007					
Revenue	$291,525	$472,407	$415,143	$ —	$1,179,075
Gross margin	$ 87,494	$239,559	$180,860	$ —	$ 507,913
Business reorganization expenses	$ 541	$ 2,438	$ (15)	$ 1,398	$ 4,362
Acquisition-related expenses	$ 3,551	$ 1,748	$ —	$ —	$ 5,299
EBITDA (loss) (a)	$ (4,156)	$ 30,530	$ 33,443	$ (27,191)	$ 32,626
Depreciation and amortization	4,354	6,059	3,937	274	14,624
Operating income (loss)	(8,510)	24,471	29,506	(27,465)	18,002
Interest and other income (expense), net	(87)	3,728	(1,475)	1,979	4,145
Income (loss) from continuing operations before income taxes	$ (8,597)	$ 28,199	$ 28,031	$ (25,486)	$ 22,147
As of December 31, 2007					
Accounts receivable, net	$ 45,454	$ 90,081	$ 53,537	$ —	$ 189,072
Long-lived assets, net of accumulated depreciation and amortization	$ 53,461	$ 37,179	$ 13,746	$ 3,319	$ 107,705

	Hudson Americas	Hudson Europe (Restated)	Hudson Asia Pacific	Corporate	Total
For the Year Ended December 31, 2006					
Revenue	$306,732	$458,815	$392,327	$ —	$1,157,874
Gross margin	$ 91,461	$208,966	$158,828	$ —	$ 459,255
Business reorganization expenses (recoveries)	$ 1,764	$ 2,684	$ 874	$ 693	$ 6,015
Acquisition-related expenses	$ —	$ 1,687	$ —	$ —	$ 1,687
EBITDA (loss) (a)	$ (7,559)	$ 21,425	$ 29,965	$ (28,394)	$ 15,437
Depreciation and amortization	6,343	6,871	3,171	3,418	19,803
Operating income (loss)	(13,902)	14,554	26,794	(31,812)	(4,366)
Interest and other income (expense), net	(178)	1,226	827	(1,925)	(50)
Income (loss) from continuing operations before income taxes	$ (14,080)	$ 15,780	$ 27,621	$ (33,737)	$ (4,416)
As of December 31, 2006					
Accounts receivable, net	$ 55,613	$ 97,322	$ 51,811	$ —	$ 204,746
Long-lived assets, net of accumulated depreciation and amortization	$ 20,801	$ 33,270	$ 6,997	$ 5,124	$ 66,192

	Hudson Americas	Hudson Europe	Hudson Asia Pacific	Corporate	Total
For the Year Ended December 31, 2005					
Revenue	$291,209	$450,727	$386,518	$ —	$1,128,454
Gross margin	$ 91,487	$189,443	$151,513	$ —	$ 432,443
Business reorganization expenses (recoveries)	$ 510	$ (42)	$ 43	$ —	$ 511
EBITDA (loss) (a)	$ 4,545	$ 12,789	$ 27,210	$(37,420)	$ 7,124
Depreciation and amortization	5,098	4,351	6,485	569	16,503
Operating income (loss)	(553)	8,438	20,725	(37,989)	(9,379)
Interest and other income (expense), net	(198)	(47)	(250)	(1,820)	(2,315)
Income (loss) from continuing operations before income taxes	$ (751)	$ 8,391	$ 20,475	$(39,809)	$ (11,694)
As of December 31, 2005					
Accounts receivable, net	$ 59,687	$ 86,714	$ 45,430	$ —	$ 191,831
Long-lived assets, net of accumulated depreciation and amortization	$ 16,512	$ 31,418	$ 6,668	$ 5,885	$ 60,483

(a) Non-GAAP earnings before interest, income taxes, other non-operating expense, and depreciation and amortization ("EBITDA") are presented to provide additional information to investors about the Company's operations on a basis consistent with the measures which the Company uses to manage its operations and evaluate its performance. Management also uses this measurement to evaluate capital needs and working capital requirements. EBITDA should not be considered in isolation or as a substitute for operating income, cash flows from operating activities, and other income or cash flow statement data prepared in accordance with generally accepted accounting principles or as a measure of the Company's profitability or liquidity. Furthermore, EBITDA as presented above may not be comparable with similarly titled measures reported by other companies.

Information by geographic region	United States	Australia	United Kingdom	Continental Europe	Other Asia	Other Americas	Total
Year ended December 31, 2007:							
Revenue (b)	$ 286,926	$ 297,659	$ 322,879	$ 149,528	$ 117,484	$ 4,599	$ 1,179,075
Long-lived assets, net of accumulated depreciation and amortization (c)	$ 56,757	$ 5,210	$ 5,412	$ 31,767	$ 8,536	$ 23	$ 107,705
Year ended December 31, 2006:							
Revenue (b)	$ 302,580	$ 289,674	$ 335,704	$ 123,111	$ 102,653	$ 4,152	$ 1,157,874
Long-lived assets, net of accumulated depreciation and amortization (c, d)	$ 25,892	$ 5,238	$ 4,912	$ 28,358	$ 1,759	$ 33	$ 66,192
Year ended December 31, 2005:							
Revenue (b)	$ 288,508	$ 282,444	$ 362,603	$ 88,124	$ 104,074	$ 2,701	$ 1,128,454
Long-lived assets, net of accumulated depreciation and amortization (c)	$ 22,353	$ 5,955	$ 3,938	$ 27,480	$ 713	$ 44	$ 60,483

(b) Revenue is generally recorded on a geographic basis according to the location of the operating subsidiary.
(c) Comprised of property and equipment and intangibles. Corporate assets are included in the United States.
(d) The long-lived assets for the year ended December 31, 2006 have been restated for Continental Europe (see Note 2).

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20. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

	First quarter (Restated- See Note 2)	Second quarter (Restated- See Note 2)	Third quarter (Restated- See Note 2)	Fourth quarter (a)
Year ended December 31, 2007:				
Revenue	$ 288,150	$ 298,528	$ 301,913	$ 290,484
Gross margin	$ 117,743	$ 130,204	$ 129,982	$ 129,984
Operating income (loss)	$ (2,331)	$ 2,983	$ 7,978	$ 9,372
Income (loss) from continuing operations	$ (1,778)	$ (1,092)	$ 3,214	$ 4,563
Net income (loss)	$ 55	$ (618)	$ 3,579	$ 11,965
Basic earnings (loss) per share from continuing operations	$ (0.07)	$ (0.04)	$ 0.13	$ 0.18
Basic earnings per share from discontinued operations	0.07	0.02	0.01	0.29
Basic earnings (loss) per share	$ —	$ (0.02)	$ 0.14	$ 0.47
Diluted earnings (loss) per share from continuing operations (b)	$ (0.07)	$ (0.04)	$ 0.13	$ 0.18
Diluted earnings per share from discontinued operations (b)	0.07	0.02	0.01	0.28
Diluted earnings (loss) per share	$ —	$ (0.02)	$ 0.14	$ 0.46
Basic weighted average shares outstanding	24,919,000	25,247,000	25,443,000	25,479,000
Diluted weighted average shares outstanding	24,919,000	25,247,000	26,058,000	25,781,000

	First quarter	Second quarter	Third quarter (Restated- See Note 2)	Fourth quarter (a) (Restated- See Note 2)
Year ended December 31, 2006:				
Revenue	$ 274,534	$ 297,402	$ 299,517	$ 286,421
Gross margin	$ 102,985	$ 119,877	$ 118,327	$ 118,066
Operating income (loss)	$ (8,558)	$ 2,648	$ 2,326	$ (782)
Income (loss) from continuing operations	$ (9,388)	$ (375)	$ 397	$ 1,179
Net income (loss)	$ (8,080)	$ 2,166	$ 3,497	$ 22,845
Basic earnings (loss) per share from continuing operations	$ (0.39)	$ (0.02)	$ 0.02	$ 0.05
Basic earnings (loss) per share from discontinued operations	$ 0.06	$ 0.11	$ 0.13	$ 0.88
Basic earnings (loss) per share	$ (0.33)	$ 0.09	$ 0.15	$ 0.93
Diluted earnings (loss) per share from continuing operations (b)	$ (0.39)	$ (0.02)	$ 0.02	$ 0.05
Diluted earnings (loss) per share from discontinued operations (b)	$ 0.06	$ 0.11	$ 0.12	$ 0.86
Diluted earnings (loss) per share	$ (0.33)	$ 0.09	$ 0.14	$ 0.91
Basic weighted average shares outstanding	24,224,000	24,414,000	24,574,000	24,668,000
Diluted weighted average shares outstanding	24,224,000	24,414,000	25,023,000	25,346,000

(a) The fourth quarter of 2007 results include gains on the T&I Sale and the HHCS Sale of $1,877 and $4,921, respectively, included in discontinued operations. The fourth quarter 2006 results include a $20,358 gain on the Heidrick Sale included in discontinued operations and a benefit from deferred income taxes of $5,503, primarily from the release of valuation allowances on tax loss carry-forwards in foreign jurisdictions. The increase was partially offset by $3,804 of an increase in current foreign and state and local income tax provisions, $2,771 of accelerated amortization related to the leasehold improvements at the former corporate offices, and a non-cash impairment charge for intangibles of the Alder Novo acquisition of $1,300.

(b) Diluted earnings (loss) per share reflect the potential dilution from the assumed exercise of all dilutive potential common shares, primarily stock options. For the first and second quarters of 2007 and the first and second quarters of 2006, the effect of approximately 742,000, 916,000, 1,186,000 and 758,000, respectively, of outstanding stock options and other common stock equivalents was excluded from the calculation of diluted loss per share because the effect was anti-dilutive.

Earnings (loss) per share calculations for each quarter include the weighted average effect for the quarter; therefore, the sum of quarterly loss per share amounts may not equal year-to-date earnings (loss) per share amounts, which reflect the weighted average effect on a year-to-date basis. See Note 2 for the reconciliation between the restated amounts above and the amounts previously reported in the respective Form 10-Q or Form 10-K filings.

21. SUBSEQUENT EVENTS

Sale of Engineering and Technical Staffing Division

On February 4, 2008, the Company completed the sale of substantially all of the assets of Hudson Americas’ energy, engineering and technical staffing division to System One Holdings, LLC (the “Buyer”) for (i) $10,988 in cash, subject to a post-closing net working capital adjustment, (ii) a subordinated note in the aggregate principal amount of $5,000 with a five year maturity and (iii) a warrant to purchase 10% of the units of membership interests in Buyer. The Company has the right to receive an additional $600 that has been deposited into an escrow account upon resolution of certain liabilities. Buyer is controlled by the former Chairman of the Company’s Legal practice group. The former Executive Vice President of the Company’s Energy, Scientific and Managed Staffing practice group, is an investor in the Buyer. The Company also retained $3,600 of receivables of the Business. The gain before income taxes on the sale is estimated to be approximately $5,000.

Share Repurchase Program

On February 4, 2008, the Company announced that its Board of Directors authorized the repurchase of up to $15,000 of the Company’s common stock. The Company intends to make purchases from time to time as market conditions warrant. Through February 28, 2008, the Company had repurchased 701,173 shares for a total cost of approximately $5,257.

Purchase of Assets of Executive Coread SARL in France

In February 2008, the Company completed the acquisition of a majority of the assets of Executive Coread SARL, a talent management and recruitment company in France. The Purchase Agreement provides for a payment at closing of €300 and additional earn-out payments up to €300 based on earnings thresholds in 2008 and 2009.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Material Weakness in Internal Control as of December 31, 2006

In the Company's Form 10-K for the year ended December 31, 2006, the Company disclosed that the Company's management had concluded that the Company's internal control over financial reporting and disclosure controls and procedures were effective as of December 31, 2006. As previously disclosed in a Form 8-K dated February 4, 2008, in light of the restatement required by the accounting for the amendment to the Balance purchase agreement as described in Note 2 of the Notes to the Consolidated Financial Statements in this Form 10-K, the Company reviewed its internal control over financial reporting. In February 2008, the Company's management determined that it had a material weakness in internal control over financial reporting for its accounting for acquisitions at December 31, 2006 and concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2006 as a result of this material weakness. The Company's management has determined that this material weakness has been subsequently remediated as a result of improvements in its controls over complex accounting matters, including those related to acquisitions and divestitures. In particular, the Company engaged, in the second half of 2007, external accounting experts to consider the accounting for transactions requiring the interpretation of such complex accounting matters.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer, has conducted an evaluation of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on this evaluation, the Company's Chairman and Chief Executive Officer and its Executive Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the year ended December 31, 2007.

Management's Annual Report on Internal Control Over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of this Annual Report on Form 10-K under the caption "Management's Annual Report on Internal Control Over Financial Reporting" on page 36.

Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of this Annual Report on Form 10-K under the caption "Report of Independent Registered Public Accounting Firm" on page 38.

Changes in Internal Control Over Financial Reporting

Other than the improvements in the Company's controls over complex accounting matters described above, there were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information included under the captions “Election of Directors,” “Board of Directors and Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive proxy statement, which is expected to be filed pursuant to Regulation 14A within 120 days following the end of the fiscal year covered by this report (the “Proxy Statement”), is hereby incorporated by reference. The information required by Item 10 with respect to our Executive Officers is included in Part I of this Annual Report on Form 10-K.

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees and a Code of Ethics for the Chief Executive Officer and the Senior Financial and Accounting Officers. We have posted a copy of the Code of Business Conduct and Ethics and the Code of Ethics on our Web site at *www.hudson.com*. The Code of Business Conduct and Ethics and Code of Ethics are also available in print to any stockholder who requests them in writing from the Corporate Secretary at 560 Lexington Avenue, New York, New York 10022. We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, or waivers from, our Code of Ethics by posting such information on our Web site at *www.hudson.com*. We are not including the information contained on our Web site as part of, or incorporating it by reference into, this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required in Item 11 is incorporated by reference to the information in the Proxy Statement under the captions “Director Compensation”, “Compensation Discussion and Analysis”, “Compensation Committee Report” and “Executive Compensation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in Item 12 is incorporated by reference to the information in the Proxy Statement under the caption “Principal Stockholders.”

Equity Compensation Plan Information

The following table presents information on the Company’s existing equity incentive plans as of December 31, 2007.

	Number of shares to be issued upon exercise of outstanding options A	Weighted average exercise price of outstanding options B	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in Column A) C
Equity Compensation Plans approved by stockholders:			
Long Term Incentive Plan	2,386,525	$ 13.33	335,561(1)
Employee Stock Purchase Plan	—	—	431,773
Equity Compensation Plans not approved by stockholders:	—	—	—
Total	2,386,525	$ 13.33	767,334

(1) Excludes 107,725 shares of restricted common stock vesting over a four-year vesting period, previously issued under the Hudson Highland Group, Inc. Long Term Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in Item 13 is incorporated by reference to the information in the Proxy Statement under the caption "Board of Directors and Corporate Governance—Independent Directors" and "Board of Directors and Corporate Governance—Policies and Procedures Regarding Related Person Transactions."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in Item 14 is incorporated by reference to the information in the Proxy Statement under the section relating to the ratification of the appointment of the independent registered public accounting firm.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

(a) 1. Financial statements—The following financial statements and the report of independent registered public accounting firm are contained in Item 8.

2. Financial statement schedules

Schedule II—Valuation and qualifying accounts and reserves.

All other schedules are omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and the notes thereto.

3. Exhibits—The exhibits listed in the accompanying index to exhibits are filed as part of this Annual Report on Form 10-K.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

The audits referred to in our report dated March 6, 2008, relating to the consolidated financial statements of Hudson Highland Group, Inc., which is contained in Item 8 of this Form 10-K, included the audits of the consolidated financial statement schedule listed in the accompanying index. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statement schedule based upon our audits.

In our opinion, the consolidated financial statement schedule presents fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP
BDO Seidman, LLP

New York, New York
March 6, 2008

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

Column A	Column B	Column C Additions		Column D	Column E
Descriptions	Balance at Beginning of Period	Charged to Costs/Expenses (Recoveries)	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for Doubtful Accounts (a)					
Year ended December 31, 2005	$ 5,230	2,233	—	1,975	$ 5,488
Year ended December 31, 2006	$ 5,488	2,993	(511)	1,222	$ 6,748
Year ended December 31, 2007	$ 6,748	(88)	(310)	1,453	$ 4,897

(a) Included in the balances presented here are the allowances for doubtful accounts for the Company’s discontinued operations. The sale and subsequent reduction to the account balance is in column C charged to other accounts as a deletion.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this sixth day of March 2008.

HUDSON HIGHLAND GROUP, INC.

By /s/ JON F. CHAIT

Jon F. Chait
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JON F. CHAIT **Jon F. Chait**	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	March 6, 2008
/s/ MARY JANE RAYMOND **Mary Jane Raymond**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 6, 2008
/s/ DAVID REYNOLDS **David Reynolds**	Vice President, Corporate Controller (Principal Accounting Officer)	March 6, 2008
/s/ ROBERT B. DUBNER **Robert B. Dubner**	Director	March 6, 2008
/s/ JOHN J. HALEY **John J. Haley**	Director	March 6, 2008
/s/ JENNIFER LAING **Jennifer Laing**	Director	March 6, 2008
/s/ DAVID G. OFFENSEND **David G. Offensend**	Director	March 6, 2008
/s/ RICHARD J. STOLZ **Richard J. Stolz**	Director	March 6, 2008

EXHIBIT INDEX

Exhibit Number	Exhibit Description
(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 filed March 14, 2003 (file No. 0-50129)).
(3.2)	Certificate of Designations of the Board of Directors Establishing the Series and Fixing the Relative Rights and Preferences of Series A Junior Participating Preferred Stock. (incorporated by reference to Exhibit 3.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated February 2, 2005 (file No. 0-50129)).
(3.3)	Amended and Restated By-laws of Hudson Highland Group, Inc. (incorporated by reference to Exhibit 3.1 to Hudson Highland Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 (file No. 0-50129)).
(4.1)	Amended and Restated Credit Agreement, dated as of July 31, 2007, 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 Wells Fargo Foothill, Inc., as the Arranger and Administrative Agent (incorporated by reference to Exhibit 4.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated July 31, 2007 (file No. 0-50129)).
(4.2)	Rights Agreement, dated as of February 2, 2005, between Hudson Highland Group, Inc. and The Bank of New York (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of Hudson Highland Group, Inc. February 3, 2005 (file No. 0-50129)).
(10.1)*	Hudson Highland Group, Inc. Long Term Incentive Plan, as amended through October 29, 2007.
(10.2)*	Form of Hudson Highland Group, Inc. Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated May 1, 2007 (file No. 0-50129)).
(10.3)*	Form of Hudson Highland Group, Inc. Stock Option Agreement (Employees) (incorporated by reference to Exhibit 10.4 to Hudson Highland Group, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (file No. 0-50129)).
(10.4)*	Executive Excise Tax Gross-Up Agreement, amended and restated effective as of October 29, 2007, between Hudson Highland Group, Inc. and Jon F. Chait.
(10.5)*	Form of Hudson Highland Group Executive Employment Agreement, amended and restated effective as of October 29, 2007, between Hudson Highland Group, Inc. and each of Margaretta Noonan, Richard S. Gray, Latham Williams, Neil J. Funk, Elaine A. Kloss and David S. Reynolds.
(10.6)*	Executive Employment Agreement, amended and restated effective as of October 29, 2007, between Hudson Highland Group, Inc. and Mary Jane Raymond.
(10.7)*	Executive Employment Agreement, amended and restated effective as of October 29, 2007, between Hudson Highland Group, Inc. and Don Bielinski.
(10.8)*	Hudson Highland Group, Inc. Nonqualified Deferred Compensation Plan (Effective May 1, 2004, as Amended and Restated Effective January 1, 2008).
(10.9)*	Summary of Hudson Highland Group, Inc. Compensation for Non-employee Members of the Board of Directors.

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Exhibit Number	Exhibit Description
(10.10)*	Summary of Hudson Highland Group, Inc. 2007 Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Current Report on Form 8-K dated February 6, 2007 (file No. 0-50129)).
(10.11)*	Summary of Amendments to Hudson Highland Group, Inc. 2007 Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated September 25, 2007 (file No. 0-50129)).
(10.12)*	Form of Hudson Highland Group, Inc. Stock Option Agreement (Directors) (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc. Current Report on Form 8-K dated May 11, 2006 (File No. 0-50129)).
(10.13)*	Form of Hudson Highland Group, Inc. Stock Option Agreement applicable to Jon F. Chait (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated July 13, 2007 (file No. 0-50129)).
(10.14)*	Summary of Hudson Highland Group, Inc. 2008 Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated January 30, 2008 (file No. 0-50129)).
(10.15)*	Hudson Highland Group, Inc. Director Deferred Share Plan.
(21)	Subsidiaries of Hudson Highland Group, Inc.
(23)	Consent of BDO Seidman, LLP.
(31.1)	Certification by Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
(31.2)	Certification by the Executive Vice President and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
(32.1)	Certification of the Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
(32.2)	Certification of the Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
(99.1)	Proxy Statement for the 2008 Annual Meeting of Stockholders [To be filed with the Securities and Exchange Commission under Regulation 14A within 120 days after December 31, 2007; except to the extent specifically incorporated by reference, the Proxy Statement for the 2008 Annual Meeting of Stockholders shall not be deemed to be filed with the Securities and Exchange Commission as part of this Annual Report on Form 10-K.]

* A management contract or compensatory plan or arrangement.

HUDSON HIGHLAND GROUP, INC.
LONG TERM INCENTIVE PLAN

(Adopted March 12, 2003
As Amended through October 29, 2007)

1. General.

(a) Purpose. The purpose of the Hudson Highland Group, Inc. Long Term Incentive Plan (the "Plan") is to establish a flexible vehicle through which Hudson Highland Group, Inc., a Delaware corporation (the "Company"), can offer equity-based compensation incentives to eligible recipients with a view toward promoting the long-term financial success of the Company and enhancing stockholder value.

