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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2005

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

FOR THE TRANSITION PERIOD FROM _____ to _____

COMMISSION FILE NUMBER: 000-50129

HUDSON HIGHLAND GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**59-3547281**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

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

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

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

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

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

Class	**Outstanding on April 30, 2005**
Common Stock	20,615,000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2005	**2004**
Revenue	$ 352,869	$ 289,804
Direct costs (Note 5)	224,662	183,413
Gross margin	128,207	106,391
Selling, general and administrative expenses	124,899	117,596
Depreciation and amortization	4,857	5,079
Business reorganization expenses	529	60
Merger and integration recoveries	(43)	(37)
Operating loss	(2,035)	(16,307)
Other expense:		
Other, net	276	1,597
Interest expense, net	426	401
Loss before provision for income taxes	(2,737)	(18,305)
Provision for income taxes	1,400	403
Net loss	$ (4,137)	$ (18,708)
Basic and diluted loss per share:		
Net loss	$ (.20)	$ (1.09)
Weighted average shares outstanding	20,504,000	17,231,000

See accompanying notes to consolidated condensed financial statements.

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

	March 31, 2005 (unaudited)	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,316	$ 21,064
Accounts receivable, net	222,804	197,582
Prepaid and other	14,142	14,187
Total current assets	249,262	232,833
Property and equipment, net	34,492	36,360
Other assets	6,335	6,081
Intangibles, net	5,896	6,104
Total assets	$ 295,985	$ 281,378
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 28,754	$ 27,023
Accrued expenses and other current liabilities	140,019	140,903
Short-term borrowings and current portion of long-term debt	23,354	4,066
Accrued business reorganization expenses	8,031	8,930
Accrued merger and integration expenses	1,751	1,872
Total current liabilities	201,909	182,794
Accrued business reorganization expenses, non-current	5,674	6,832
Accrued merger and integration expenses, non-current	2,843	3,329
Other non-current liabilities	2,564	2,648
Long-term debt, less current portion	2,367	2,041
Total liabilities	215,357	197,644
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 20,739,722 and 20,612,966 shares, respectively	21	21
Additional paid-in capital	355,707	353,825
Accumulated deficit	(315,713)	(311,576)
Accumulated other comprehensive income — translation adjustments	40,843	41,694
Treasury stock, 15,798 shares	(230)	(230)
Total stockholders' equity	80,628	83,734
	$ 295,985	$ 281