(b) Types of Awards. Awards under the Plan may be in the form of any one or more of the following: (i) stock options, including options intended to qualify as "incentive stock options" ("ISOs") within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") and options which do not qualify as ISOs ("NQSOs"), described in Section 5; (ii) stock appreciation rights ("SARs") described in Section 6; (iii) awards of restricted stock described in Section 7; (iv) performance-based awards described in Section 8; and (v) such other types of equity-based awards described in Section 9 as the Committee (as defined below) deems advisable.

(c) Stock Covered by Awards. Awards made under the Plan will be made in the form of or with reference to shares of the Company's common stock, $.001 par value ("Common Stock"). Shares of Common Stock available for issuance under the Plan may be either authorized and unissued or held by the Company in its treasury. No fractional shares of Common Stock will be delivered under the Plan.

(d) Documentation of Awards. Each award made under the Plan will be evidenced by a written agreement or other written instrument the terms of which will be established by the Committee. To the extent not inconsistent with the provisions of the Plan, the written agreement or other instrument evidencing an award will govern the rights and obligations of the parties with respect to the award.

2. Administration.

(a) Committee. The Plan will be administered by the Compensation Committee of the Company's Board of Directors (the "Board") or such other committee or subcommittee thereof appointed by the Board from time to time (the "Committee"); provided, however, that the Board will serve as the Committee with respect to awards made to members of the Board who are not employees of the Company or its affiliates. Unless the Board determines otherwise, each member of the Committee will be a "non-employee director" within the meaning of Rule 16b-3 issued under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and an "outside director" within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable Treasury regulations thereunder. If for any reason any member of the Committee does not qualify as a "non-employee director" or as an "outside director," such non-qualification will not affect the validity of the awards, interpretations or other actions of the Committee.

(b) Authority of Committee. Subject to the limitations of the Plan, the Committee, acting in its sole and absolute discretion, will have full power and authority to: (i) select the persons to whom awards will be made under the Plan; (ii) make awards to such persons and prescribe the terms and conditions of such awards (including, without limitation, nonsolicitation, confidentiality and mandatory dispute resolution conditions); (iii) interpret and apply the provisions of the Plan and of any agreement or other document evidencing an award made under the Plan; (iv) carry out any responsibility or duty specifically reserved to the Committee under the Plan; and (v) make any and all determinations and interpretations and take such other actions as may be necessary or desirable in order to carry out the provisions, intent and purposes of the Plan. A majority of the members of the Committee will constitute a quorum. The Committee may act by the vote of a majority of its members present at a meeting at which there is a quorum or by unanimous written consent. The decision of the Committee as to any disputed question, including questions of construction, interpretation and administration, will be final and conclusive on all persons.

(c) Indemnification. The Company will indemnify and hold harmless each member of the Committee and any employee or director of the Company or an affiliate to whom any duty or power relating to the administration or interpretation of the Plan is delegated from and against any loss, cost, liability (including any sum paid in settlement of a claim with the approval of the Board), damage and expense (including legal and other expenses incident thereto) arising out of or incurred in connection with the Plan, unless and except to the extent attributable to such person's fraud or wilful misconduct.

3. Participation. Awards may be granted under the Plan to any member of the Board (whether or not an employee of the Company or an affiliate), to any officer or other employee of the Company or an affiliate and to any consultant or other independent contractor who performs or will perform services for the Company or an affiliate. In selecting participants and determining the nature and terms of awards made under the Plan, the Committee may give consideration to the functions and responsibilities of a potential recipient, his or her previous and/or expected contributions to the business of the Company or its affiliates and such other factors as the Committee deems relevant under the circumstances. If an option or SAR is granted to a service provider who does not provide services to the Company or any other "eligible issuer of service recipient stock" within the meaning of the regulations promulgated under Code Section 409A, then such option or SAR is considered deferred compensation that must comply with the requirements of Code Section 409A.

4. Limitations on Awards under the Plan.

(a) Aggregate Number of Shares. Subject to adjustment as provided in Section 13 below, the maximum number of shares of Common Stock that may be issued under the Plan is 3,703,626, provided, however, that the aggregate maximum number of shares of Common Stock that may be issued under the Plan pursuant to Sections 7, 8 and 9 below is 1,000,000. In determining the number of shares that remain issuable under the Plan at any time after the date the Plan is adopted, the following shares will be deemed not to have been issued (and will be deemed to remain available for issuance) under the Plan: (i) shares remaining under an award that terminates or is canceled without having been exercised or earned in full; (ii) shares subject to an award where cash is delivered to the holder of the award in lieu of such shares; (iii) shares of restricted stock that are forfeited in accordance with the terms of the applicable award; and (iv) shares that are withheld in order to pay the purchase price of an award or to satisfy the tax withholding obligations associated with an award.

(b) Individual Award Limitations. Subject to adjustment as provided in Section 13 below, (i) the maximum number of shares of Common Stock for which stock options or SARs may be granted under the Plan to any person in any calendar year shall be 500,000, and (ii) the aggregate maximum number of shares of Common Stock subject to awards, other than options or SARs, that may be granted under the Plan to any person in any calendar year shall be 500,000. Subject to these limitations, each person eligible to participate in the Plan will be eligible in any year to receive awards covering up to the full number of shares of Common Stock then available for awards under the Plan. No more than $1,000,000 may be paid to any individual with respect to any single performance-based award covered by Section 8 which is settled in cash. In applying this limitation, multiple performance-based awards to the same individual will be subject to a single $1,000,000 limit if they are either (i) determined by reference to performance periods of one year or less ending with or within the same fiscal year of the Company, or (ii) determined by reference to one or more multi-year performance periods ending in the same fiscal year of the Company (in each instance, determined without regard to any amounts paid as a result of the acceleration of the ending date of a performance period or of the vesting of such an award arising in connection with the individual’s termination of employment or other service or a change in control of the Company (as defined by the Committee)).

5. Stock Options.

(a) ISOs and NQSOs. Subject to the provisions hereof, the Committee may grant ISOs and NQSOs to eligible personnel to purchase shares of Common Stock upon such terms and conditions as the Committee deems appropriate, provided that the Committee may only grant ISOs to employees of the Company and its “subsidiary corporations” within the meaning of Section 424 of the Code.

(b) Exercise Price. The exercise price per share of Common Stock covered by an option granted pursuant to this Section 5 will be determined by the Committee when the option is granted. The exercise price per share of Common Stock covered by an option must be at least equal to the Fair Market Value (as defined below) per share of Common Stock on the date the option is granted (or, in the case of an ISO granted to an optionee who, at the time the option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its “subsidiary corporations” within the meaning of Section 424 of the Code, 110% of the Fair Market Value per share of Common Stock on the date the option is granted).

(c) Option Period. Except as otherwise provided herein, if not previously exercised or terminated, all such options will expire ten years after the date the option is granted (or, in the case of an ISO granted to a ten percent stockholder described in Section 424 of the Code, five years).

(d) Vesting Conditions. The Committee may establish such vesting and other restrictions on the exercise of an option and/or upon the disposition of the stock acquired upon the exercise of an option as it deems appropriate (including, without limitation, acceleration of vesting, to the extent permitted by the Committee, in the event of a change in control of the Company (as defined by the Committee)). Unless the Committee prescribes otherwise, during an optionee's employment or service with the Company or an affiliate, each option granted pursuant to this Section 5 will be subject to a four-year vesting schedule pursuant to which, unless sooner terminated or accelerated, the option will become vested as to 25% of the shares originally covered thereby at the end of each of the first four years following the date of grant.

(e) Exercise of Options. An option may be exercised by transmitting to the Company (i) a notice specifying the number of shares to be purchased and (ii) payment of the exercise price. The Committee may establish such rules and procedures as it deems appropriate for the exercise of options under the Plan, including, without limitation, procedures for telephonic exercise. The exercise price of shares of Common Stock acquired pursuant to the exercise of an option granted under the Plan may be paid in cash, certified or bank check and/or such other form of payment as may be approved by the Committee from time to time and permitted under applicable law, including, without limitation, shares of Common Stock which, if acquired from the Company, have been owned by the holder (free and clear of any liens or encumbrances) for at least six (6) months or pursuant to a "cashless exercise" procedure approved by the Committee and permitted by law.

(f) Rights as a Stockholder. No shares of Common Stock will be issued in respect of the exercise of an option granted under the Plan until full payment therefor has been made. The holder of an option will have no rights as a stockholder with respect to any shares covered by an option until the date a stock certificate for such shares is issued to him or her. Except as otherwise provided herein, no adjustments shall be made for dividend distributions or other rights for which the record date is prior to the date such stock certificate is issued.

(g) Limitation on Repricing of Options. Unless and to the extent otherwise approved by the Company's stockholders, under no circumstances may the Board or the Committee authorize a Repricing (as defined below) of any outstanding options. For these purposes, a "Repricing" means any of the following (or any other action that has the same effect as any of the following): (i) amending the terms of an option to lower its exercise price, (ii) any other action that is treated as a repricing under generally accepted accounting principles, or (iii) canceling an option at a time when its exercise price is equal to or greater than the fair market value of the underlying Common Stock, in exchange for another option, restricted stock, or other equity award, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. Notwithstanding the foregoing, in no event may the exercise price of an option be reduced, even with the approval by the Company's stockholders, unless such reduction is made pursuant to the adjustment provisions contained in Section 13 of the Plan and in accordance with Section 1.409A-1(b)(5)(v)(D) of the Treasury Regulations, or in connection with a transaction which is considered the grant of a new option for purposes of Section 409A of the Code, provided that the new exercise price is not less than the Fair Market Value of a share of Common Stock on the new grant date.

(h) Other Provisions. The Committee may impose such other conditions with respect to the exercise of options, including, without limitation, any conditions relating to the application of federal or state securities laws or exchange or listing requirements, as it may deem necessary or advisable.

6. Stock Appreciation Rights.

(a) General. Subject to the provisions hereof, the Committee may award SARs to eligible personnel upon such terms and conditions as it deems appropriate. A SAR is an award entitling the holder, upon exercise, to receive an amount, in cash or shares of Common Stock or a combination thereof, as determined by the Committee in its sole discretion, determined with reference to the appreciation, if any, in the Fair Market Value of Common Stock during the period beginning on the date the SAR is granted and ending on the date the SAR is exercised.

(b) Types of SARs. SARs may be awarded under the Plan in conjunction with a stock option award ("tandem SARs") or independent of any stock option award ("stand-alone SARs"). Tandem SARs awarded in conjunction with a NQSO may be awarded either at or after the time the NQSO is granted. Tandem SARs awarded in conjunction with an ISO may only be awarded at the time the ISO is granted.

(c) Exercisability of SARs. Except as otherwise provided herein, a tandem SAR will be exercisable only at the same time and to the same extent and subject to the same conditions as the related option is exercisable. The exercise of a tandem SAR will cancel the related option to the extent of the shares of Common Stock with respect to which the SAR is exercised, and vice versa. Tandem SARs may be exercised only when the Fair Market Value of the Common Stock to which it relates exceeds the option exercise price. The Committee may impose such additional service or performance-based vesting conditions upon the exercise of a SAR (tandem or stand-alone) as it deems appropriate.

(d) Exercise of SARs. A SAR may be exercised by giving written notice to the Company identifying the SAR that is being exercised, specifying the number of shares covered by the exercise and containing such other information or statements as the Committee may require. The Committee may establish such rules and procedures as it deems appropriate for the exercise of SARs under the Plan, including, without limitation, procedures for telephonic exercise. Upon the exercise of a SAR, the holder will be entitled to receive an amount (in cash and/or shares of Common Stock as determined by the Committee) equal to the product of (i) the number of shares with respect to which the SAR is being exercised and (ii) the difference between the Fair Market Value of a share of Common Stock on the date the SAR is exercised (or such other exercise price as may be specified in the award) and the exercise price per share of the SAR.

(e) Deferral of Payment. The Committee may at any time and from time to time provide for the deferral of delivery of any shares and/or cash for which an SAR may be exercisable until such date or dates and upon such other terms and conditions as the Committee may determine.

(f) Limitation on Repricing of SARs. In no event may the grant price of an SAR be reduced, even with the approval by the Company's stockholders, unless such reduction is made pursuant to the adjustment provisions contained in Section 13 of the Plan and in accordance with Section 1.409A-1(b)(5)(v)(D) of the Treasury Regulations, or in connection with a transaction which is considered the grant of a new SAR for purposes of Section 409A of the Code, provided that the new grant price is not less than the Fair Market Value of a share of Common Stock on the new grant date.

7. Restricted Stock.

(a) General. Subject to the provisions hereof, the Committee may award shares of Common Stock to eligible personnel upon such terms and subject to such forfeiture and other conditions as the Committee deems appropriate.

(b) Stock Certificates for Restricted Stock. Unless the Committee elects to use a different method (such as, for example, the issuance and delivery of stock certificates) shares of restricted stock will be evidenced by book entries on the Company's stock transfer records pending the expiration of restrictions thereon. If a stock certificate for restricted stock is issued in the name of the grantee, it will bear an appropriate legend to reflect the nature of the restrictions applicable to the shares represented by the certificate, and the Committee may require that such stock certificates be held in custody by the Company until the restrictions on such shares have lapsed. The Committee may establish such other conditions as it deems appropriate in connection with the issuance of stock certificates for shares of restricted stock, including, without limitation, a requirement that the grantee deliver a duly signed stock power, endorsed in blank, for the shares covered by the award.

(c) Purchase Price. The purchase price payable for shares of restricted stock awarded under the Plan will be determined by the Committee. To the extent permitted by applicable law, the purchase price may be as low as zero and, to the extent required by the applicable law, the purchase price will be no less than the par value of the shares covered by the award.

(d) Restrictions and Vesting. The Committee will establish such conditions as it deems appropriate on the grant or vesting of restricted stock awarded under the Plan (including, without limitation, acceleration of vesting, to the extent permitted by the Committee, in the event of a change in control of the Company (as defined by the Committee)). Such conditions may be based upon continued service, the attainment of performance goals (which, in the case of grants of restricted stock intended to qualify for the performance-based compensation exception under Section 162(m)(4)(C) of the Code, satisfy the requirements of Section 8) and/or such other relevant factors or criteria designated by the Committee. The holder of restricted stock will not be permitted to transfer shares of restricted stock awarded under the Plan before the time the applicable vesting conditions are satisfied.

(e) Rights as a Stockholder. Except as provided herein and as otherwise determined by the Committee, the recipient of a restricted stock award shall have with respect to his or her restricted stock all of the rights of a holder of shares of Common Stock, including, without limitation, the right to receive any dividends, the right to vote such shares and, subject to satisfaction of the applicable vesting conditions, the right to tender such shares. The Committee may, in its sole discretion, determine at the time of grant that the payment of dividends will be deferred until, and conditioned upon, the satisfaction of the applicable vesting conditions.

(f) Lapse of Restrictions. If and when the vesting conditions are satisfied with respect to a restricted stock award, a certificate for the shares covered by the award, to the extent vested, will be delivered to the grantee. All legends shall be removed from said certificates at the time of delivery except as otherwise required by applicable law.

8. Performance-Based Awards.

(a) General. Subject to the provisions hereof, the Committee may condition the exercise, vesting or settlement of an award made under the Plan on the achievement of specified performance goals. The provisions of this Section will apply in the case of a performance-based award that is intended to generate "qualified performance-based compensation" within the meaning of Section 162(m) of the Code.

(b) Objective Performance Goals. A performance goal established in connection with an award covered by this Section must be (1) objective, so that a third party having knowledge of the relevant facts could determine whether the goal is met, (2) prescribed in writing by the Committee before the beginning of the applicable performance period or at such later date (when fulfillment is substantially uncertain) as may be permitted under Section 162(m) of the Code, and (3) expressed in the following manner with respect to any one or more of the following business criteria:

(i) attainment of certain target levels of, or a specified percentage increase in, revenues, income before income taxes and extraordinary items (determined in accordance with standards established by Opinion No. 30 of the Accounting Principles Board), net income, earnings before income tax, earnings before interest, taxes, depreciation and amortization or a combination of any or all of the foregoing;

(ii) attainment of certain target levels of, or a percentage increase in, after-tax or pre-tax profits;

(iii) attainment of certain target levels of, or a specified increase in, operational cash flow;

(iv) achievement of a certain level of, reduction of, or other specified objectives with regard to limiting the level of increase in, all or a portion of, the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of such cash balances and/or other offsets and adjustments as may be established by the Committee;

(v) attainment of a specified percentage increase in earnings per share or earnings per share from continuing operations;

(vi) attainment of certain target levels of, or a specified increase in return on capital employed or return on invested capital;

(vii) attainment of certain target levels of, or a percentage increase in, after-tax return on stockholders' equity;

(viii) attainment of certain target levels of, or a specified increase in, economic value added targets based on a cash flow return on investment formula;

(ix) attainment of certain target levels in the Fair Market Value of the Common Stock; and

(x) growth in the value of an investment in the Company's Common Stock assuming the reinvestment of dividends.

If and to the extent permitted under Section 162(m) of the Code, such performance goals may be determined without regard to (or adjusted for) changes in accounting methods, corporate transactions (including, without limitation, dispositions and acquisitions) and other similar types of events or circumstances occurring during the applicable performance period. The Committee may not delegate any responsibility with respect to the establishment or determination of performance goals to which awards covered by this Section are subject.

(c) Calculation of Performance-Based Award. At the expiration of the applicable performance period, the Committee will determine the extent to which the performance goals established pursuant to this Section are achieved and the percentage of each performance-based award that has been earned. The Committee may reduce the amount that would otherwise be payable pursuant to an award covered by this Section, but may not exercise its discretion to increase such amount.

9. Other Equity-Based Awards. Subject to the provisions hereof, the Committee may grant other types of equity-based awards, including, without limitation, the grant or offer for sale of unrestricted shares of Common Stock and/or the grant of phantom stock awards, stock bonus awards, restricted stock unit awards and dividend equivalent awards, in such amounts and subject to such terms and conditions as the Committee shall determine. Awards pursuant to this Section 9 may entail the transfer of actual shares of Common Stock to Plan participants, or payment in cash or otherwise of amounts based on the value of shares of Common Stock and may include, without limitation, awards designed to comply with or take advantage of the applicable local laws or jurisdictions other than the United States.

10. Fair Market Value of Common Stock. For all purposes of the Plan, the Fair Market Value of a share of Common Stock on any date will be equal to the closing price per share as published by the principal national securities exchange (including, but not limited to, Nasdaq) on which shares of the Common Stock are traded on such date or, if there is no sale of Common Stock on such date, the average of the bid and asked prices on such exchange at the

close of trading on such date, or if shares of the Common Stock are not listed on a national securities exchange on such date, the closing price or, if none, the average of the bid and asked prices in the over the counter market at the close of trading on such date, of if the Common Stock is not traded on a national securities exchange or the over the counter market, the value of a share of the Common Stock on such date as determined in good faith by the Committee.

11. Non-Transferability of Awards. No stock option, SAR, performance-based award or other equity-based award under the Plan shall be transferable by the recipient other than upon the recipient's death to a beneficiary designated by the recipient in a manner acceptable to the Committee, or, if no designated beneficiary shall survive the recipient, pursuant to the recipient's will or by the laws of descent and distribution. All stock options and SARs shall be exercisable during the recipient's lifetime only by the recipient. Tandem SARs shall be transferable, to the extent permitted above, only with the underlying stock option. Shares of restricted stock may not be transferred prior to the date on which shares are issued or, if later, the date on which such shares have vested and are free of any applicable restriction imposed hereunder. Except as otherwise specifically provided by law or the provisions hereof, no award received under the Plan may be transferred in any manner, and any attempt to transfer any such award shall be void, and no such award shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such award, nor shall it be subject to attachment or legal process for or against such person. Notwithstanding the foregoing, the Committee may determine at the time of grant or thereafter that a NQSO is transferable in whole or part to such persons, under such circumstances, and subject to such conditions as the Committee may prescribe.

12. Effect of Termination of Employment or Service. Unless otherwise determined by the Committee at grant or, if no rights of the participant are thereby reduced, thereafter, and subject to earlier termination in accordance with the provisions hereof, the following rules apply with regard to vesting and exercise of awards held by a participant at the time of his or her termination of employment or other service with the Company and its affiliates.

(a) Rules Applicable to Stock Options and SARs.

(i) Termination by Reason of Death. If a participant's employment or service terminates by reason of his or her death, then any stock option or SAR held by the deceased participant will thereupon become fully exercisable and may be exercised by the deceased participant's beneficiary at any time within one year from the date of death, but in no event after expiration of the stated term thereof, and shall thereupon terminate.

(ii) Termination by Reason of Disability. If a participant's employment or service terminates by reason of his or her disability (as defined below), then (1) any stock option or SAR held by the participant, to the extent exercisable on the termination date, may be exercised by the participant at any time within one year from the termination date, but in no event after expiration of the stated term thereof, and shall thereupon terminate, provided that, if the participant dies during such one-year period, then the deceased participant's beneficiary may exercise the option or SAR, to the extent exercisable by the deceased participant immediately prior to his or her death, for a period of one year following the date of death, but in no event after expiration of the stated term, and (2) any stock option or SAR held by the participant, to the extent not exercisable on the termination date, shall immediately terminate. For the purposes hereof, unless otherwise determined by the Committee at the time of grant, the term "disability" means the inability of a participant to perform the customary duties of his or her employment or other service for the Company or an affiliate by reason of a physical or mental incapacity or illness which is expected to result in death or be of indefinite duration.

(iii) Termination for Cause. If a participant's employment or service is terminated by the Company or its affiliates for Cause (or at a time when grounds for a termination for Cause exist), then, notwithstanding anything to the contrary contained herein, any stock option or SAR held by the optionee, whether or not otherwise exercisable on the termination date, shall immediately terminate and cease to be exercisable. A termination for "Cause" means (1) in the case where there is no employment, consulting or similar service agreement between the participant and the Company Group or where such an agreement exists but does not define "cause" (or words of like import), a termination classified by the Company or its affiliates, in their sole discretion, as a termination due to the participant's dishonesty, fraud, insubordination, willful misconduct, refusal to perform services or materially unsatisfactory performance of duties, or (2) in the case where there is an employment, consulting or similar service agreement between the participant and the Company or its affiliates that defines "cause" (or words of like import), a termination that is or would be deemed for "cause" (or words of like import) as classified by the Company or its affiliates, in their sole discretion, under such agreement.

(iv) Other Termination. If a participant's employment or service terminates for any reason other than described in Section 12(a)(i), 12(a)(ii) or 12(a)(iii) above, then, unless otherwise determined by the Committee, (1) any stock option or SAR held by the participant, to the extent exercisable on the termination date, may be exercised by the participant at any time within a period of six months from the termination date, but in no event beyond the expiration of the stated term thereof, and shall thereupon terminate, and (2) any stock option or SAR held by the participant, to the extent not exercisable on the termination date, shall immediately terminate.

(b) Rules Applicable to Restricted Stock. Upon the termination of a participant's employment or service for any reason (including death and disability) or no reason, restricted stock which has not yet become fully vested will, unless otherwise determined by the Committee, automatically be forfeited by the participant (or the participant's successors) and any certificate therefor or book entry with respect thereto or other evidence thereof will be canceled.

(c) Rules Applicable to Performance-Based Awards. Upon termination of a participant's employment or service for any reason (including death and disability) or no reason, then the participant's outstanding performance-based awards will, unless otherwise determined by the Committee, thereupon expire and the participant (or his or her beneficiary, as the case may be) will not be entitled to receive any amount in respect of the performance period or cycle within which the participant's employment or service is terminated.

(d) Rules Applicable to Other Equity-Based Awards. Rules similar to those set forth in subsection (b) (relating to restricted stock awards) will apply in connection with the termination of employment or service of a participant who holds any other form of equity-based award granted under the plan that has not yet vested and/or is contingent upon future performance of services.

13. Capital Changes.

(a) Adjustments Upon Changes in Capitalization. The aggregate number and class of shares for which may be issued under the Plan, the maximum number of shares covered by awards that may be granted to any individual in any calendar year, the number and class of shares covered by each outstanding award and, if applicable, the exercise price per share shall all be adjusted proportionately or as otherwise appropriate to reflect any increase or decrease in the number of issued shares of Common Stock resulting from a split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend, and/or to reflect a change in the character or class of shares covered by the Plan arising from a readjustment or recapitalization of the Company's capital stock.

(b) Fractional Shares. In the event of any adjustment in the number of shares covered by any option or SAR pursuant to the provisions hereof, any fractional shares resulting from such adjustment will be disregarded, and each such option or SAR will cover only the number of full shares resulting from the adjustment.

(c) Determination of Board to be Final. All adjustments under this Section shall be made by the Board, and its determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive.

14. Amendment and Termination. The Board may amend or terminate the Plan, provided, however, that no such action may affect adversely the accrued rights of the holder of any outstanding award without the consent of the holder. Except as otherwise provided in Section 13, any amendment which would increase the maximum number of shares of Common Stock which may be issued under the Plan (on an aggregate or individual basis) or the aggregate maximum number of shares which may be issued pursuant to Sections 7, 8 and 9 of the Plan or modify the class of recipients eligible to receive awards under the Plan shall be subject to the approval of the Company's stockholders. The Committee may amend the terms of any agreement or certificate made or issued hereunder at any time and from time to time provided, however, that any amendment which would adversely affect the accrued rights of the holder may not be made without his or her consent.

15. Tax Withholding. As a condition to the exercise of any award or the delivery of any shares of Common Stock pursuant to any award or the lapse of restrictions on any award, or in connection with any other event that gives rise to a federal or other governmental tax withholding obligation on the part of the Company or its affiliates relating to an award, (a) the Company or its affiliates may deduct or withhold (or cause to be deducted or withheld) from any payment or distribution to an award recipient whether or not pursuant to the Plan, or (b) the Company or its affiliates shall be entitled to require that the recipient remit cash to the Company or its affiliates (through payroll deduction or otherwise), in each case in an amount sufficient to satisfy such withholding obligation. If the event giving rise to the withholding obligation involves a transfer of shares of Common Stock, then, at the sole discretion of the Committee, the recipient may satisfy the withholding obligation described under this Section 15 by electing to

have the Company withhold shares of Common Stock (which withholding shall be at a rate not in excess of the statutory minimum rate) or by tendering previously-owned shares of Common Stock, in each case, having a Fair Market Value equal to the amount of tax to be withheld (or by any other mechanism as may be required or appropriate to conform with local tax and other rules).

16. Compliance with Law. Shares of Common Stock shall not be issued pursuant to the Plan unless the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act and the requirements of any stock exchange or market upon which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange or market upon which the Common Stock may then be listed, and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions.

17. No Rights Conferred. Nothing contained herein will be deemed to give any individual any right to receive an award under the Plan or to be retained in the employ or other service of the Company or any affiliate of the Company.

18. Governing Law. The Plan and each award agreement shall be governed by the laws of the State of Delaware, without regard to its principles of conflicts of law.

19. Decisions and Determinations of Committee to be Final. Any decision or determination made by the Board pursuant to the provisions hereof and, except to the extent rights or powers under the Plan are reserved specifically to the discretion of the Board, all decisions and determinations of the Committee are final and binding.

20. Term of the Plan. The Plan shall be effective upon its adoption by the Board, subject to the approval of the stockholders of the Company within one year from the date of adoption by the Board. The Plan will terminate on the tenth anniversary of the date of its adoption by the Board, unless sooner terminated by the Board. The rights of any person with respect to an award made under the Plan that is outstanding at the time of the termination of the Plan shall not be affected solely by reason of the termination of the Plan and shall continue in accordance with the terms of the award (as then in effect or thereafter amended) and the Plan.

EXECUTIVE EXCISE TAX GROSS-UP AGREEMENT

This agreement (the "Agreement"), made effective as of May 6, 2005 by and between Hudson Highland Group, Inc. (the "Company") and Jon F. Chait (the "Executive"), is amended and restated effective October 29, 2007.

WHEREAS, the Company wishes to continue to employ the Executive and the Executive wishes to continue to be employed, in each case subject to the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the conditions and mutual covenants contained in this Agreement, the parties agree as follows:

1. Covered Termination. If a Change in Control (as defined below) occurs when the Executive is employed by the Company and there is any termination of the Executive's employment during the period commencing on the date of a Change in Control and ending on the first anniversary of such date (the "Employment Period") (subject to Section 4) by the Executive for Good Reason (as defined below), or by the Company other than by reason of (i) the Executive's death, (ii) the Executive's Disability (as defined below), or (iii) Cause (as defined below) (a "Covered Termination"), then the Executive shall be entitled to receive the benefits set forth in Section 2.

2. Excise Tax Gross-Up.

(a) If any payment under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" as defined in Section 280G (or any successor provision) of the Code, then the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 (or any successor provision) of the Code and any interest charges or penalties in respect of the imposition of such excise tax (collectively, the "Excise Tax") (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 2(a), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. Notwithstanding the foregoing, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments would not be subject to the Excise Tax if the Total Payments were reduced by an amount that is less than 10% of the Total Payments that would be treated as “parachute payments” under Section 280G (or any successor provision) of the Code, then the amounts payable to the Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the “Safe Harbor Cap”), and no Gross-Up Payment shall be made to the Executive. For purposes of reducing the Total Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Total Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Total Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

The Company shall pay the Gross-Up Payment, if any, on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs. Notwithstanding the foregoing, if the Executive is required to pay the excise tax imposed under Section 4999 of the Code prior to the payment date for the Gross-Up Payment describe hereinabove (such as, for instance, because other payments due to the Executive without regard to this Agreement cause the excise tax to be due), then the Company shall promptly (but in no event later than the end of the calendar year following the year in which the Executive remits such taxes) reimburse the Executive for the amount of excise taxes paid by the Executive under Section 4999 of the Code, plus an amount equal to the additional taxes imposed on the Executive due to the Company’s reimbursement of the excise tax and such additional taxes. In such event, the Gross-Up Payment, if any, shall be reduced by such prior payment.

For purposes of this Agreement, the terms “excess parachute payment” and “parachute payments” shall have the meanings assigned to them in Section 280G (or any successor provision) of the Code and such “parachute payments” shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) (or any successor provision) of the Code. Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an “excess parachute payment” as defined in Section 280G of the Code (or any successor provision), the Executive and the Company, at the Company’s expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel (“National Tax Counsel”) selected by the Company’s independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (i) the amount of the Base Period Income, (ii) the amount and present value of Total Payments, (iii) the amount and present value of any excess parachute payments, and (iv) the amount of any Gross-Up Payment or the reduction of any Total Payments to the Safe Harbor Cap, as the case may be. As used in this Agreement, the term “Base Period Income” means an amount equal to the Executive’s “annualized includable compensation for the base period” as defined in Section 280G(d)(l) (or any successor provision) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) (or any successor provisions) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Section 2(b), the Executive and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder.

(b) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 (or any successor provision) of the Code shall reflect the intent of the parties as expressed in this Section 2, in the manner determined by the National Tax Counsel. If the Company owes the Executive an additional payment under this paragraph (b), such payment shall be made to the Executive promptly following the date the Executive remits the taxes, or if earlier, the date the Internal Revenue Service assesses such additional taxes, but no later than the calendar year following the calendar year in which the Executive remits the additional taxes. The Executive shall provide written notice to the Company and documentation substantiating the amount of additional taxes paid or assessed.

(c) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Section 2, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(d) Upon a Change in Control, the Company (or its successor) shall transfer to an irrevocable rabbi trust (to the extent not prohibited by Code Section 409A) an amount in cash, determined on an undiscounted basis, which will be sufficient to fund the Company's obligations under this Section 2.

3. Additional Benefits. If there is a Covered Termination, then the Company shall bear up to $15,000 in the aggregate during the lifetime of the Executive of fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Section 2.

4. Anticipatory Termination. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive's employment with the Company is terminated (other than a termination due to the Executive's death or as a result of the

Executive's Disability) during the period of 180 days prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (a) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of Sections 1 and 2 such termination of employment shall be deemed a "Covered Termination".

5. Expenses and Interest. If, after a Change in Control of the Company, (a) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement or (b) any legal or arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, in either case so long as the Executive is not acting in bad faith, then the Company shall reimburse the Executive for any reasonable attorneys' fees and necessary costs and disbursements incurred by the Executive during his lifetime as a result of the dispute, legal or arbitration proceeding ("Expenses"), and prejudgment interest on any money judgment or arbitration award obtained by the Executive calculated at the rate of interest announced by The Bank of New York, from time to time at its prime or base lending rate from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive's written request therefor, the Company shall pay to the Executive, or such other person or entity as the Executive may designate in writing to the Company, the Executive's reasonable Expenses in advance of the final disposition or conclusion of any such dispute, legal or arbitration proceeding. Any reimbursements provided hereunder shall be made promptly (but not later than the last day of the calendar year following the calendar year in which the legal fees or expenses were incurred by the Executive) following the receipt by the Company of a written notice from the Executive requesting such reimbursement, accompanied by documentation substantiating the amount of such fees and expenses.

6. Definitions.

(a) Affiliate. For purposes hereof, "Affiliate" shall mean each entity that is required to be included in the Company's controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that the phrase "at least 50 percent" shall be used in place of the phrase " at least 80 percent" each place it appears therein or in the regulations thereunder.

(b) Cause. For purposes hereof, "Cause" shall be defined as:

(i) the willful or negligent failure of the Executive to perform the Executive's duties and obligations in any material respect (other than any failure resulting from Executive's Disability), which failure is not cured within fifteen (15) days after receipt of written notice thereof, provided that there shall be no obligation to provide any additional written notice if the Executive's failure to perform is repeated and the Executive has previously received one (1) or more written notices;

(ii) acts of dishonesty or willful misconduct by the Executive with respect to the Company; or

(iii) conviction of a felony or violation of any law involving moral turpitude, dishonesty, disloyalty or fraud, or a pleading of guilty or nolo contendere to such charge.

(c) Change in Control. For purposes hereof, a “Change in Control” shall be deemed to occur on the first to occur of any one of the following events: (a) the consummation of a consolidation, merger, share exchange or reorganization involving the Company, unless such consolidation, merger, share exchange or reorganization is a “Non-Control Transaction” (as defined below); (b) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all, or substantially all, of the assets of the Company (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all, or substantially all, of the Company’s assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; (c) any person (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than (1) the Company, (2) any subsidiary of the Company, (3) a trustee or other fiduciary holding securities under any employee benefit plan (or any trust forming a part thereof) maintained by the Company or any subsidiary or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding voting securities; or (d) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, as of the date hereof, constitute the entire Board of Directors of the Company (the “Board”) and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest) whose appointment or election by the Board or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. Notwithstanding the foregoing, no “Change in Control” shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets or voting securities of the Company immediately following such transaction or series of transactions. A “Non-Control Transaction” shall mean a consolidation, merger, share exchange or reorganization of the Company where (a) the stockholders of the Company immediately before such consolidation, merger, share exchange or reorganization beneficially own, directly or indirectly, more than 50% of the then outstanding shares of common stock and the combined voting power of the outstanding voting securities of the corporation resulting from such consolidation, merger, share exchange or reorganization (the “Surviving Corporation”); (b) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger, share exchange or reorganization constitute at least 50% of the members of the board of directors of the Surviving Corporation; and (c) no person (other than (1) the Company, (2) any subsidiary of the Company or (3) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary) is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of the common stock of the Surviving Corporation or the combined voting power of the Surviving Corporation’s then outstanding voting securities.

(d) Code. The term “Code” means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(e) Disability. For purposes hereof, “Disability” be defined as the Executive’s inability to perform the Executive’s essential job duties and responsibilities due to mental or physical disability for a total of twelve (12) weeks, whether consecutive or not, during any rolling twelve (12) month period. For purposes of this Agreement, the Executive will be considered disabled when the Company, with the advice of a qualified physician, determines that the Executive is physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing the Executive’s essential job duties. The Executive shall cooperate with the Company in obtaining the advice of a qualified physician regarding the Executive’s condition.

(f) Good Reason. The Executive shall have “Good Reason” for termination of employment in connection with a Change in Control of the Company in the event of:

(i) any breach of this Agreement by the Company, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Company remedies promptly after receipt of notice thereof given by the Executive;

(ii) any reduction in the Executive’s base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change in Control;

(iii) the removal of the Executive from, or any failure to reelect or reappoint the Executive to, any of the positions held with the Company on the date of the Change in Control or any other positions with the Company to which the Executive shall thereafter be elected, appointed or assigned, except in the event that such removal or failure to reelect or reappoint relates to the termination by the Company of the Executive’s employment for Cause or by reason of Disability;

(iv) a good faith determination by the Executive that there has been a material adverse change, without the Executive’s written consent, in the Executive’s working conditions or status with the Company relative to the most favorable working conditions or status in effect during the 180-day period prior to the Change in Control, including but not limited to (A) a significant change in the nature or scope of the Executive’s authority, powers, functions, duties or responsibilities, or (B) a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Company remedies within ten (10) days after receipt of notice thereof given by the Executive;

(v) the relocation of the Executive’s principal place of employment to a location more than 50 miles from the Executive’s principal place of employment on the date 180 days prior to the Change in Control;

(vi) the Company requires the Executive to travel on Company business 20% in excess of the average number of days per month the Executive was required to travel during the 180-day period prior to the Change in Control; or

(vii) any voluntary termination of employment by the Executive at any time following the date that is three months after the Change in Control of the Company.

(g) Separation from Service. The term “Separation from Service” means an Executive’s termination of employment from the Company and its Affiliates, or if the Executive continues to provide services following his or her termination of employment, such later date as is considered a separation from service, within the meaning of Code Section 409A, from the Company and its Affiliates. Specifically, if Executive continues to provide services to the

Company or an Affiliate in a capacity other than as an employee, such shift in status is not automatically a Separation from Service. The Executive will be presumed to have terminated employment from the Company and its Affiliates when the level of bona fide services provided by the Executive (whether as an employee or independent contractor) to the Company and its Affiliates permanently decreases to a level of twenty percent (20%) or less of the level of services rendered by such individual, on average, during the immediately preceding 36 months (or such lesser period of service). Notwithstanding the foregoing, if the Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Separation from Service for the first six (6) months of the leave of absence, or if longer, for so long as the Executive's right to reemployment is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine (29) months without causing a Termination of Employment.

7. Severability. Whenever possible, each portion, provision or section of this Agreement will be interpreted in such a way as to be effective and valid under applicable law, but if any portion, provision or section of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other portions, provisions or sections. Rather, this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable portion, provision or section had never been contained herein.

8. Complete Agreement. This Agreement contains the complete agreement and understanding between the parties and supersedes and preempts any prior understanding, agreement or representation by or between the parties, written or oral.

9. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold. The Company shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, a payment will be made to the Executive from the cash payments otherwise owing hereunder (without regard to the six-month delay) equal to the amount needed to pay the Executive's portion of such tax, as well as withholding taxes resulting therefrom (including the additional taxes attributable to the pyramiding of such distributions and taxes), and any subsequent payment shall be reduced accordingly.

10. Interpretation. This Agreement shall be construed and interpreted in a manner that will cause any payment hereunder that is considered deferred compensation and that is not exempt from Code Section 409A to meet the requirements thereof such that no additional tax will be due under Code Section 409A on such payment.

11. Application of Code Section 409A. The Executive acknowledges that to avoid an additional tax on payments that may be payable under this Agreement and that constitute deferred compensation that is not exempt from Code Section 409A, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which Executive believes he or she is entitled hereunder no later than ninety (90) days of the latest date upon which the payment could under this Agreement could have been timely paid pursuant to Code Section 409A, and if not paid or provided, take further enforcement measures within 180 days after such latest date.

12. Governing Law. Notwithstanding principles of conflicts of law of any jurisdiction to the contrary, all terms and provisions to this Agreement are to be construed and governed by the laws of the State of New York without regard to the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder or where any violation of this Agreement occurs.

13. Successors and Assigns. This Agreement will inure to the benefit of and be enforceable by the Company and its successors and assigns. The Executive may not assign the Executive's rights or delegate the Executive's obligations hereunder.

14. Waivers. The waiver by either the Executive or the Company of a breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the breaching party.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C) ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HUDSON HIGHLAND GROUP, INC.

______________________________	By:	______________________________
Signature of Executive		Signature of Authorized Representative
______________________________	Its:	______________________________
Print Name		Title of Representative

FORM OF HUDSON HIGHLAND GROUP
EXECUTIVE EMPLOYMENT AGREEMENT

The following are the executive officers of Hudson Highland Group, Inc. who have executed the attached Executive Employment Agreement and their respective titles and annual salaries under such Executive Employment Agreement:

Executive Officer	Title	Base Salary
Margaretta Noonan	Executive Vice President and Chief Administrative Officer	$275,000
Richard S. Gray	Senior Vice President, Marketing and Communications	$225,000
Latham Williams	Senior Vice President, Legal Affairs and Administration, Corporate Secretary	$265,000
Neil J. Funk	Vice President, Internal Audit	$200,000
Elaine A. Kloss	Vice President, Finance and Treasurer	$200,000
David S. Reynolds	Vice President, Corporate Controller	$225,000

HUDSON HIGHLAND GROUP EXECUTIVE EMPLOYMENT AGREEMENT

This employment agreement (the “Agreement”), by and between Hudson Highland Group, Inc. (the “Company”) and (the “Executive”), is amended and restated effective October 29, 2007.

WHEREAS, the Company wishes to continue to employ the Executive and the Executive wishes to continue to be employed in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the conditions and mutual covenants contained in this Agreement, the parties agree as follows:

1. Defined Terms.

(a) Affiliate. The term “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that the phrase “at least 50 percent” shall be used in place of the phrase “ at least 80 percent” each place it appears therein or in the regulations thereunder.

(b) Code. The term “Code” means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(c) Separation from Service. The term “Separation from Service” means an Executive’s termination of employment from the Company and its Affiliates, or if the Executive continues to provide services following his or her termination of employment, such later date as is considered a separation from service, within the meaning of Code Section 409A, from the Company and its Affiliates. Specifically, if Executive continues to provide services to the Company or an Affiliate in a capacity other than as an employee, such shift in status is not automatically a Separation from Service. The Executive will be presumed to have terminated employment from the Company and its Affiliates when the level of bona fide services provided by the Executive (whether as an employee or independent contractor) to the Company and its Affiliates permanently decreases to a level of twenty percent (20%) or less of the level of services rendered by such individual, on average, during the immediately preceding 36 months (or such lesser period of service). Notwithstanding the foregoing, if the Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Separation from Service for the first six (6) months of the leave of absence, or if longer, for so long as the Executive’s right to reemployment is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine (29) months without causing a Termination of Employment.

2. Employment. The Company will employ the Executive and the Executive accepts employment as ____________________. The Executive will perform duties normally associated with such position and/or other duties as may be assigned from time to time during the Term as defined in Section 2 below. The Executive shall perform such duties in a manner consistent with applicable laws and regulations and any code of ethics, compliance manual, employee handbook or other policies and procedures adopted by the Company from time to time and subject to any written directives issued by the Company from time to time. The Executive must acknowledge receipt of the Company's Ethics Policy and confirm that the Executive will comply with the Policy. Failure to confirm compliance annually with the Company's Ethics Policy will justify termination for cause unless, at the sole discretion of the Board, non-compliance is deemed non-material.

3. Term of Employment. The Executive's employment under this Agreement will commence on the date hereof and will continue for a period of one (1) year thereafter, subject to earlier termination as provided in Section 7 (the "Term"). This Agreement and the Term will be automatically renewed and extended for periods of one (1) year unless the Company or the Executive provides written notice no less than thirty (30) days prior to the expiration of the then-current Term of its or the Executive's desire not to renew this Agreement.

4. Scope of Responsibilities and Duties. The Executive agrees to devote the Executive's full business time, attention, efforts and energies in performance of the Executive's duties and responsibilities hereunder. While employed by the Company, the Executive may not engage in any employment other than for the Company, in any conflicting business activities, or have any financial interest, directly or indirectly, in any business competing with the Company or otherwise engaged in the business of the Company or its affiliates. The foregoing does not prevent the Executive from (1) serving on the Board of directors of another organization with the consent of the CEO or (2) passively investing in publicly traded securities; provided such investments do not require services on the part of the Executive which would in any way impair the performance of the Executive's duties pursuant to this Agreement.

5. Compensation and Benefits. The Company will provide the Executive with the following compensation and benefits during the Term:

(a) The Company will pay the Executive a salary of $__________ on an annualized basis, payable in accordance with the payroll practices of the Company in effect from time to time, and less such taxes and other deductions required by applicable law or authorized by the Executive (the "Base Salary").

(b) The Executive will be entitled to accrue paid vacation at the rate of the greater of (i) four (4) weeks per year, or (ii) the vacation allowance as provided under the Company's vacation plan that applies to similarly situated employees working at the office location at which the Executive is based. In addition, the Company will provide the Executive with other benefits of employment offered, from time to time to similarly situated employees at the office location at which the Executive is based.

(c) The Executive will receive an annual bonus as provided under the Company's Senior Management Bonus Plan as is in effect from time to time.

6. Additional Agreements. This Agreement and the Executive's employment hereunder is contingent upon the Executive's execution of the General Release and Waiver, which is attached as Attachment A and forms a part of this Agreement. The Executive's employment hereunder is further contingent upon the Executive's simultaneous execution of the Confidentiality, Non-Solicitation and Work Product Assignment Agreement and Mutual Agreement to Arbitrate Claims, which is attached as Attachment B and forms a part of this Agreement.

7. Representations and Warranties. The Executive represents and warrants as follows:

(a) All information, oral and written (including, but not limited to information contained on the Executive's resume), provided by the Executive during the recruiting and employment process is accurate and true to the best of the Executive's knowledge, and such information does not include any misleading or untrue statement or omit to state any fact necessary to make the information provided not misleading.

(b) The Executive has never been the subject of any investigation or subject to any disciplinary action by any governmental agency, industry self-regulatory body or other employer.

(c) The execution, delivery and performance of this Agreement by the Executive and the Executive's employment hereunder are not in violation of:

(i) the terms, including any non-competition, non-disclosure, non-solicitation or confidentiality provisions, of any written or oral agreement, arrangement or understanding to which the Executive is a party or by which the Executive is bound; or

(ii) any United States federal or state statute, rule, regulation, or other law, or any judgment, decree or order applicable or binding upon the Executive.

8. Termination. This Agreement and the Executive's employment may be terminated prior to the expiration of the Term as follows:

(a) Death. If the Executive dies during the Term, this Agreement shall automatically terminate and the Company shall have no further obligation to the Executive or the Executive's estate, except to pay the Executive's estate that portion of the Base Salary earned through the date on which the Executive's death occurs.

(b) Disability. If the Executive is unable to perform the Executive's essential job duties and responsibilities due to mental or physical disability for a total of twelve (12) weeks, whether consecutive or not, during any rolling twelve (12) month period, the Company may terminate the Executive's employment and this Agreement upon five (5) days' written notice to the Executive. For purposes of this Agreement, the Executive will be considered disabled when the Company, with the advice of a qualified physician, determines that the Executive is physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing the Executive's essential job duties. The Executive shall cooperate with the Company in obtaining the advice of a qualified physician regarding the Executive's condition. In the event of termination pursuant to this Section 7(b), the Company will be relieved of all obligations under this Agreement, provided that the Company will pay to the Executive that portion of the Base Salary under Section 4(a) which has been earned through the date on which such termination occurs.

(c) Discharge without Cause. The Company may terminate the Executive and this Agreement at any time during the Term for any reason, without Cause (as defined in Section 7(e) below) upon thirty (30) days' written notice to the Executive. Upon such termination, the Company will have no further liability to the Executive other than to provide the Executive with (i) that portion of the Base Salary under Section 4(a) earned through the date of the termination, (ii) severance pay in an amount equal to the Executive's then-current Base Salary, less applicable deductions, for a period of twelve (12) months (the "Severance Period") following the Executive's Separation from Service, and (iii) the Company's portion of the premium for continued coverage under the Company's group health and dental insurance plan during the Severance Period following the Executive's termination, provided the Executive applies and remains eligible for such continuation coverage under applicable law, and provided further that the Executive authorizes the Company to deduct only the Executive's portion of such premiums from the severance payments. It is understood that the period the Company makes such payments will run concurrently with the period of continuation coverage for which the Executive may be eligible under applicable law. The Executive's receipt of the severance payments and premium payments by the Company set forth in this paragraph (c) are conditioned upon the Executive executing a comprehensive release and waiver agreement and covenant not to sue as provided by the Company at the time of termination. Severance payments will be made in equal installments on dates corresponding with the Company's regular pay dates during the Severance Period. Notwithstanding the foregoing, if the severance pay that is payable during the first six (6) months following the Executive's Separation from Service exceeds two times the lesser of (1) the Executive's annualized compensation paid by the Company for the calendar year preceding the calendar year in which the Separation from Service occurs (as adjusted for any increase during that year that was expected to continue indefinitely if the Separation from Service had not occurred), or (2) the compensation limit in effect pursuant to Code Section 401(a)(17) for the calendar year in which the Executive's Separation from Service occurs, then payment of such excess shall be delayed and paid in a lump sum on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs, and in such event, the payment shall be accompanied by a payment of interest calculated at the rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the "federal funds rate", such rate to be determined on the date of the Executive's termination of employment, compounded quarterly.

(d) Termination for Cause. The Company may terminate the Executive's employment and this Agreement at any time during the Term for Cause as defined below. In such case, this Agreement and the Executive's employment shall terminate immediately and the Company shall have no further obligation to the Executive, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such termination occurs.

(e) Definition of Cause. For purposes of this Agreement, Cause shall be defined as:

(i) the willful or negligent failure of the Executive to perform the Executive's duties and obligations in any material respect (other than any failure resulting from Executive's disability), which failure is not cured within fifteen (15) days after receipt of written notice thereof, provided that there shall be no obligation to provide any additional written notice if the Executive's failure to perform is repeated and the Executive has previously received one (1) or more written notices;

(ii) acts of dishonesty or willful misconduct by the Executive with respect to the Company;

(iii) conviction of a felony or violation of any law involving moral turpitude, dishonesty, disloyalty or fraud, or a pleading of guilty or *nolo contendere* to such charge;

(iv) repeated refusal to perform the reasonable and legal instructions of the Executive's supervisors; or

(v) any material breach of this Agreement or Attachment A; or

(vi) failure to confirm compliance with the Company's Ethics Policy after 10 days' written notice requesting confirmation.

(f) Resignation. The Executive may voluntarily resign from employment at any time during the Term upon 3 months' written notice and in compliance with the provisions of Attachment B. In such event, the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such resignation is effective subject to any irrevocable deferral election then in effect.

(g) The Executive remains obligated to comply with the Executive's obligations and duties pursuant to Attachment B despite the termination of this Agreement and the Executive's employment for any reason.

(h) During employment and after the termination of this Agreement and the Executive's employment for any reason, the Executive agrees to cooperate fully with and at the request of the Company in the defense or prosecution of any legal matter or claim in which the Company, any of its affiliates, or any of their past or present employees, agents, officers, directors, attorneys, successors or assigns, may be or become involved and which arises or arose during the Executive's employment. The Executive will be reimbursed for any reasonable out-of-pocket expenses incurred thereby.

(i) During and after the termination of this Agreement and the Executive's employment for any reason, the Executive agrees that, except as may be required by the lawful order of a court or agency of competent jurisdiction, the Executive will not take any action or make any statement or disclosure, written or oral, that is intended or reasonably likely to disparage the Company or any of its affiliates, or any of their past or present employees, officers or directors.

9. Change in Control. Notwithstanding any other provisions of this Agreement to the contrary:

(a) Employment Period. If a Change in Control (as defined below) occurs when the Executive is employed by the Company, the Company will continue thereafter to employ the Executive during the period commencing on the date of a Change in Control and ending on the first anniversary of such date (the "Employment Period") and thereafter in accordance with Section 2 of this Agreement, and the Executive will remain in the employ of the Company in accordance with and subject to the terms and provisions of this Agreement.

(b) Covered Termination. If there is any termination of the Executive's employment during the Employment Period (subject to Section 8(e)) by the Executive for Good Reason (as defined below), or by the Company other than by reason of (i) death pursuant to Section 7(a), (ii) disability pursuant to Section 7(b), or (iii) Cause (a "Covered Termination"), then the Executive shall be entitled to receive, and the Company shall promptly pay, that portion of the base salary under Section 4(a) earned through the date of the termination and, in lieu of further base salary for periods following such termination, as liquidated damages and additional severance pay, the Termination Payment pursuant to Section 8(c).

(c) Termination Payment.

(i) The "Termination Payment" shall be an amount equal to (A) the Executive's annual base salary immediately prior to the termination of the Executive's employment plus (B) the Executive's target annual bonus under the Company's Senior Management Bonus Plan for the year in which the termination of the Executive's employment occurs. The Termination Payment shall be paid to the Executive in cash equivalent on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs**,** and in such event, the Termination Payment shall be accompanied by a payment of interest calculated using the annual rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the "federal funds rate", such rate to be determined on the date of the Executive's termination of employment, compounded quarterly. Such lump sum payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the

Termination Payment shall constitute the Executive's release of any rights of the Executive to, any other cash severance payments under any Company severance policy, practice or agreement.

(ii) Notwithstanding any other provision of this Agreement, if any portion of the Termination Payment or any other payment under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" as defined in Section 280G (or any successor provision) of the Code, then the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 (or any successor provision) of the Code and any interest charges or penalties in respect of the imposition of such excise tax (collectively, the "Excise Tax") (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 9(c)(ii), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company shall pay the Gross-Up Payment on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs. Notwithstanding the foregoing, if the Executive is required to pay the excise tax imposed under Section 4999 of the Code prior to the payment date for the Gross-Up Payment describe hereinabove (such as, for instance, because other payments due to the Executive without regard to this Agreement cause the excise tax to be due), then the Company shall promptly (but in no event later than the end of the calendar year following the year in which the Executive remits such taxes) reimburse the Executive for the amount of excise taxes paid by the Executive under Section 4999 of the Code, plus an amount equal to the additional taxes imposed on the Executive due to the Company's reimbursement of the excise tax and such additional taxes. In such event, the Gross-Up Payment, if any, shall be reduced by such prior payment.

Notwithstanding the foregoing, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments would not be subject to the Excise Tax if the Total Payments were reduced by an amount that is less than 10% of the Total Payments that would be treated as "parachute payments" under Section 280G (or any successor provision) of the Code, then the amounts payable to the Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), and no Gross-Up Payment shall be made to the Executive. For purposes of reducing the Total Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Total Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Total Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(iii) For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Section 280G (or any successor provision) of the Code and such "parachute payments" shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) (or any successor provision) of the Code. Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an "excess parachute payment" as defined in Section 280G of the Code (or any successor provision), the Executive and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel ("National Tax Counsel") selected by the Company's independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments, (C) the amount and present value of any excess parachute payments, and (D) the amount of any Gross-Up Payment or the reduction of any Total Payments to the Safe Harbor Cap, as the case may be. As used in this Agreement, the term "Base Period Income" means an amount equal to the Executive's "annualized includable compensation for the base period" as defined in Section 280G(d)(1) (or any successor provision) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) (or any successor provisions) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Section 8(c)(iii), the Executive and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder.

(iv) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 (or any successor provision) of the Code shall reflect the intent of the parties as expressed in this Section 8(c), in the manner determined by the National Tax Counsel. If the Company owes the Executive an additional payment under this paragraph (iv), such payment shall be made to the Executive promptly following the date the Executive remits the taxes, or if earlier, the date the Internal Revenue Service assesses such additional taxes, but no later than the calendar year following the calendar year in which the Executive remits the additional taxes. The Executive shall provide written notice to the Company and documentation substantiating the amount of additional taxes paid or assessed.

(v) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Section 8(c), except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(d) Additional Benefits. If there is a Covered Termination and the Executive is entitled to the Termination Payment, then (i) until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent health and dental coverage as the Executive was covered by immediately prior to the termination of the Executive’s employment and such coverage shall count as COBRA continuation coverage, and (ii) the Company shall bear up to $15,000 in the aggregate during the lifetime of the Executive of fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Section 8(c).

(e) Anticipatory Termination. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive’s employment with the Company is terminated (other than a termination due to the Executive’s death or as a result of the Executive’s disability) during the period of 180 days prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this Section 8 such termination of employment shall be deemed a “Covered Termination” and the “Employment Period” shall be deemed to have begun on the date of such termination.

(f) Expenses and Interest. If, after a Change in Control of the Company, (i) a dispute arises with respect to the enforcement of the Executive’s rights under this Agreement or (ii) any legal or arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, in either case so long as the Executive is not acting in bad faith, then the Company shall reimburse the Executive for any reasonable attorneys’ fees and necessary costs and disbursements incurred by the Executive during his or her lifetime as a result of the dispute, legal or arbitration proceeding (“Expenses”), and prejudgment interest on any money judgment or arbitration award obtained by the Executive calculated at the rate of interest announced by The Bank of New York, from time to time at its prime or base lending rate from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive’s written request therefor, the Company shall pay to the Executive, or such other person or entity as the Executive may designate in writing to the Company, the Executive’s reasonable Expenses in advance of the final disposition or conclusion of any such dispute, legal or arbitration proceeding. Any reimbursements provided hereunder shall be made promptly (but not later than the last day of the calendar year following the calendar year in which the legal fees or expenses were incurred by the Executive) following the receipt by the Company of a written notice from the Executive requesting such reimbursement, accompanied by documentation substantiating the amount of such fees and expenses.

(g) Definition of Change in Control. For purposes hereof, a “Change in Control” shall be deemed to occur on the first to occur of any one of the following events: (a) the consummation of a consolidation, merger, share exchange or reorganization involving the Company, unless such consolidation, merger, share exchange or reorganization is a “Non-Control Transaction” (as defined below); (b) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all, or substantially all, of the assets of the Company (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all, or substantially all, of the Company’s assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; (c) any person (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than (1) the Company, (2) any subsidiary of the Company, (3) a trustee or other fiduciary holding securities under any employee benefit plan (or any trust forming a part thereof) maintained by the Company or any subsidiary or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of Common Stock or the combined voting power of the Company’s then outstanding voting securities; or (d) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, as of the date hereof, constitute the entire Board of Directors of the Company (the “Board”) and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest) whose appointment or election by the Board or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. Notwithstanding the foregoing, no "Change in Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets or voting securities of the Company immediately following such transaction or series of transactions. A "Non-Control Transaction" shall mean a consolidation, merger, share exchange or reorganization of the Company where (a) the stockholders of the Company immediately before such consolidation, merger, share exchange or reorganization beneficially own, directly or indirectly, more than 50% of the then outstanding shares of common stock and the combined voting power of the outstanding voting securities of the corporation resulting from such consolidation, merger, share exchange or reorganization (the "Surviving Corporation"); (b) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger, share exchange or reorganization constitute at least 50% of the members of the board of directors of the Surviving Corporation; and (c) no person (other than (1) the Company, (2) any subsidiary of the Company or (3) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary) is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of the common stock of the Surviving Corporation or the combined voting power of the Surviving Corporation's then outstanding voting securities.

(h) Good Reason. The Executive shall have "Good Reason" for termination of employment in connection with a Change in Control of the Company in the event of:

(i) any breach of this Agreement by the Company, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Company remedies promptly after receipt of notice thereof given by the Executive;

(ii) any reduction in the Executive's base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change in Control;

(iii) the removal of the Executive from, or any failure to reelect or reappoint the Executive to, any of the positions held with the Company on the date of the Change in Control or any other positions with the Company to which the Executive shall thereafter be elected, appointed or assigned, except in the event that such removal or failure to reelect or reappoint relates to the termination by the Company of the Executive's employment for Cause or by reason of disability pursuant to Section 7(b);

(iv) a good faith determination by the Executive that there has been a material adverse change, without the Executive's written consent, in the Executive's working conditions or status with the Company relative to the most favorable working conditions or status in effect during the 180-day period prior to the Change in Control, including but not limited to (A) a significant change in the nature or scope of the Executive's authority, powers, functions, duties or responsibilities, or (B) a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Company remedies within ten (10) days after receipt of notice thereof given by the Executive;

(v) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment on the date 180 days prior to the Change in Control; or

(vi) the Company requires the Executive to travel on Company business 20% in excess of the average number of days per month the Executive was required to travel during the 180-day period prior to the Change in Control.

(i) Upon a Change in Control, the Company (or its successor) shall transfer to an irrevocable rabbi trust (to the extent not prohibited by Code Section 409A) an amount in cash, determined on an undiscounted basis, which will be sufficient to fund the Company's obligations under Section 9(c).

10. Severability. Whenever possible, each portion, provision or section of this Agreement will be interpreted in such a way as to be effective and valid under applicable law, but if any portion, provision or section of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other portions, provisions or sections. Rather, this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable portion, provision or section had never been contained herein.

11. Complete Agreement. This Agreement, including Attachment A and B, contains the complete agreement and understanding between the parties and supersedes and preempts any prior understanding, agreement or representation by or between the parties, written or oral.

12. Additional Rights and Causes of Action. This Agreement, including Attachment A, is in addition to and does not in any way waive or detract from any rights or causes of action the Company may have relating to Confidential Information or other protectable information or interests under statutory or common law or under any other agreement.

13. Governing Law. Notwithstanding principles of conflicts of law of any jurisdiction to the contrary, all terms and provisions to this Agreement are to be construed and governed by the laws of the State of New York without regard to the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder or where any violation of this Agreement occurs.

14. Successors and Assigns. This Agreement will inure to the benefit of and be enforceable by the Company and its successors and assigns. The Executive may not assign the Executive's rights or delegate the Executive's obligations hereunder.

15. Waivers. The waiver by either the Executive or the Company of a breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the breaching party.

16. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold. The Company shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, a payment will be made to the Executive from the cash payments otherwise owing hereunder (without regard to the six-month delay if Executive) equal to the amount needed to pay the Executive's portion of such tax, as well as withholding taxes resulting therefrom (including the additional taxes attributable to the pyramiding of such distributions and taxes), and any subsequent payment shall be reduced accordingly.

17. Interpretation. This Agreement shall be construed and interpreted in a manner that will cause any payment hereunder that is considered deferred compensation and that is not exempt from Code Section 409A to meet the requirements thereof such that no additional tax will be due under Code Section 409A on such payment.

18. Application of Code Section 409A. The Executive acknowledges that to avoid an additional tax on payments that may be payable under this Agreement and that constitute deferred compensation that is not exempt from Code Section 409A, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which Executive believes he or she is entitled hereunder no later than ninety (90) days of the latest date upon which the payment could under this Agreement could have been timely paid pursuant to Code Section 409A, and if not paid or provided, take further enforcement measures within 180 days after such latest date.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C) ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

	Hudson Highland Group, Inc.
______________________________	By: ______________________________
Signature of Executive	Signature of Authorized Representative
______________________________	Its: ______________________________
Print Name	Title of Representative

EXHIBIT 10.6

HUDSON HIGHLAND GROUP EXECUTIVE EMPLOYMENT AGREEMENT

This employment agreement (the "Agreement"), by and between Hudson Highland Group, Inc. (the "Company") and Mary Jane Raymond (the "Executive"), is amended and restated effective October 29, 2007.

WHEREAS, the Company wishes to continue to employ the Executive and the Executive wishes to continue to be employed in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the conditions and mutual covenants contained in this Agreement, the parties agree as follows:

1. Defined Terms.

(a) Affiliate. The term "Affiliate" means each entity that is required to be included in the Company's controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that the phrase "at least 50 percent" shall be used in place of the phrase " at least 80 percent" each place it appears therein or in the regulations thereunder.

(b) Code. The term "Code" means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(c) Separation from Service. The term "Separation from Service" means an Executive's termination of employment from the Company and its Affiliates, or if the Executive continues to provide services following his or her termination of employment, such later date as is considered a separation from service, within the meaning of Code Section 409A, from the Company and its Affiliates. Specifically, if Executive continues to provide services to the Company or an Affiliate in a capacity other than as an employee, such shift in status is not automatically a Separation from Service. The Executive will be presumed to have terminated employment from the Company and its Affiliates when the level of bona fide services provided by the Executive (whether as an employee or independent contractor) to the Company and its Affiliates permanently decreases to a level of twenty percent (20%) or less of the level of services rendered by such individual, on average, during the immediately preceding 36 months (or such lesser period of service). Notwithstanding the foregoing, if the Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Separation from Service for the first six (6) months of the leave of absence, or if longer, for so long as the Executive's right to reemployment is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine (29) months without causing a Termination of Employment.

2. Employment. The Company will employ the Executive and the Executive accepts employment as the Executive Vice President, Chief Financial Officer. The Executive will perform duties normally associated with such position and/or other duties as may be assigned from time to time during the Term as defined in Section 2 below. The Executive shall perform such duties in a manner consistent with applicable laws and regulations and any code of ethics, compliance manual, employee handbook or other policies and procedures adopted by the Company from time to time and subject to any written directives issued by the Company from time to time. The Executive must acknowledge receipt of the Company's Ethics Policy and confirm that the Executive will comply with the Policy. Failure to confirm compliance annually with the Company's Ethics Policy will justify termination for cause unless, at the sole discretion of the Board, non-compliance is deemed non-material.

3. Term of Employment. The Executive's employment under this Agreement will commence on the date hereof and will continue for a period of one (1) year thereafter, subject to earlier termination as provided in Section 7 (the "Term"). This Agreement and the Term will be automatically renewed and extended for periods of one (1) year unless the Company or the Executive provides written notice no less than thirty (30) days prior to the expiration of the then-current Term of its or the Executive's desire not to renew this Agreement.

4. Scope of Responsibilities and Duties. The Executive agrees to devote the Executive's full business time, attention, efforts and energies in performance of the Executive's duties and responsibilities hereunder. While employed by the Company, the Executive may not engage in any employment other than for the Company, in any conflicting business activities, or have any financial interest, directly or indirectly, in any business competing with the Company or otherwise engaged in the business of the Company or its affiliates. The foregoing does not prevent the Executive from (1) serving on the Board of directors of another organization with the consent of the CEO or (2) passively investing in publicly traded securities; provided such investments do not require services on the part of the Executive which would in any way impair the performance of the Executive's duties pursuant to this Agreement.

5. Compensation and Benefits. The Company will provide the Executive with the following compensation and benefits during the Term:

(a) The Company will pay the Executive a salary of $350,000 on an annualized basis, payable in accordance with the payroll practices of the Company in effect from time to time, and less such taxes and other deductions required by applicable law or authorized by the Executive (the "Base Salary").

(b) The Executive will be entitled to accrue paid vacation at the rate of the greater of (i) four (4) weeks plus four (4) personal days per year, or (ii) the vacation allowance as provided under the Company's vacation plan that applies to similarly situated employees working at the office location at which the Executive is based. In addition, the Company will provide the Executive with other benefits of employment offered, from time to time to similarly situated employees at the office location at which the Executive is based.

(c) The Executive will receive an annual bonus as provided under the Company's Senior Management Bonus Plan as is in effect from time to time.

(d) The Executive will receive an allowance for housing in New York, in such amounts and with such limitations as agreed to by the parties.

6. Additional Agreements. This Agreement and the Executive's employment hereunder is contingent upon the Executive's simultaneous execution of the Confidentiality, Non-Solicitation and Work Product Assignment Agreement and Mutual Agreement to Arbitrate Claims, which is attached as Attachment A and forms a part of this Agreement.

7. Representations and Warranties. The Executive represents and warrants as follows:

(a) All information, oral and written (including, but not limited to information contained on the Executive's resume), provided by the Executive during the recruiting and employment process is accurate and true to the best of the Executive's knowledge, and such information does not include any misleading or untrue statement or omit to state any fact necessary to make the information provided not misleading.

(b) The Executive has never been the subject of any investigation or subject to any disciplinary action by any governmental agency, industry self-regulatory body or other employer.

(c) The execution, delivery and performance of this Agreement by the Executive and the Executive's employment hereunder are not in violation of:

(i) the terms, including any non-competition, non-disclosure, non-solicitation or confidentiality provisions, of any written or oral agreement, arrangement or understanding to which the Executive is a party or by which the Executive is bound; or

(ii) any United States federal or state statute, rule, regulation, or other law, or any judgment, decree or order applicable or binding upon the Executive.

8. Termination. This Agreement and the Executive's employment may be terminated prior to the expiration of the Term as follows:

(a) Death. If the Executive dies during the Term, this Agreement shall automatically terminate and the Company shall have no further obligation to the Executive or the Executive's estate, except to pay the Executive's estate that portion of the Base Salary earned through the date on which the Executive's death occurs.

(b) Disability. If the Executive is unable to perform the Executive's essential job duties and responsibilities due to mental or physical disability for a total of twelve (12) weeks, whether consecutive or not, during any rolling twelve (12) month period, the Company may terminate the Executive's employment and this Agreement upon five (5) days' written notice to the Executive. For purposes of this Agreement, the Executive will be considered disabled when the Company, with the advice of a qualified physician, determines that the Executive is physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing the Executive's essential job duties. The Executive shall cooperate with the Company in obtaining the advice of a qualified physician regarding the Executive's condition. In the event of termination pursuant to this Section 7(b), the Company will be relieved of all obligations under this Agreement, provided that the Company will pay to the Executive that portion of the Base Salary under Section 4(a) which has been earned through the date on which such termination occurs.

(c) Discharge without Cause. The Company may terminate the Executive and this Agreement at any time during the Term for any reason, without Cause (as defined in Section 7(e) below) upon thirty (30) days' written notice to the Executive. If the Company gives notice of non-renewal of employment within the 20-day period as provided in Section 2, it will be treated as a termination without cause. Upon such termination, the Company will have no further liability to the Executive other than to provide the Executive with (i) that portion of the Base Salary under Section 4(a) earned through the date of the termination, (ii) severance pay in an amount equal to the Executive's then-current Base Salary, less applicable deductions, for a period of twelve (12) months (the "Severance Period") following the Executive's Separation from Service, and (iii) the Company's portion of the premium for continued coverage under the Company's group health and dental insurance plan during the Severance Period following the Executive's termination, provided the Executive applies and remains eligible for such continuation coverage under applicable law, and provided further that the Executive authorizes the Company to deduct only the Executive's portion of such premiums from the severance payments. It is understood that the period the Company makes such payments will run concurrently with the period of continuation coverage for which the Executive may be eligible under applicable law. The Executive's receipt of the severance payments and premium payments by the Company set forth in this paragraph (c) are conditioned upon the Executive executing a comprehensive release and waiver agreement and covenant not to sue as provided by the Company at the time of termination. Severance payments will be made in equal installments on dates corresponding with the Company's regular pay dates during the Severance Period. Notwithstanding the foregoing, if the severance pay that is payable during the first six (6) months following the Executive's Separation from Service exceeds two times the lesser of (1) the Executive's annualized compensation paid by the Company for the calendar year preceding the calendar year in which the Separation from Service occurs (as adjusted for any increase during that year that was expected to continue indefinitely if the Separation from Service had not occurred), or (2) the compensation limit in effect pursuant to Code Section 401(a)(17) for the calendar year in which the Executive's Separation from Service occurs, then payment of such excess shall be delayed and paid in a lump sum on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs**,** and in such event, the payment shall be accompanied by a payment of interest calculated at the rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the "federal funds rate", such rate to be determined on the date of the Executive's termination of employment, compounded quarterly.

(d) Termination for Cause. The Company may terminate the Executive's employment and this Agreement at any time during the Term for Cause as defined below. In such case, this Agreement and the Executive's employment shall terminate immediately and the Company shall have no further obligation to the Executive, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such termination occurs.

(e) Definition of Cause. For purposes of this Agreement, Cause shall be defined as:

(i) the willful or negligent failure of the Executive to perform the Executive's duties and obligations in any material respect (other than any failure resulting from Executive's disability), which failure is not cured within fifteen (15) days after receipt of written notice thereof, provided that there shall be no obligation to provide any additional written notice if the Executive's failure to perform is repeated and the Executive has previously received one (1) or more written notices;

(ii) acts of dishonesty or willful misconduct by the Executive with respect to the Company;

(iii) conviction of a felony or violation of any law involving moral turpitude, dishonesty, disloyalty or fraud, or a pleading of guilty or *nolo contendere* to such charge;

(iv) repeated refusal to perform the reasonable and legal instructions of the Executive's supervisors; or

(v) any material breach of this Agreement or Attachment A; or

(vi) failure to confirm compliance with the Company's Ethics Policy after 10 days' written notice requesting confirmation.

(f) Resignation. The Executive may voluntarily resign from employment at any time during the Term upon 3 months' written notice and in compliance with the provisions of Attachment A. In such event, the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such resignation is effective subject to any irrevocable deferral election then in effect.

(g) The Executive remains obligated to comply with the Executive's obligations and duties pursuant to Attachment A despite the termination of this Agreement and the Executive's employment for any reason.

(h) During employment and after the termination of this Agreement and the Executive's employment for any reason, the Executive agrees to cooperate fully with and at the request of the Company in the defense or prosecution of any legal matter or claim in which the Company, any of its affiliates, or any of their past or present employees, agents, officers, directors, attorneys, successors or assigns, may be or become involved and which arises or arose during the Executive's employment. The Executive will be reimbursed for any reasonable out-of-pocket expenses incurred thereby.

(i) During and after the termination of this Agreement and the Executive's employment for any reason, the Executive agrees that, except as may be required by the lawful order of a court or agency of competent jurisdiction, the Executive will not take any action or make any statement or disclosure, written or oral, that is intended or reasonably likely to disparage the Company or any of its affiliates, or any of their past or present employees, officers or directors.

9. Change in Control. Notwithstanding any other provisions of this Agreement to the contrary:

(a) Employment Period. If a Change in Control (as defined below) occurs when the Executive is employed by the Company, the Company will continue thereafter to employ the Executive during the period commencing on the date of a Change in Control and ending on the first anniversary of such date (the "Employment Period") and thereafter in accordance with Section 2 of this Agreement, and the Executive will remain in the employ of the Company in accordance with and subject to the terms and provisions of this Agreement.

(b) Covered Termination. If there is any termination of the Executive's employment during the Employment Period (subject to Section 8(e)) by the Executive for Good Reason (as defined below), or by the Company other than by reason of (i) death pursuant to Section 7(a), (ii) disability pursuant to Section 7(b), or (iii) Cause (a "Covered Termination"), then the Executive shall be entitled to receive, and the Company shall promptly pay, that portion of the base salary under Section 4(a) earned through the date of the termination and, in lieu of further base salary for periods following such termination, as liquidated damages and additional severance pay, the Termination Payment pursuant to Section 8(c).

(c) Termination Payment.

(i) The "Termination Payment" shall be an amount equal to (A) the Executive's annual base salary immediately prior to the termination of the Executive's employment plus (B) the Executive's target annual bonus under the Company's Senior Management Bonus Plan for the year in which the termination of the Executive's employment occurs. The Termination Payment shall be paid to the Executive in cash equivalent on the first day of the seventh (7th) month following the month in which the Separation from Service occurs**,** and in such event, the Termination Payment shall be accompanied by a payment of interest calculated using the annual rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the "federal funds rate", such rate to be determined on the date of the Executive's termination of employment, compounded quarterly. Such lump sum payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of the Executive to, any other cash severance payments under any Company severance policy, practice or agreement.

(ii) Notwithstanding any other provision of this Agreement, if any portion of the Termination Payment or any other payment under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" as defined in Section 280G (or any successor provision) of the Code, then the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 (or any successor provision) of the Code and any interest charges or penalties in respect of the imposition of such excise tax (collectively, the "Excise Tax") (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 9(c)(ii), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company shall pay the Gross-Up Payment on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs. Notwithstanding the foregoing, if the Executive is required to pay the excise tax imposed under Section 4999 of the Code prior to the payment date for the Gross-Up Payment describe hereinabove (such as, for instance, because other payments due to the Executive without regard to this Agreement cause the excise tax to be due), then the Company shall promptly (but in no event later than the end of the calendar year following the year in which the Executive remits such taxes) reimburse the Executive for the amount of excise taxes paid by the Executive under Section 4999 of the Code, plus an amount equal to the additional taxes imposed on the Executive due to the Company's reimbursement of the excise tax and such additional taxes. In such event, the Gross-Up Payment, if any, shall be reduced by such prior payment.

Notwithstanding the foregoing, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments would not be subject to the Excise Tax if the Total Payments were reduced by an amount that is less than 10% of the Total Payments that would be treated as "parachute payments" under Section 280G (or any successor provision) of the Code, then the amounts payable to the Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), and no Gross-Up Payment shall be made to the Executive. For purposes of reducing the Total Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Total Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Total Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(iii) For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Section 280G (or any successor provision) of the Code and such "parachute payments" shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) (or any successor provision) of the Code. Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an "excess parachute payment" as defined in Section 280G of the Code (or any successor provision), the Executive and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel ("National Tax Counsel") selected by the Company's independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments, (C) the amount and present value of any excess parachute payments, and (D) the amount of any Gross-Up Payment or the reduction of any Total Payments to the Safe Harbor Cap, as the case may be. As used in this Agreement, the term "Base Period Income" means an amount equal to the Executive's "annualized includable compensation for the base period" as defined in Section 280G(d)(1) (or any successor provision) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) (or any successor provisions) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Section 8(c)(iii), the Executive and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder.

(iv) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up

Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 (or any successor provision) of the Code shall reflect the intent of the parties as expressed in this Section 8(c), in the manner determined by the National Tax Counsel. If the Company owes the Executive an additional payment under this paragraph (iv), such payment shall be made to the Executive promptly following the date the Executive remits the taxes, or if earlier, the date the Internal Revenue Service assesses such additional taxes, but no later than the calendar year following the calendar year in which the Executive remits the additional taxes. The Executive shall provide written notice to the Company and documentation substantiating the amount of additional taxes paid or assessed.

(v) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Section 8(c), except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(d) Additional Benefits. If there is a Covered Termination and the Executive is entitled to the Termination Payment, then (i) until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent health and dental coverage as the Executive was covered by immediately prior to the termination of the Executive's employment and such coverage shall count as COBRA continuation coverage, and (ii) the Company shall bear up to $15,000 in the aggregate during the lifetime of the Executive of fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Section 8(c).

(e) Anticipatory Termination. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive's employment with the Company is terminated (other than a termination due to the Executive's death or as a result of the Executive's disability) during the period of 180 days prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this Section 8 such termination of employment shall be deemed a "Covered Termination" and the "Employment Period" shall be deemed to have begun on the date of such termination.

(f) Expenses and Interest. If, after a Change in Control of the Company, (i) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement or (ii) any legal or arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, in either case so long as the Executive is not acting in bad faith, then the Company shall reimburse the Executive for any reasonable attorneys' fees and necessary costs and disbursements incurred by the Executive during his or her lifetime as a result of the dispute, legal or arbitration proceeding ("Expenses"), and prejudgment interest on any money judgment or arbitration award obtained by the Executive calculated at the rate of interest announced by The Bank of New York, from time to time at its prime or base lending rate from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive's written request therefor, the Company shall pay to the Executive, or such other person or entity as the Executive may designate in writing to the Company, the Executive's reasonable Expenses in advance of the final disposition or conclusion of any such dispute, legal or arbitration proceeding. Any reimbursements provided hereunder shall be made promptly (but not later than the last day of the calendar year following the calendar year in which the legal fees or expenses were incurred by the Executive) following the receipt by the Company of a written notice from the Executive requesting such reimbursement, accompanied by documentation substantiating the amount of such fees and expenses.

(g) Definition of Change in Control. For purposes hereof, a "Change in Control" shall be deemed to occur on the first to occur of any one of the following events: (a) the consummation of a consolidation, merger, share exchange or reorganization involving the Company, unless such consolidation, merger, share exchange or reorganization is a "Non-Control Transaction" (as defined below); (b) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all, or substantially all, of the assets of the Company (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all, or substantially all, of the Company's assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; (c) any person (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than (1) the Company, (2) any subsidiary of the Company, (3) a trustee or other fiduciary holding securities under any employee benefit plan (or any trust forming a part thereof) maintained by the Company or any subsidiary or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities; or (d) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, as of the date hereof, constitute the entire Board of Directors of the Company (the "Board") and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. Notwithstanding the foregoing, no "Change in Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets or voting securities of the Company immediately following such transaction or series of transactions. A "Non-Control Transaction" shall mean a consolidation, merger, share exchange or reorganization of the Company where (a) the stockholders of the Company immediately before such consolidation, merger, share exchange or reorganization beneficially own, directly or indirectly, more than 50% of the then outstanding shares of common stock and the combined voting power of the outstanding voting securities of the corporation resulting from such consolidation, merger, share exchange or reorganization (the "Surviving Corporation"); (b) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger, share exchange or reorganization constitute at least 50% of the members of the board of directors of the Surviving Corporation; and (c) no person (other than (1) the Company, (2) any subsidiary of the Company or (3) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary) is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of the common stock of the Surviving Corporation or the combined voting power of the Surviving Corporation's then outstanding voting securities.

(h) Good Reason. The Executive shall have "Good Reason" for termination of employment in connection with a Change in Control of the Company in the event of:

(i) any breach of this Agreement by the Company, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Company remedies promptly after receipt of notice thereof given by the Executive;

(ii) any reduction in the Executive's base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change in Control;

(iii) the removal of the Executive from, or any failure to reelect or reappoint the Executive to, any of the positions held with the Company on the date of the Change in Control or any other positions with the Company to which the Executive shall thereafter be elected, appointed or assigned, except in the event that such removal or failure to reelect or reappoint relates to the termination by the Company of the Executive's employment for Cause or by reason of disability pursuant to Section 7(b);

(iv) a good faith determination by the Executive that there has been a material adverse change, without the Executive's written consent, in the Executive's working conditions or status with the Company relative to the most favorable working conditions or status in effect during the 180-day period prior to the Change in Control, including but not limited to (A) a significant change in the nature or scope of the Executive's authority, powers, functions, duties or responsibilities, or (B) a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Company remedies within ten (10) days after receipt of notice thereof given by the Executive;

(v) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment on the date 180 days prior to the Change in Control; or

(vi) the Company requires the Executive to travel on Company business 20% in excess of the average number of days per month the Executive was required to travel during the 180-day period prior to the Change in Control.

(i) Upon a Change in Control, the Company (or its successor) shall transfer to an irrevocable rabbi trust (to the extent not prohibited by Code Section 409A) an amount in cash, determined on an undiscounted basis, which will be sufficient to fund the Company's obligations under Section 9(c).

10. Severability. Whenever possible, each portion, provision or section of this Agreement will be interpreted in such a way as to be effective and valid under applicable law, but if any portion, provision or section of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other portions, provisions or sections. Rather, this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable portion, provision or section had never been contained herein.

11. Complete Agreement. This Agreement, including Attachment A, contains the complete agreement and understanding between the parties and supersedes and preempts any prior understanding, agreement or representation by or between the parties, written or oral.

12. Additional Rights and Causes of Action. This Agreement, including Attachment A, is in addition to and does not in any way waive or detract from any rights or causes of action the Company may have relating to Confidential Information or other protectable information or interests under statutory or common law or under any other agreement.

13. Governing Law. Notwithstanding principles of conflicts of law of any jurisdiction to the contrary, all terms and provisions to this Agreement are to be construed and

governed by the laws of the State of New York without regard to the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder or where any violation of this Agreement occurs.

14. Successors and Assigns. This Agreement will inure to the benefit of and be enforceable by the Company and its successors and assigns. The Executive may not assign the Executive's rights or delegate the Executive's obligations hereunder.

15. Waivers. The waiver by either the Executive or the Company of a breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the breaching party.

16. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold. The Company shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, a payment will be made to the Executive from the cash payments otherwise owing hereunder (without regard to the six-month delay if Executive) equal to the amount needed to pay the Executive's portion of such tax, as well as withholding taxes resulting therefrom (including the additional taxes attributable to the pyramiding of such distributions and taxes), and any subsequent payment shall be reduced accordingly.

17. Interpretation. This Agreement shall be construed and interpreted in a manner that will cause any payment hereunder that is considered deferred compensation and that is not exempt from Code Section 409A to meet the requirements thereof such that no additional tax will be due under Code Section 409A on such payment.

18. Application of Code Section 409A. The Executive acknowledges that to avoid an additional tax on payments that may be payable under this Agreement and that constitute deferred compensation that is not exempt from Code Section 409A, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which Executive believes he or she is entitled hereunder no later than ninety (90) days of the latest date upon which the payment could under this Agreement could have been timely paid pursuant to Code Section 409A, and if not paid or provided, take further enforcement measures within 180 days after such latest date.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C) ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

	Hudson Highland Group, Inc.
/s/ Mary Jane Raymond	By: /s/ Margaretta Noonan
Signature of Executive	Signature of Authorized Representative
Mary Jane Raymond	Its: EVP & CAO
Print Name	Title of Representative

EXHIBIT 10.7

HUDSON HIGHLAND GROUP EXECUTIVE EMPLOYMENT AGREEMENT

This employment agreement (the “Agreement”), by and between Hudson Highland Group, Inc. (the “Company”) and Don Bielinski (the “Executive”), is amended and restated effective October 29, 2007.

WHEREAS, the Company wishes to continue to employ the Executive and the Executive wishes to continue to be employed in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the conditions and mutual covenants contained in this Agreement, the parties agree as follows:

1. Defined Terms.

(a) Affiliate. The term “Affiliate” means each entity that is required to be included in the Company’s controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that the phrase “at least 50 percent” shall be used in place of the phrase “ at least 80 percent” each place it appears therein or in the regulations thereunder.

(b) Code. The term “Code” means the Internal Revenue Code of 1986, including any amendments thereto or successor tax codes thereof.

(c) Separation from Service. The term “Separation from Service” means an Executive’s termination of employment from the Company and its Affiliates, or if the Executive continues to provide services following his or her termination of employment, such later date as is considered a separation from service, within the meaning of Code Section 409A, from the Company and its Affiliates. Specifically, if Executive continues to provide services to the Company or an Affiliate in a capacity other than as an employee, such shift in status is not automatically a Separation from Service. The Executive will be presumed to have terminated employment from the Company and its Affiliates when the level of bona fide services provided by the Executive (whether as an employee or independent contractor) to the Company and its Affiliates permanently decreases to a level of twenty percent (20%) or less of the level of services rendered by such individual, on average, during the immediately preceding 36 months (or such lesser period of service). Notwithstanding the foregoing, if the Executive takes a leave of absence for purposes of military leave, sick leave or other bona fide leave of absence, the Executive will not be deemed to have incurred a Separation from Service for the first six (6) months of the leave of absence, or if longer, for so long as the Executive’s right to reemployment is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six (6) months, where such impairment causes the Executive to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to twenty-nine (29) months without causing a Termination of Employment.

2. Employment. The Company will employ the Executive and the Executive accepts employment as Senior Vice President, Chairman—Hudson Asia Pacific and Chairman – Hudson Talent Management. The Executive will perform duties normally associated with such position and/or other duties as may be assigned from time to time during the Term as defined in Section 2 below. The Executive shall perform such duties in a manner consistent with applicable laws and regulations and any code of ethics, compliance manual, employee handbook or other policies and procedures adopted by the Company from time to time and subject to any written directives issued by the Company from time to time. The Executive must acknowledge receipt of the Company's Ethics Policy and confirm that the Executive will comply with the Policy. Failure to confirm compliance annually with the Company's Ethics Policy will justify termination for cause unless, at the sole discretion of the Board, non-compliance is deemed non-material.

3. Term of Employment. The Executive's employment under this Agreement will commence on the date hereof and will continue for a period of one (1) year thereafter, subject to earlier termination as provided in Section 7 (the "Term"). This Agreement and the Term will be automatically renewed and extended for periods of one (1) year unless the Company or the Executive provides written notice no less than thirty (30) days prior to the expiration of the then-current Term of its or the Executive's desire not to renew this Agreement.

4. Scope of Responsibilities and Duties. The Executive agrees to devote the Executive's full business time, attention, efforts and energies in performance of the Executive's duties and responsibilities hereunder. While employed by the Company, the Executive may not engage in any employment other than for the Company, in any conflicting business activities, or have any financial interest, directly or indirectly, in any business competing with the Company or otherwise engaged in the business of the Company or its affiliates. The foregoing does not prevent the Executive from passively investing in publicly traded securities; provided such investments do not require services on the part of the Executive which would in any way impair the performance of the Executive's duties pursuant to this Agreement. The foregoing does not prohibit Executive from continuing to serve on the board of any not-for-profit or for-profit entities upon which the Executive served immediately prior to the date of this Agreement, so long as none of the entities is engaged in businesses in direct competition with the Company.

5. Compensation and Benefits. The Company will provide the Executive with the following compensation and benefits during the Term:

(a) The Company will pay the Executive a salary of $275,000 on an annualized basis, payable in accordance with the payroll practices of the Company in effect from time to time, and less such taxes and other deductions required by applicable law or authorized by the Executive (the "Base Salary").

(b) The Executive will be entitled to accrue paid vacation at the rate of the greater of (i) four (4) weeks per year, or (ii) the vacation allowance as provided under the Company's vacation plan that applies to similarly situated employees working at the office location at which the Executive is based. In addition, the Company will provide the Executive with other benefits of employment offered, from time to time to similarly situated employees at the office location at which the Executive is based.

(c) The Executive will receive an annual bonus (with a target bonus of 66.667% of base salary) as provided under the Company's Senior Management Bonus Plan as is in effect from time to time.

6. Additional Agreements. This Agreement and the Executive's employment hereunder is contingent upon the Executive's execution of the General Release and Waiver, which is attached as Attachment A and forms a part of this Agreement. The Executive's employment hereunder is further contingent upon the Executive's simultaneous execution of the Confidentiality, Non-Solicitation and Work Product Assignment Agreement and Mutual Agreement to Arbitrate Claims, which is attached as Attachment B and forms a part of this Agreement.

7. Representations and Warranties. The Executive represents and warrants as follows:

(a) All information, oral and written (including, but not limited to information contained on the Executive's resume), provided by the Executive during the recruiting and employment process is accurate and true to the best of the Executive's knowledge, and such information does not include any misleading or untrue statement or omit to state any fact necessary to make the information provided not misleading.

(b) The Executive has never been the subject of any investigation or subject to any disciplinary action by any governmental agency, industry self-regulatory body or other employer.

(c) The execution, delivery and performance of this Agreement by the Executive and the Executive's employment hereunder are not in violation of:

(i) the terms, including any non-competition, non-disclosure, non-solicitation or confidentiality provisions, of any written or oral agreement, arrangement or understanding to which the Executive is a party or by which the Executive is bound; or

(ii) any United States federal or state statute, rule, regulation, or other law, or any judgment, decree or order applicable or binding upon the Executive.

8. Termination. This Agreement and the Executive's employment may be terminated prior to the expiration of the Term as follows:

(a) Death. If the Executive dies during the Term, this Agreement shall automatically terminate and the Company shall have no further obligation to the Executive or the Executive's estate, except to pay the Executive's estate that portion of the Base Salary earned through the date on which the Executive's death occurs.

(b) Disability. If the Executive is unable to perform the Executive's essential job duties and responsibilities due to mental or physical disability for a total of twelve (12) weeks, whether consecutive or not, during any rolling twelve (12) month period, the Company may terminate the Executive's employment and this Agreement upon five (5) days’ written notice to the Executive. For purposes of this Agreement, the Executive will be considered disabled when the Company, with the advice of a qualified physician, determines that the Executive is physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing the Executive’s essential job duties. The Executive shall cooperate with the Company in obtaining the advice of a qualified physician regarding the Executive’s condition. In the event of termination pursuant to this Section 7(b), the Company will be relieved of all obligations under this Agreement, provided that the Company will pay to the Executive that portion of the Base Salary under Section 4(a) which has been earned through the date on which such termination occurs.

(c) Discharge without Cause. The Company may terminate the Executive and this Agreement at any time during the Term for any reason, without Cause (as defined in Section 7(e) below) upon thirty (30) days’ written notice to the Executive. If the Company gives notice of non-renewal of employment within the 30-day period as provided in Section 2, it will be treated as a termination without cause. Upon such termination, the Company will have no further liability to the Executive other than to provide the Executive with (i) that portion of the Base Salary under Section 4(a) earned through the date of the termination, (ii) severance pay in an amount equal to the Executive’s then-current Base Salary, less applicable deductions, for a period of twelve (12) months (the “Severance Period”) following the Executive’s Separation from Service, and (iii) the Company’s portion of the premium for continued coverage under the Company’s group health and dental insurance plan during the Severance Period following the Executive’s termination, provided the Executive applies and remains eligible for such continuation coverage under applicable law, and provided further that the Executive authorizes the Company to deduct only the Executive’s portion of such premiums from the severance payments. It is understood that the period the Company makes such payments will run concurrently with the period of continuation coverage for which the Executive may be eligible under applicable law. The Executive’s receipt of the severance payments and premium payments by the Company set forth in this paragraph (c) are conditioned upon the Executive executing a comprehensive release and waiver agreement and covenant not to sue as provided by the Company at the time of termination. Severance payments will be made in equal installments on dates corresponding with the Company’s regular pay dates during the Severance Period. Notwithstanding the foregoing, if the severance pay that is payable during the first six (6) months following the Executive’s Separation from Service exceeds two times the lesser of (1) the Executive’s annualized compensation paid by the Company for the calendar year preceding the calendar year in which the Separation from Service occurs (as adjusted for any increase during that year that was expected to continue indefinitely if the Separation from Service had not occurred), or (2) the compensation limit in effect pursuant to Code Section 401(a)(17) for the calendar year in which the Executive’s Separation from Service occurs, then payment of such excess shall be delayed and paid in a lump sum on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs**,** and in such event, the payment shall be accompanied by a payment of interest calculated at the rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the “federal funds rate”, such rate to be determined on the date of the Executive’s termination of employment, compounded quarterly.

(d) Termination for Cause. The Company may terminate the Executive's employment and this Agreement at any time during the Term for Cause as defined below. In such case, this Agreement and the Executive's employment shall terminate immediately and the Company shall have no further obligation to the Executive, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such termination occurs.

(e) Definition of Cause. For purposes of this Agreement, Cause shall be defined as:

(i) the willful or negligent failure of the Executive to perform the Executive's duties and obligations in any material respect (other than any failure resulting from Executive's disability), which failure is not cured within fifteen (15) days after receipt of written notice thereof, provided that there shall be no obligation to provide any additional written notice if the Executive's failure to perform is repeated and the Executive has previously received one (1) or more written notices;

(ii) acts of dishonesty or willful misconduct by the Executive with respect to the Company;

(iii) conviction of a felony or violation of any law involving moral turpitude, dishonesty, disloyalty or fraud, or a pleading of guilty or *nolo contendere* to such charge;

(iv) repeated refusal to perform the reasonable and legal instructions of the Executive's supervisors; or

(v) any material breach of this Agreement or Attachment A; or

(vi) failure to confirm compliance with the Company's Ethics Policy after 10 days' written notice requesting confirmation.

(f) Resignation. The Executive may voluntarily resign from employment at any time during the Term upon 3 months' written notice and in compliance with the provisions of Attachment B. In such event, the Company shall be relieved of all its obligations under this Agreement, except that the Company shall pay to the Executive that portion of the Base Salary under Section 4(a) earned through the date on which such resignation is effective subject to any irrevocable deferral election then in effect.

(g) The Executive remains obligated to comply with the Executive's obligations and duties pursuant to Attachment B despite the termination of this Agreement and the Executive's employment for any reason.

(h) During employment and after the termination of this Agreement and the Executive's employment for any reason, the Executive agrees to cooperate fully with and at the request of the Company in the defense or prosecution of any legal matter or claim in which the Company, any of its affiliates, or any of their past or present employees, agents, officers, directors, attorneys, successors or assigns, may be or become involved and which arises or arose during the Executive's employment. The Executive will be reimbursed for any reasonable out-of-pocket expenses incurred thereby.

(i) During and after the termination of this Agreement and the Executive's employment for any reason, the Executive and the Company agree that, except as may be required by the lawful order of a court or agency of competent jurisdiction, the Executive and the Company will not take any action or make any statement or disclosure, written or oral, that is intended or reasonably likely to disparage the other party, and in the case of the Company, any of its affiliates, or any of their past or present employees, officers or directors.

9. Change in Control. Notwithstanding any other provisions of this Agreement to the contrary:

(a) Employment Period. If a Change in Control (as defined below) occurs when the Executive is employed by the Company, the Company will continue thereafter to employ the Executive during the period commencing on the date of a Change in Control and ending on the first anniversary of such date (the "Employment Period") and thereafter in accordance with Section 2 of this Agreement, and the Executive will remain in the employ of the Company in accordance with and subject to the terms and provisions of this Agreement.

(b) Covered Termination. If there is any termination of the Executive's employment during the Employment Period (subject to Section 8(e)) by the Executive for Good Reason (as defined below), or by the Company other than by reason of (i) death pursuant to Section 7(a), (ii) disability pursuant to Section 7(b), or (iii) Cause (a "Covered Termination"), then the Executive shall be entitled to receive, and the Company shall promptly pay, that portion of the base salary under Section 4(a) earned through the date of the termination and, in lieu of further base salary for periods following such termination, as liquidated damages and additional severance pay, the Termination Payment pursuant to Section 8(c).

(c) Termination Payment.

(i) The "Termination Payment" shall be an amount equal to (A) the Executive's annual base salary immediately prior to the termination of the Executive's employment plus (B) the Executive's target annual bonus under the Company's Senior Management Bonus Plan for the year in which the termination of the Executive's employment occurs. The Termination Payment shall be paid to the Executive in cash equivalent on the first day of the seventh (7^{th}) month following the month in which the Separation from Service occurs**,** and in such event, the Termination Payment shall be accompanied by a payment of interest calculated using the annual rate of interest announced by the Federal Reserve Board (or any successor thereto) from time to time as the "federal funds rate", such rate to be determined on the date of the Executive's termination of employment, compounded quarterly. Such lump sum payment shall not be reduced by any present value or similar factor, and the Executive shall not be required to mitigate the amount of the Termination Payment by securing other employment or otherwise, nor will such Termination Payment be reduced by reason of the Executive securing other employment or for any other reason. The Termination Payment shall be in lieu of, and acceptance by the Executive of the Termination Payment shall constitute the Executive's release of any rights of the Executive to, any other cash severance payments under any Company severance policy, practice or agreement.

(ii) Notwithstanding any other provision of this Agreement, if any portion of the Termination Payment or any other payment under this Agreement, or under any other agreement with or plan of the Company (in the aggregate, "Total Payments"), would constitute an "excess parachute payment" as defined in Section 280G (or any successor provision) of the Code, then the Company shall pay the Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by the Executive after deduction of any excise tax imposed under Section 4999 (or any successor provision) of the Code and any interest charges or penalties in respect of the imposition of such excise tax (collectively, the "Excise Tax") (but not any federal, state or local income tax, or employment tax) on the Total Payments, and any federal, state and local income tax, employment tax, and excise tax upon the payment provided for by this Section 9(c)(ii), shall be equal to the Total Payments. For purposes of determining the amount of the Gross-Up Payment, the Executive shall be deemed to pay federal income tax and employment taxes at the highest marginal rate of federal income and employment taxation in the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of the Executive's domicile for income tax purposes on the date the Gross-Up Payment is made, net of the maximum reduction in federal income taxes that may be obtained from the deduction of such state and local taxes. The Company shall pay the Gross-Up Payment on the first day of the seventh (7th) month following the month in which the Separation from Service occurs. Notwithstanding the foregoing, if the Executive is required to pay the excise tax imposed under Section 4999 of the Code prior to the payment date for the Gross-Up Payment describe hereinabove (such as, for instance, because other payments due to the Executive without regard to this Agreement cause the excise tax to be due), then the Company shall promptly (but in no event later than the end of the calendar year following the year in which the Executive remits such taxes) reimburse the Executive for the amount of excise taxes paid by the Executive under Section 4999 of the Code, plus an amount equal to the additional taxes imposed on the Executive due to the Company's reimbursement of the excise tax and such additional taxes. In such event, the Gross-Up Payment, if any, shall be reduced by such prior payment.

Notwithstanding the foregoing, if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Total Payments would not be subject to the Excise Tax if the Total Payments were reduced by an amount that is less than 10% of the Total Payments that would be treated as "parachute payments" under Section 280G (or any successor provision) of the Code, then the amounts payable to the Executive under this Agreement shall be reduced (but not below zero) to the maximum amount that could be paid to the Executive without giving rise to the Excise Tax (the "Safe Harbor Cap"), and no Gross-Up Payment shall be made to the Executive. For purposes of reducing the Total Payments to the Safe Harbor Cap, only amounts payable under this Agreement (and no other Total Payments) shall be reduced. If the reduction of the amounts payable hereunder would not result in a reduction of the Total Payments to the Safe Harbor Cap, no amounts payable under this Agreement shall be reduced pursuant to this provision.

(iii) For purposes of this Agreement, the terms "excess parachute payment" and "parachute payments" shall have the meanings assigned to them in Section 280G (or any successor provision) of the Code and such "parachute payments" shall be valued as provided therein. Present value for purposes of this Agreement shall be calculated in accordance with Section 1274(b)(2) (or any successor provision) of the Code. Promptly following a Covered Termination or notice by the Company to the Executive of its belief that there is a payment or benefit due the Executive which will result in an "excess parachute payment" as defined in Section 280G of the Code (or any successor provision), the Executive and the Company, at the Company's expense, shall obtain the opinion (which need not be unqualified) of nationally recognized tax counsel ("National Tax Counsel") selected by the Company's independent auditors and reasonably acceptable to the Executive (which may be regular outside counsel to the Company), which opinion sets forth (A) the amount of the Base Period Income, (B) the amount and present value of Total Payments, (C) the amount and present value of any excess parachute payments, and (D) the amount of any Gross-Up Payment or the reduction of any Total Payments to the Safe Harbor Cap, as the case may be. As used in this Agreement, the term "Base Period Income" means an amount equal to the Executive's "annualized includable compensation for the base period" as defined in Section 280G(d)(1) (or any successor provision) of the Code. For purposes of such opinion, the value of any noncash benefits or any deferred payment or benefit shall be determined by the Company's independent auditors in accordance with the principles of Section 280G(d)(3) and (4) (or any successor provisions) of the Code, which determination shall be evidenced in a certificate of such auditors addressed to the Company and the Executive. The opinion of National Tax Counsel shall be addressed to the Company and the Executive and shall be binding upon the Company and the Executive. If such National Tax Counsel so requests in connection with the opinion required by this Section 8(c)(iii), the Executive and the Company shall obtain, at the Company's expense, and the National Tax Counsel may rely on, the advice of a firm of recognized executive compensation consultants as to the reasonableness of any item of compensation to be received by the Executive solely with respect to its status under Section 280G of the Code and the regulations thereunder.

(iv) In the event that upon any audit by the Internal Revenue Service, or by a state or local taxing authority, of the Total Payments or Gross-Up Payment, a change is finally determined to be required in the amount of taxes paid by the Executive, appropriate adjustments shall be made under this Agreement such that the net amount which is payable to the Executive after taking into account the provisions of Section 4999 (or any successor provision) of the Code shall reflect the intent of the parties as expressed in this Section 8(c), in the manner determined by the National Tax Counsel. If the Company owes the Executive an additional payment under this paragraph (iv), such payment shall be made to the Executive promptly following the date the Executive remits the taxes, or if earlier, the date the Internal Revenue Service assesses such additional taxes, but no later than the calendar year following the calendar year in which the Executive remits the additional taxes. The Executive shall provide written notice to the Company and documentation substantiating the amount of additional taxes paid or assessed.

(v) The Company agrees to bear all costs associated with, and to indemnify and hold harmless, the National Tax Counsel of and from any and all claims, damages, and expenses resulting from or relating to its determinations pursuant to this Section 8(c), except for claims, damages or expenses resulting from the gross negligence or willful misconduct of such firm.

(d) Additional Benefits. If there is a Covered Termination and the Executive is entitled to the Termination Payment, then (i) until the earlier of the end of the Employment Period or such time as the Executive has obtained new employment and is covered by benefits which in the aggregate are at least equal in value to the following benefits, the Executive shall continue to be covered, at the expense of the Company, by the same or equivalent health and dental coverage as the Executive was covered by immediately prior to the termination of the Executive’s employment and such coverage shall count as COBRA continuation coverage, and (ii) the Company shall bear up to $15,000 in the aggregate during the lifetime of the Executive of fees and expenses of consultants and/or legal or accounting advisors engaged by the Executive to advise the Executive as to matters relating to the computation of benefits due and payable under Section 8(c).

(e) Anticipatory Termination. Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Executive’s employment with the Company is terminated (other than a termination due to the Executive’s death or as a result of the Executive’s disability) during the period of 180 days prior to the date on which the Change in Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this Section 8 such termination of employment shall be deemed a “Covered Termination” and the “Employment Period” shall be deemed to have begun on the date of such termination.

(f) Expenses and Interest. If, after a Change in Control of the Company, (i) a dispute arises with respect to the enforcement of the Executive's rights under this Agreement or (ii) any legal or arbitration proceeding shall be brought to enforce or interpret any provision contained herein or to recover damages for breach hereof, in either case so long as the Executive is not acting in bad faith, then the Company shall reimburse the Executive for any reasonable attorneys' fees and necessary costs and disbursements incurred by the Executive during his or her lifetime as a result of the dispute, legal or arbitration proceeding ("Expenses"), and prejudgment interest on any money judgment or arbitration award obtained by the Executive calculated at the rate of interest announced by The Bank of New York, from time to time at its prime or base lending rate from the date that payments to him or her should have been made under this Agreement. Within ten days after the Executive's written request therefor, the Company shall pay to the Executive, or such other person or entity as the Executive may designate in writing to the Company, the Executive's reasonable Expenses in advance of the final disposition or conclusion of any such dispute, legal or arbitration proceeding. Any reimbursements provided hereunder shall be made promptly (but not later than the last day of the calendar year following the calendar year in which the legal fees or expenses were incurred by the Executive) following the receipt by the Company of a written notice from the Executive requesting such reimbursement, accompanied by documentation substantiating the amount of such fees and expenses.

(g) Definition of Change in Control. For purposes hereof, a "Change in Control" shall be deemed to occur on the first to occur of any one of the following events: (a) the consummation of a consolidation, merger, share exchange or reorganization involving the Company, unless such consolidation, merger, share exchange or reorganization is a "Non-Control Transaction" (as defined below); (b) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or an agreement for the sale or disposition by the Company of all, or substantially all, of the assets of the Company (in one transaction or a series of related transactions within any period of 24 consecutive months), other than a sale or disposition by the Company of all, or substantially all, of the Company's assets to an entity at least 75% of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale; (c) any person (as such term is used in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than (1) the Company, (2) any subsidiary of the Company, (3) a trustee or other fiduciary holding securities under any employee benefit plan (or any trust forming a part thereof) maintained by the Company or any subsidiary or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock in the Company) is or becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities; or (d) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, as of the date hereof, constitute the entire Board of Directors of the Company (the "Board") and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended. Notwithstanding the foregoing, no "Change in Control" shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets or voting securities of the Company immediately following such transaction or series of transactions. A "Non-Control Transaction" shall mean a consolidation, merger, share exchange or reorganization of the Company where (a) the stockholders of the Company immediately before such consolidation, merger, share exchange or reorganization beneficially own, directly or indirectly, more than 50% of the then outstanding shares of common stock and the combined voting power of the outstanding voting securities of the corporation resulting from such consolidation, merger, share exchange or reorganization (the "Surviving Corporation"); (b) the individuals who were members of the Board immediately prior to the execution of the agreement providing for such consolidation, merger, share exchange or reorganization constitute at least 50% of the members of the board of directors of the Surviving Corporation; and (c) no person (other than (1) the Company, (2) any subsidiary of the Company or (3) any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any subsidiary) is or becomes the beneficial owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such person any securities acquired directly from the Company after the date hereof pursuant to express authorization by the Board that refers to this exception) representing more than 20% of the then outstanding shares of the common stock of the Surviving Corporation or the combined voting power of the Surviving Corporation's then outstanding voting securities.

(h) Good Reason. The Executive shall have "Good Reason" for termination of employment in connection with a Change in Control of the Company in the event of:

(i) any breach of this Agreement by the Company, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that the Company remedies promptly after receipt of notice thereof given by the Executive;

(ii) any reduction in the Executive's base salary, percentage of base salary available as incentive compensation or bonus opportunity or benefits, in each case relative to those most favorable to the Executive in effect at any time during the 180-day period prior to the Change in Control;

(iii) the removal of the Executive from, or any failure to reelect or reappoint the Executive to, any of the positions held with the Company on the date of the Change in Control or any other positions with the Company to which the Executive shall thereafter be elected, appointed or assigned, except in the event that such removal or failure to reelect or reappoint relates to the termination by the Company of the Executive's employment for Cause or by reason of disability pursuant to Section 7(b);

(iv) a good faith determination by the Executive that there has been a material adverse change, without the Executive's written consent, in the Executive's working conditions or status with the Company relative to the most favorable working conditions or status in effect during the 180-day period prior to the Change in Control, including but not limited to (A) a significant change in the nature or scope of the Executive's authority, powers, functions, duties or responsibilities, or (B) a significant reduction in the level of support services, staff, secretarial and other assistance, office space and accoutrements, but in each case excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that the Company remedies within ten (10) days after receipt of notice thereof given by the Executive;

(v) the relocation of the Executive's principal place of employment to a location more than 50 miles from the Executive's principal place of employment on the date 180 days prior to the Change in Control; or

(vi) the Company requires the Executive to travel on Company business 20% in excess of the average number of days per month the Executive was required to travel during the 180-day period prior to the Change in Control.

(i) Upon a Change in Control, the Company (or its successor) shall transfer to an irrevocable rabbi trust (to the extent not prohibited by Code Section 409A) an amount in cash, determined on an undiscounted basis, which will be sufficient to fund the Company's obligations under Section 9(c).

10. Severability. Whenever possible, each portion, provision or section of this Agreement will be interpreted in such a way as to be effective and valid under applicable law, but if any portion, provision or section of this Agreement is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other portions, provisions or sections. Rather, this Agreement will be reformed, construed and enforced as if such invalid, illegal or unenforceable portion, provision or section had never been contained herein.

11. Complete Agreement. This Agreement, including Attachment A and B, contains the complete agreement and understanding between the parties and supersedes and preempts any prior understanding, agreement or representation by or between the parties, written or oral.

12. Additional Rights and Causes of Action. This Agreement, including Attachment A, is in addition to and does not in any way waive or detract from any rights or causes of action the Company may have relating to Confidential Information or other protectable information or interests under statutory or common law or under any other agreement.

13. Governing Law. Notwithstanding principles of conflicts of law of any jurisdiction to the contrary, all terms and provisions to this Agreement are to be construed and governed by the laws of the State of New York without regard to the laws of any other jurisdiction in which the Executive resides or performs any duties hereunder or where any violation of this Agreement occurs.

14. Successors and Assigns. This Agreement will inure to the benefit of and be enforceable by the Company and its successors and assigns. The Executive may not assign the Executive's rights or delegate the Executive's obligations hereunder.

15. Waivers. The waiver by either the Executive or the Company of a breach by the other party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the breaching party.

16. Withholding. The Company shall be entitled to withhold from amounts to be paid to the Executive hereunder any federal, state or local withholding or other taxes or charges which it is from time to time required to withhold. The Company shall be entitled to rely on an opinion of nationally recognized tax counsel if any question as to the amount or requirement of any such withholding shall arise. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, a payment will be made to the Executive from the cash payments otherwise owing hereunder (without regard to the six-month delay if Executive) equal to the amount needed to pay the Executive's portion of such tax, as well as withholding taxes resulting therefrom (including the additional taxes attributable to the pyramiding of such distributions and taxes), and any subsequent payment shall be reduced accordingly.

17. Interpretation. This Agreement shall be construed and interpreted in a manner that will cause any payment hereunder that is considered deferred compensation and that is not exempt from Code Section 409A to meet the requirements thereof such that no additional tax will be due under Code Section 409A on such payment.

18. Application of Code Section 409A. The Executive acknowledges that to avoid an additional tax on payments that may be payable under this Agreement and that constitute deferred compensation that is not exempt from Code Section 409A, the Executive must make a reasonable, good faith effort to collect any payment or benefit to which Executive believes he or she is entitled hereunder no later than ninety (90) days of the latest date upon which the payment could under this Agreement could have been timely paid pursuant to Code Section 409A, and if not paid or provided, take further enforcement measures within 180 days after such latest date.

THE COMPANY AND THE EXECUTIVE ACKNOWLEDGE THAT (A) EACH HAS CAREFULLY READ THIS AGREEMENT, (B) EACH UNDERSTANDS ITS TERMS, (C)

ALL UNDERSTANDINGS AND AGREEMENTS BETWEEN THE COMPANY AND THE EXECUTIVE RELATING TO THE SUBJECTS COVERED IN THE AGREEMENT ARE CONTAINED IN IT, AND (D) EACH HAS ENTERED INTO THIS AGREEMENT VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS BY THE OTHER, OTHER THAN THOSE CONTAINED IN THIS AGREEMENT ITSELF.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

	Hudson Highland Group, Inc.
______________________________	By: ______________________________
Signature of Executive	Signature of Authorized Representative
______________________________	Its: ______________________________
Print Name	Title of Representative

EXHIBIT 10.8

HUDSON HIGHLAND GROUP, INC.

NONQUALIFIED DEFERRED COMPENSATION PLAN

(Effective May 1, 2004, as Amended and Restated Effective January 1, 2008)

Table of Contents

HUDSON HIGHLAND GROUP, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Article 1. Introduction

1.1. Title. The title of this Plan shall be the "Hudson Highland Group, Inc. Nonqualified Deferred Compensation Plan." The Plan as amended and restated herein shall be effective as of January 1, 2008.

1.2. Purpose. This Plan shall constitute an unfunded nonqualified deferred compensation arrangement established for the purpose of providing deferred compensation to a select group of management or highly compensated employees (as defined for purposes of Title I of ERISA) of the Employers participating in the Plan, and to allow nonemployee directors of the Company to defer the receipt of some or all of their compensation for service on the Board. The Plan is maintained and administered for the benefit of selected employees of the Employers, including those whose benefits under the Savings Plan are restricted by certain limitations of the Code, and nonemployee directors of the Company.

Article 2. Definitions

"Account" means the Elective Deferrals Account, the Matching Contributions Account and/or the Profit Sharing Account maintained on behalf of a Participant.

"Beneficiary" means the Participant's beneficiary designated pursuant to Section 9.5.

"Board" means the Company's Board of Directors.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Committee consisting of the Executive Vice-President, Chief Administrative Officer and the Chief Financial Officer of the Company, or such other officers of the Company as shall be designated by the Board from time to time to administer the Plan.

"Company" means Hudson Highland Group, Inc., a Delaware corporation.

"Director" means a member of the Board, other than a member who is an officer or employee of an Employer.

"Effective Date" means May 1, 2004.

"Elective Deferrals" means the contributions made on behalf of a Participant pursuant to Section 4.1 or 4.2 of this Plan.

"Elective Deferrals Account" means the account maintained on behalf of each Participant which will represent the amount of Elective Deferrals made on behalf of such Participant pursuant to Section 4.1 or 4.2 of the Plan and the amount of deemed investment earnings and losses on such Participant's Elective Deferrals.

"Eligible Employee" means an employee of an Employer who is eligible to participate in the Plan pursuant to Section 3.1.

"Employer" means the Company and each of its affiliates that with the consent of the Committee participates in the Plan.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Matching Contributions" means the contributions made on behalf of a Participant pursuant to Section 5.1 of this Plan.

"Matching Contributions Account" means the account maintained on behalf of each Participant which will represent the amount of the Matching Contributions made on behalf of such Participant pursuant to Section 5.1 of the Plan and the amount of the deemed investment earnings and losses on such Participant's Matching Contributions.

"Participant" means any Eligible Employee or Director who is participating in the Plan pursuant to Article 3.

"Permitted Investment" means such fund or type of investment as may be approved by the Committee from time to time for purposes of this Plan.

"Plan" means this "Hudson Highland Group, Inc. Nonqualified Deferred Compensation Plan," as amended from time to time.

"Plan Year" means the calendar year.

"Profit Sharing Contributions" means the contributions made on behalf of a Participant pursuant to Section 6.1 of the Plan.

"Profit Sharing Contributions Account" means the account maintained on behalf of each Participant which will represent the amount of the Profit Sharing Contributions made on behalf of such Participant pursuant to Section 6.2 of the Plan and the amount of the deemed investment earnings and losses on such Participant's Profit Sharing Contributions.

"Savings Plan" means the Hudson Highland Group, Inc. 401(k) Savings Plan, as amended from time to time.

"Separation from Service" means a Participant's separation from service with all Employers, within the meaning of Section 409A of the Code.

"Unforeseeable Emergency" means (i) a severe financial hardship to a Participant resulting from an illness or accident of the Participant, or the spouse or a dependent (as defined in Section 152(a) of the Code) of the Participant, (ii) the loss of a Participant's property due to casualty or (iii) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, within the meaning of Section 409A of the Code.

"Valuation Date" means each day on which the Nasdaq National Market or the New York Stock Exchange is open.

Article 3. Eligibility

3.1. Eligible Employees. Each employee of an Employer shall be eligible to participate in the Plan for a Plan Year if, as of a date designated by the Committee, such employee:

(i) is eligible to participate in the Savings Plan,

(ii) is employed by an Employer in one of the following positions: (A) a Vice President or more senior position in the Corporate division of the Company or (B) a Regional Vice-President, Vice President (Staff) or more senior position in the Hudson-division of the Company, and

(iii) is notified by the Committee in writing of such employee's eligibility to participate in the Plan;

provided, however, that only those employees of an Employer who are in a select group of management or are highly compensated (within the meaning of Title I of ERISA) may be designated as eligible to participate in this Plan.

3.2. Directors. Each Director shall be eligible to participate in the Plan.

Article 4. Elective Deferrals

4.1. Elective Deferral Election—Eligible Employees. Prior to the first day of each Plan Year, each Eligible Employee shall be permitted to elect, in accordance with rules and procedures established by the Committee, that Elective Deferrals be credited to his or her Elective Deferrals Account in any one or more of the following amounts: (i) a whole percentage, not in excess of 25%, of such Participant's base pay for such Plan Year, including base salary and advance draws on commissions, (ii) a whole percentage, not in excess of 100%, of such Participant's annual bonus payable with respect to such Plan Year and (iii) a whole percentage, not in excess of 100%, of such Participant's commissions payable with respect to such Plan Year (other than advance draws on commissions). In order to participate in the Plan for any subsequent Plan Year, an Eligible Employee must submit a new election within the designated election period occurring prior to the Plan Year for which the election is to be effective. In no event shall an election under the Plan apply to compensation payable for employment prior to the date on which such election is received by the Committee. Each Participant's compensation shall be reduced by the amount of all Elective Deferrals made on his or her behalf. Subject to any applicable requirements and restrictions under the Code, the Committee also may permit each Participant to elect, in accordance with rules and procedures established by the Committee, that any amount required to be distributed to such Participant from the Savings Plan in order to satisfy the nondiscrimination requirements of Section 401(k)(3) or 401(m)(2) of the Code shall instead be distributed to the Company and an amount equal to the amount so distributed shall be credited to such Participant's Elective Deferrals Account hereunder.

4.2. Elective Deferral Election—Directors. Prior to the first day of each Plan Year, each Director shall be permitted to elect, in accordance with rules and procedures established by the Committee, that Elective Deferrals be credited to his or her Elective Deferrals Account in a whole percentage, not in excess of 100%, of the cash retainer fees and meeting attendance fees payable to such Director for service during such Plan Year as a member of the Board or a committee of the Board. In order to participate in the Plan for any subsequent Plan Year, a Director must submit a new election within the designated election period occurring prior to the Plan Year for which the election is to be effective. In no event shall an election under the Plan apply to compensation payable for service prior to the date on which such election is received by the Committee. Each Director's compensation shall be reduced by the amount of all Elective Deferrals made on his or her behalf.

4.3. Suspension of Deferral Election. A Participant may elect to cancel all future Elective Deferrals for a Plan Year upon a demonstration to the satisfaction of the Committee that the continuation of such Elective Deferrals for the remainder of the Plan Year would cause such Participant to suffer an Unforeseeable Emergency, as determined by the Committee in its sole discretion. A Participant who is permitted to cancel Elective Deferrals during a Plan Year shall not be permitted to resume Elective Deferrals under the Plan prior to the first day of the following Plan Year. No other changes may be made during a Plan Year to the percentage or amount of compensation subject to a Participant's Elective Deferral election.

4.4. Elective Deferrals Account. The Committee shall establish and maintain an Elective Deferrals Account for each Participant who elects Elective Deferrals under this Article 4. The Participant's Elective Deferrals Account shall be a bookkeeping account maintained by the Company and shall reflect the amount of the Elective Deferrals credited hereunder on behalf of the Participant. The Company shall credit Elective Deferrals to a Participant's Elective Deferral Account within a reasonable period following the date on which the Participant's compensation is reduced by the amount of such Elective Deferral. The amount of any deemed investment earnings and losses on the amounts reflected in a Participant's Elective Deferrals Account shall be credited or charged to his or her Elective Deferrals Account in accordance with Article 7.

4.5. Transfer of Elective Deferrals to Savings Plan. Prior to the first day of each Plan Year, each Eligible Employee who elects to participate in the Plan shall be permitted to elect, in accordance with rules and procedures established by the Committee, that as of a date not later than two and one-half (2 $^1/_2$) months after the end of such Plan Year, such Participant's Elective Deferrals Account be reduced by an amount equal to the Maximum Permissible Contribution, as defined below, and that an amount equal to the Maximum Permissible Contribution be either (i) distributed to the Participant in cash or (ii) deferred as an Elective Deferral under the Savings Plan. For purposes of this Section 4.5, a Participant's "Maximum Permissible Contribution" with respect to a Plan Year shall be an amount equal to the lesser of:

(a) the maximum amount of Elective Deferrals which the Participant could elect for such Plan Year pursuant to the terms of the Savings Plan within the limits imposed under 402(g), 401(k)(3), 401(m)(2) and 401(a)(17) of the Code; and

(b) the aggregate Elective Deferrals which the Participant elected under this Plan for such Plan Year.

A Participant's election pursuant to this Section 4.5 with respect to a Plan Year shall be irrevocable. Directors shall not be eligible to make an election pursuant to this Section 4.5 with respect to Elective Deferrals made pursuant to Section 4.2.

Article 5. Matching Contributions

5.1. Matching Contributions. For each Plan Year, a Matching Contribution shall be credited to the Matching Contributions Account of each Eligible Employee who is a Participant in an amount equal to the *excess of*:

(a) the amount of the Matching Contribution that would have been made on behalf of the Participant under the Savings Plan for such Plan Year with respect to the Elective Deferrals made pursuant to Section 4.1 hereof, including Elective Deferrals which the Participant elects to defer under the Savings Plan but excluding Elective Deferrals which the Participant elects to receive in cash, in either case pursuant to Section 4.5 of this Plan, determined as though all such Elective Deferrals had been made under the Savings Plan (i) without regard to the limits imposed under the Savings Plan to enable the Savings Plan to satisfy the nondiscrimination requirements of sections 401(k)(3) and 401(m)(2) of the Code, but (ii) subject to the limits under sections 401(a)(17), 402(g) and 415 of the Code, *over*

(b) the amount of the Matching Contribution actually made for the Participant under the Savings Plan for such Plan Year.

Elective Deferrals on behalf of Directors pursuant to Section 4.2 shall not be eligible for Matching Contributions hereunder.

5.2. Matching Contributions Account. The Committee shall establish and maintain a Matching Contributions Account for each Participant who is entitled to receive Matching Contributions under this Article 5. The Participant's Matching Contributions Account shall be a bookkeeping account maintained by the Company and shall reflect the amount of the Matching Contributions credited hereunder on behalf of the Participant. The Company shall credit a Matching Contribution to a Participant's Matching Contributions Account within a reasonable period following the end of the Plan Year for which such contribution is made. The amount of any deemed investment earnings and losses on the amounts reflected in a Participant's Matching Contributions Account shall be credited or charged to his or her Matching Contributions Account in accordance with Article 7.

Article 6. Profit Sharing Contributions

6.1. Profit Sharing Contributions. For any one or more Plan Years, a Profit Sharing Contribution may be credited to the Profit Sharing Contributions Accounts maintained for the benefit of any one or more Participants, in such amount, if any, as the Board shall determine in its sole discretion. Such amount may, but need not, be an amount equal to the excess of (i) the amount of the Profit Sharing Contributions, if any, that would have been allocated to the Participant's account under the Savings Plan for such Plan Year without regard to either or both of the limitations of sections 401(a)(17) and 415 of the Code over (ii) the amount of the Profit Sharing Contributions actually allocated to the Participant's account under the Savings Plan for such Plan Year.

6.2. Profit Sharing Contributions Account. The Committee shall establish and maintain a Profit Sharing Contributions Account for each Participant who is entitled to receive Profit Sharing Contributions under this Article 6. The Participant's Profit Sharing Contributions Account shall be a bookkeeping account maintained by the Company and shall reflect the amount of the Profit Sharing Contributions credited hereunder on behalf of the Participant. The Company shall credit a Profit Sharing Contribution to a Participant's Profit Sharing Contributions Account within a reasonable period following the end of the Plan Year for which such contribution is made. The amount of any deemed investment earnings and losses on the amounts reflected in a Participant's Profit Sharing Contributions Account shall be credited or charged to his or her Profit Sharing Contributions Account in accordance with Article 7.

Article 7. Deemed Investment Earnings

7.1. Permitted Investments. Each Participant may designate from time to time, in accordance with rules and procedures established by the Committee, that all or a portion of his or her Accounts be deemed to be invested in one or more Permitted Investments.

7.2. Receipts. Each Participant's Accounts shall be deemed to receive all interest, dividends, earnings and other property which would have been received with respect to a Permitted Investment deemed to be held in such Accounts if the Company actually owned such Permitted Investment. Cash deemed received with respect to a Permitted Investment shall be credited to the Accounts as of the date it would have been available for reinvestment if the Company actually owned the Permitted Investment.

7.3. Elections. All elections to be made by a Participant pursuant to this Article 7 shall be made only by such Participant; provided, that if such Participant dies before his or her entire Account balance is distributed pursuant to the terms of the Plan, or if the Committee determines that such Participant is legally incompetent or otherwise incapable of managing his or her own affairs, the Committee shall have the authority to itself make the elections pursuant to this Section 7.3 on behalf of such Participant, or designate such Participant's designated Beneficiary, legal representative or some near relative of such Participant to make the elections pursuant to this Section 7.3 on behalf of such Participant.

7.4. Actual Investment Not Required. The Company need not actually make any Permitted Investment. If the Company should from time to time make any investment similar to a Permitted Investment, such investment shall be solely for the Company's own account and the Participant shall have no right, title or interest therein. Accordingly, each Participant is solely an unsecured creditor of the Company with respect to any amount distributable to the Participant under the Plan.

Article 8. Establishment of Trust

8.1. Establishment of Trust. The Company may, in its sole discretion, establish a grantor trust (as described in section 671 of the Code) for the purpose of accumulating assets to provide for the obligations hereunder. The assets and income of such trust shall be subject to the claims of the general creditors of the Company. The establishment of such a trust shall not affect the Company's liability to pay benefits hereunder except that any such liability shall be offset by any payments actually made to a Participant under such a trust. In the event such a trust is established, the amount to be contributed thereto shall be determined by the Company and the investment of such assets shall be made in accordance with the trust document.

8.2. Status of Trust. Participants shall have no direct or secured claim in any asset of the trust or in specific assets of the Company and will have the status of general unsecured creditors of the Company for any amounts due under this Plan.

Article 9. Vesting and Distributions

9.1. Vesting of Elective Deferrals Account. Each Participant shall at all times have a one hundred percent (100%) vested and nonforfeitable interest in his or her Elective Deferrals Account.

9.2. Vesting of Matching Contributions Account and Profit Sharing Account. Except as otherwise specified by the Board with respect to a Profit Sharing Contribution, each Participant shall become vested in his or her Matching Contributions Account and Profit Sharing Contributions Account at the same time and to the same extent as the Participant shall become vested in his or her Matching Contributions and Profit Sharing Contributions accounts under the Savings Plan. The unvested portion of a Participant's Matching Contributions Account and Profit Sharing Account shall be immediately forfeited upon such Participant's Separation from Service for any reason, and shall not thereafter be reallocated to the Accounts of any other Participants.

9.3. Timing of Distributions. Upon a Participant's Separation from Service for any reason, including death, retirement, total and permanent disability, resignation or dismissal, the balance in the Participant's Elective Deferral Account and the vested balance in the Participant's Matching Contributions Account and Profit Sharing Account (determined as of the Valuation Date on or immediately preceding the date on which the distribution is processed) shall be paid or begin to be paid to the Participant (or, in the event of the Participant's death, to his or her Beneficiary) six months after the last day of the Plan Year in which the Participant's employment or service terminates.

9.4. Form of Distribution. The vested balance of a Participant's Account shall be paid in the form of a lump sum cash payment unless the Participant submits an election to receive such payment in annual cash installments over a period elected by the Participant, which period shall be not less than two years nor more than five years in duration. Such election shall be submitted in accordance with procedures established by the Committee, and shall be effective only if submitted prior to the later of (i) the date on which the Participant makes his or her initial Elective Deferral Election under the Plan or (ii) January 1, 2006. A Participant may change such payment election on or before December 31, 2007 in accordance with procedures established by the Committee and applicable transition relief under Section 409A of the Code, provided that no such change shall affect the payment of any amount that otherwise would be payable in 2007. The Participant's Account shall continue to be credited with earnings or losses pursuant to Article 7 until the balance of such Account has been paid in full. If a Participant dies before the vested balance of such Participant's Account has been distributed to the Participant in full, the remaining vested balance of such Account shall be distributed to the Participant's Beneficiary in a single lump sum cash payment as soon as administratively practicable after the end of the Plan Year in which the Participant's death occurs.

9.5. Designation of Beneficiaries. Each Participant may name any one or more Beneficiaries (who may be named concurrently, contingently or successively) to whom the Participant's Accounts under the Plan are to be paid if the Participant dies before such Accounts are fully distributed. Each such Beneficiary designation will revoke all prior designations by the Participant, shall not require the consent of any previously named Beneficiary, and will be effective only when filed with the Committee during the Participant's lifetime. If a Participant fails to designate a Beneficiary before his or her death, as provided above, or if the Beneficiary designated by a Participant dies before the date of the Participant's death or before payment of the Participant's Accounts, the Committee, in its discretion, may pay the Participant's Accounts (a) to the surviving spouse of such deceased Participant, if any, or (b) if there shall be no surviving spouse, the surviving children of such deceased Participant, if any, in equal shares, or (c) if there shall be no surviving spouse or children, to the executors or administrators of the estate of such deceased Participant, or (d) if no executor or administrator shall have been appointed for the estate of such deceased Participant within six months from the date of the Participant's death, to the person or persons who would be entitled under the intestate succession laws of the state of the Participant's domicile to receive the Participant's personal estate.

Article 10. Administration of the Plan

The Plan shall be administered by the Committee. The duties and authority of the Committee under the Plan shall include (a) the interpretation of the provisions of the Plan, (b) the adoption of any rules and regulations which may become necessary or advisable in the operation of the Plan, (c) the making of such determinations as may be permitted or required pursuant to the Plan, and (d) the taking of such other actions as may be required for the proper administration of the Plan in accordance with its terms. Any decision of the Committee with respect to any matter within the authority of the Committee shall be final, binding and conclusive upon the Company and each Participant, former Participant, designated Beneficiary, and each person claiming under or through any Participant or designated Beneficiary. Any action taken by the Committee with respect to any one or more Participants shall not be binding on the Committee as to any action to be taken with respect to any other Participant. A member of the Committee may be a Participant, but no member of the Committee may participate in any decision directly affecting his or her rights or the computation of his or her benefits under the Plan. Each determination required or permitted under the Plan shall be made by the Committee in its sole and absolute discretion. The members of the Committee may allocate their responsibilities and may designate any other person or committee, including employees of the Company, to carry out any of their responsibilities with respect to administration of the Plan. The claims procedure applicable to claims and appeals of denied claims under the Savings Plan shall apply to any claims for benefits under the Plan and appeals of any such denied claims.

Article 11. Amendment and Termination

11.1. Amendment. The Company shall have the right to amend the Plan from time to time, except that no amendment shall reduce the amount credited to a Participant's Account without the consent of such Participant or, if the Participant is deceased, his or her Beneficiary. Any Plan amendment shall be adopted by action of the Compensation Committee of the Board; provided, however, that the Company's Executive Vice President, Chief Administrative Officer, shall, and hereby is, also authorized to amend the Plan, but only to the extent that such amendment: (i) is required or deemed advisable as the result of legislation or regulation; (ii) concerns solely routine ministerial or administrative matters; or (iii) is not routine, ministerial or administrative but does not materially increase any cost to the Employers.

11.2. Plan Termination. The Plan may be terminated at any time by action of the Compensation Committee of the Board in its sole discretion. Upon a termination of the Plan, all Accounts shall be paid to Participants and Beneficiaries pursuant to the terms of the Plan and the Participant elections thereunder; provided, however, that if the Plan is terminated in connection with a Change in Control Event, within the meaning of, and to the extent permitted under, regulations or other guidance promulgated under section 409A of the Code, the Compensation Committee, as constituted immediately prior to such Change in Control Event, may elect, in its sole discretion, to pay out all Accounts to Participants and Beneficiaries within 12 months after the occurrence of such Change in Control Event. In no event shall the amount credited to a Participant's Account be reduced as a result of a Plan termination without the consent of the Participant or, if the Participant is deceased, his or her Beneficiary.

Article 12. General Provisions

12.1. Non-Alienation of Benefits. A Participant's rights to the amounts credited to his or her Accounts under the Plan shall not be salable, transferable, pledgeable or otherwise assignable, in whole or in part, by the voluntary or involuntary acts of any person, or by operation of law, and shall not be liable or taken for any obligation of such person. Any such attempted grant, transfer, pledge or assignment shall be null and void and without any legal effect.

12.2. Withholding for Taxes. Notwithstanding anything contained in this Plan to the contrary, the Employers shall withhold from any distribution made under the Plan such amount or amounts as may be required for purposes of complying with the tax withholding provisions of the Code or any applicable State law for purposes of paying any tax attributable to any amounts distributable or creditable under the Plan. The Company may reduce a Participant's Account to reflect employment taxes payable with respect to deferred compensation prior to termination of employment.

12.3. Immunity of Committee Members. The members of the Committee may rely upon any information, report or opinion supplied to them by any officer of the Company or any legal counsel, independent public accountant or actuary, and shall be fully protected in relying upon any such information, report or opinion. No member of the Committee shall have any liability to the Company or any Participant, former Participant, designated Beneficiary, person claiming under or through any Participant or designated Beneficiary or other person interested or concerned in connection with any decision made by such member of the Committee pursuant to the Plan which was based upon any such information, report or opinion if such member of the Committee relied thereon in good faith.

12.4. Plan Not to Affect Employment or Director Relationship. Neither the adoption of the Plan nor its operation shall in any way affect the right and power of any Employer to dismiss or otherwise terminate the employment or change the terms of the employment or amount of compensation of any Participant at any time, for any reason or without cause, or entitle any Director to continued service on the Board. By accepting any payment under this Plan, each Participant, former Participant, designated Beneficiary and each person claiming under or through such person, shall be conclusively bound by any action or decision taken or made under the Plan by the Committee.

12.5. Compliance With Section 409A of Code. This Plan is intended to comply with the provisions of section 409A of the Code, and shall be interpreted and construed accordingly. The Company's Executive Vice President, Chief Administrative Officer shall have the discretion and authority to amend this Plan at any time to satisfy any requirements of section 409A of the Code or guidance provided by the U.S. Treasury Department to the extent applicable to the Plan.

12.6. Notices. Any notice required to be given by the Company or the Committee hereunder shall be in writing and shall be delivered in person or by U.S. mail, interoffice mail, express courier service or electronic mail, to the address set forth in the records of the Company.

12.7. Number; Headings. Wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply. Headings of sections and subsections of the Plan are inserted for convenience of reference and are not part of the Plan and are not to be considered in the construction thereof.

12.8. Controlling Law. The Plan shall be construed in accordance with the internal laws of the State of New York, to the extent not preempted by any applicable federal law.

12.9. Successors. The Plan is binding on all persons entitled to benefits hereunder and their respective heirs and legal representatives, on the Committee and its successor and on the Company and its successors, whether by way of merger, consolidation, purchase or otherwise.

12.10. Severability. If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be enforced as if the invalid provisions had never been set forth therein.

IN WITNESS WHEREOF, Hudson Highland Group, Inc. has caused this Plan, as amended and restated herein, to be adopted by its duly authorized officer this 29th day of October 2007.

HUDSON HIGHLAND GROUP, INC.

By: ______________________________

EXHIBIT 10.9

Summary of Hudson Highland Group, Inc.
Compensation for Non-employee Members of the Board of Directors

The Company's policy of compensation for the non-employee members of the Board of Directors effective as of January 29, 2008 is as follows:

- *Retainer and Fees*. Each non-employee director is entitled to receive an annual cash retainer of $25,000, $15,000 paid in share units that will be deferred to a retirement account until the director ceases board service, a cash fee of $2,000 for each Board and Board committee meeting attended in person and a cash fee of $1,000 for each telephonic Board meeting. The Chairpersons of the Audit Committee and the Compensation Committee receive an additional annual cash retainer of $10,000 and the Chairperson of the Nominating and Governance Committee receives an additional annual cash retainer of $5,000. The lead director also receives an additional annual cash retainer of $10,000. Additionally, directors are reimbursed for out-of-pocket expenses associated with attending meetings of the Board and Board committees.
- *Equity Compensation*. Upon first being elected or appointed as a director of the Company, each non-employee director of the Company is granted deferred share units equal to three times the annual retainer, which vest over three years. After three years of board service, a non-employee director will receive annual grants of 2,500 deferred share units in addition to those share units received as part of the annual retainer.

HUDSON HIGHLAND GROUP

EXHIBIT 10.15

HUDSON HIGHLAND GROUP, INC.
DIRECTOR DEFERRED SHARE PLAN

ARTICLE 1.
PURPOSE AND EFFECTIVE DATE

Section 1.1. Purpose. The purpose of the Hudson Highland Group, Inc. Director Deferred Share Plan is to advance the Company's growth and success, and to advance the interests of its shareholders, by attracting and retaining well-qualified Outside Directors upon whose judgment the Company is largely dependent for the successful conduct of its operations and by providing such individuals with incentives to put forth maximum effort for the long-term success of the Company's business by aligning their interests more closely with the interests of stockholders.

Section 1.2. Effective Date. The Plan is effective on January 29, 2008.

ARTICLE 2.
DEFINITIONS AND CONSTRUCTION

Section 2.1. Definitions. Wherever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized. Other capitalized terms used in this Plan but not defined below have the meaning given in the Long Term Incentive Plan.

(a) "Affiliate" means each entity that is required to be included in the Company's controlled group of corporations within the meaning of Code Section 414(b), or that is under common control with the Company within the meaning of Code Section 414(c); *provided* that for purposes of determining whether a Participant has incurred a Separation from Service, the phrase "at least 50 percent" shall be used in place of the phrase "at least 80 percent" in each place that phrase appears in the regulations issued thereunder.

(b) "Beneficiary" means the person or persons entitled to receive the interest of a Participant in the event of the Participant's death as provided in Section 6.1(b).

(c) "Long Term Incentive Plan" means the Hudson Highland Group, Inc. Long Term Incentive Plan, as from time to time amended and in effect.

(d) "Outside Director" means a member of the Board who is not an officer or employee of the Company or an Affiliate.

(e) "Participant" means each Outside Director who has a Retirement Account under the Plan. Where the context so requires, a Participant also means a former director who is entitled to a benefit under the Plan.

(f) “Plan” means the arrangement described herein, as from time to time amended and in effect.

(g) “Retirement Account” means the record keeping account maintained to record the interest of each Participant under the Plan.

(h) “Separation from Service” means a Participant’s cessation of service as a Board member, for any reason, provided the cessation of service is a good-faith and complete termination of the Participant’s relationship with the Company and its Affiliates, within the meaning of Code Section 409A. If, at the time the Participant’s service as a Board member ends, the Participant begins providing services to the Company or an Affiliate as an employee, the Participant shall not incur a Separation from Service under the terms of the Plan until the Participant has a separation from service from the Company or an Affiliate as an employee within the meaning of Code Section 409A.

(i) “Share Units” means the hypothetical shares of Common Stock that are credited to the Participant’s Retirement Account in accordance with Article 5.

Section 2.2. Construction. Wherever any words are used in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

Section 2.3. Severability. In the event any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the said illegal or invalid provision had not been included.

ARTICLE 3.
ADMINISTRATION

The Plan is considered an “Other Equity-Based Award” granted pursuant to Section 9 of the Long Term Incentive Plan. Accordingly, the Plan is subject to all of the provisions of the Long Term Incentive Plan, including but not limited to, the administration provisions thereof.

ARTICLE 4.
PARTICIPATION

Each Outside Director on the effective date of the Plan shall automatically become a Participant on the effective date. Each other Outside Director shall automatically become a Participant on the date the individual is first elected to become an Outside Director. Each Board member who is not an Outside Director but later becomes an Outside Director (because such individual terminates employment with the Company and its Affiliates but remains on the Board) shall automatically become a Participant on the date such individual is first considered an Outside Director.

ARTICLE 5.
RETIREMENT ACCOUNTS

Section 5.1. Credits to Retirement Account. Each Participant shall have a Retirement Account established under this Plan on his behalf. A Participant's Retirement Account shall be credited with Share Units as follows:

(a) Annual Credit of Share Units. On the date of each annual meeting of the Company's stockholders, the Retirement Account of each Participant who is then an Outside Director shall be credited with a number of Share Units as determined by the Board. Share Units credited to a Participant's Retirement Account under this subsection (a) shall be 100% vested.

(b) Initial Credit of Share Units for Newly Elected Outside Director. On the date an Outside Director is initially elected to the Board, the Retirement Account of such Participant shall be credited with a number of Share Units determined by dividing an amount equal to three times the annual retainer for a Board member as in effect on such date by the Fair Market Value of a share of Common Stock on such date. One-third of the Share Units credited to a Participant's Retirement Account under this subsection (b) will become vested on each of the first three anniversaries of the date of the Participant's initial election to the Board as an Outside Director, provided the Participant remains an Outside Director through the relevant vesting date. Any unvested Share Units shall be forfeited on the date the Participant ceases to be a member of the Board. The Outside Director will begin participating in the annual grant at the beginning of the calendar year following 3 years of board service. A member of the Board who is not an Outside Director but later becomes an Outside Director (because such individual terminates employment with the Company and its Affiliates but remains on the Board) shall not be entitled to Share Units under this subsection (b).

(c) Dividends. Whenever the Company declares a dividend on its shares of Common Stock, in cash or in property, at a time when a Participant has Share Units credited to his Retirement Account, a dividend equivalent award shall be made to such Participant as of the date of payment of the dividend. The dividend equivalent award for a Participant shall be determined by multiplying the Share Units credited to the Participant's Account as of the date the dividend is declared by the amount or Fair Market Value of the dividend paid or distributed on one share of Common Stock. The dividend equivalent award shall be credited to the Participant's Retirement Account by converting such award into additional Share Units by dividing the amount of the dividend award by the Fair Market Value of a share of Common Stock on the date the dividend is paid.

Any other provision of this Plan to the contrary notwithstanding, if a dividend is declared on shares of Common Stock in the form of a right or rights to purchase shares of capital stock of the Company or of any entity acquiring the Company, such dividend equivalent award shall not be credited to the Participant's Retirement Account, but each Share Unit credited to a

Participant's Retirement Account at the time such dividend is paid, and each Share Unit thereafter credited to the Participant's Retirement Account at a time when such rights are attached to shares of Common Stock, shall thereafter be valued as of any point in time on the basis of the aggregate of the then Fair Market Value of one share of Common Stock plus the then Fair Market Value of such right or rights then or previously attached to one share of Common Stock.

Each additional Share Unit credited pursuant to this subsection (c) shall be vested in the same time and manner as the initial Share Unit to which it relates.

Section 5.2. Accounts are For Record Keeping Purposes Only. Retirement Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of the Company to fund such benefits.

Section 5.3. No Shareholder Rights With Respect to Share Units. Participants shall have no rights as a stockholder pertaining to Share Units credited to their Retirement Accounts.

ARTICLE 6.
PAYMENT

(a) Distributions at Separation from Service. Within ninety (90) days following a Participant's Separation from Service for any reason, the Participant (or his Beneficiary, in the event of the Participant's death prior to receipt of payment), shall be entitled to a distribution of a number of whole shares of Common Stock equal to the number of vested whole Share Units credited to the Participant's Retirement Account. Any vested fractional Share Unit shall be paid in cash, based on the Fair Market Value of share as determined on the date preceding the date payment is made.

(b) Beneficiary Designation. Each Participant may designate a Beneficiary in such form and manner and within such time periods as the Committee may prescribe. A Participant can change his beneficiary designation at any time, provided that each beneficiary designation shall revoke the most recent designation, and the last designation received by the Committee while the Participant is alive shall be given effect. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of distribution, the designation shall vest in the Beneficiary all of the distribution payable after the Participant's death, and any distribution remaining upon the Beneficiary's death shall be made to the Beneficiary's estate. If there is no valid beneficiary designation in effect at the time of the Participant's death, if the Beneficiary does not survive the Participant, or if the beneficiary designation provides that the Beneficiary must be living at the time of distribution and such designated Beneficiary does not survive to the distribution date, the Participant's estate will be deemed the Beneficiary and will be entitled to receive payment. If a Participant designates his spouse as a Beneficiary, such beneficiary designation automatically shall become null and void on the date the Committee receives notice of the Participant's divorce.

Section 6.2. Offset. The Company shall have the right to offset from any amount payable hereunder any amount that the Participant owes to the Company or to any Affiliate without the consent of the Participant (or his Beneficiary, in the event of the Participant's death).

Section 6.3. Additional Payment Provisions

(a) Acceleration of Payment. Notwithstanding the foregoing:

(1) If an amount deferred under this Plan is required to be included in income under Code Section 409A prior to the date such amount is actually distributed, a Participant shall receive a distribution, in a lump sum within ninety (90) days after the date the Plan fails to meet the requirements of Code Section 409A, of the amount required to be included in the Participant's income as a result of such failure.

(2) If a vested amount under the Plan is required to be distributed in a lump sum under a domestic relations order within the meaning of Code Section 414(p)(1)(B), it may be distributed according to the terms of such order, provided the Participant holds the Committee harmless with respect to such distribution. The Plan shall not distribute amounts required to be distributed under a domestic relations order other than in the limited circumstance specifically stated herein.

(b) Delay in Payment. Notwithstanding the foregoing:

(1) If a distribution required under the terms of this Plan would jeopardize the ability of the Company to continue as a going concern, the Company shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company to continue as a going concern. Any distribution delayed under this provision shall be treated as made on the date specified under the terms of this Plan.

(2) If a distribution will violate the terms of Section 16(b) of the Exchange Act or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE 7.
TERMS AND CONDITIONS

Section 7.1. No Funding. No stock, cash or other property will be deliverable to a Participant or his or her Beneficiary in respect of the Participant's Retirement Account until the date or dates identified pursuant to Article 6, and all Retirement Accounts shall be reflected in one or more unfunded accounts established for the Participant by the Company.

Payment of the Company's obligation will be from general funds, and no special assets (stock, cash or otherwise) have been or will be set aside as security for this obligation, unless otherwise provided by the Committee.

The right of a Participant or Beneficiary to receive payments under this Plan is that of a general, unsecured creditor of the Company, and the obligation of the Company to make payments constitutes a mere promise by the Company to pay such benefits in the future. Further, the arrangements contemplated by this Plan are intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

Section 7.2. No Transfers. Except as permitted by Section 6.1(b), a Participant's rights to payments under this Plan are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance by a Participant or his Beneficiary, or garnishment by a Participant's creditors or the creditors of his or her beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

Section 7.3. Retention as Director. Nothing contained in the Plan shall interfere with or limit in any way the right of the shareholders of the Company to remove any Director from the Board, nor confer upon any Director any right to continue in the service of Company as a Director.

ARTICLE 8.
TERMINATION AND AMENDMENT OF PLAN

The Plan may be amended or terminated as provided in the Long Term Incentive Plan. Upon termination of the Plan, the Committee may authorize that all Retirement Accounts be paid in a lump sum, including to a Participant that has not yet experienced a Separation from Service, only in the circumstances permitted by Code Section 409A.

List of Significant Subsidiaries of Hudson Highland Group, Inc.

Hudson Highland Group, Inc.'s significant subsidiaries as of December 31, 2007, are listed below. All other subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Subsidiary	State or jurisdiction of incorporation	Percentage owned
Hudson Global Resources Holding, Inc.	Delaware	100%
Hudson Global Resources Management, Inc.	Pennsylvania	100%
People.com Technology Partners, Inc.	Delaware	100%
Hudson Highland Group Holdings International, Inc.	Delaware	100%
Cornell Technical Services, Inc.	Virginia	100%
People.com Consultants, Inc.	California	100%
Hudson Global Resources America, Inc.	Florida	100%
Hudson Highland Group Search, Inc.	Canada	100%
Highland Partners Co (Canada)	Canada	100%
James Botrie & Associate	Canada	100%
Hudson Global Resources Limited	United Kingdom	100%
Hudson Trade & Industrial Services Pty Ltd.	Australia	100%
Hudson Global Resources (NZ) Ltd	New Zealand	100%
Hudson Global Resources S.A.S.	France	100%
Hudson Global Resources S.L.	Spain	100%
Hudson Highland Group Srl	Italy	100%
Hudson Global Resources Madrid S.L.	Spain	100%
HH Global Resources A.B.	Sweden	100%
Hudson Global Resources (Singapore) Pte Limited	Singapore	100%
Hudson Global Resources Hong Kong Limited	Hong Kong	100%
Hudson Human Capital Solutions (Shanghai) Ltd.	China	100%
Hudson Highland Group Search, Inc.	Canada	100%
Hudson Global Resources Kft	Hungary	100%
Hudson Global Resources s.r.o	Czech Republic	100%
Hudson Global Resources Sp.Zo.O	Poland	100%
Hudson Global Resources s.r.o.	Slovakia	100%
Balance Ervaring op Projectbasis B.V.	Netherlands	100%
Hudson Belgium SA NV	Belgium	100%
Hudson Luxembourg S.A.	Luxembourg	100%
Hudson Europe BV	Netherlands	100%

Exhibit 23

Consent of Independent Registered Public Accounting Firm

Hudson Highland Group, Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-4 (No. 333-119563) and Form S-8 (Nos. 333-104209, 333-104210, 333-104212, 333-117005, 333-117006 and 333-126915) of Hudson Highland Group, Inc. of our reports dated March 6, 2008, relating to the consolidated financial statements, the consolidated financial statement schedule, and the effectiveness of internal control over financial reporting of Hudson Highland Group, Inc., which appear in this Form 10-K.

/s/ BDO Seidman, LLP
New York, New York
March 6, 2008

Exhibit 31.1

CERTIFICATIONS

I, Jon F. Chait, certify that:

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

Dated: March 6, 2008

/s/ JON F. CHAIT

Jon F. Chait
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mary Jane Raymond, certify that:

1. I have reviewed this annual report on Form 10-K of Hudson Highland Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 6, 2008

/s/ MARY JANE RAYMOND

Mary Jane Raymond
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chairman of the Board and Chief Executive Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JON F. CHAIT

Jon F. Chait

March 6, 2008

Exhibit 32.2

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

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Executive Vice President and Chief Financial Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (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/ MARY JANE RAYMOND

Mary Jane Raymond

March 6, 2008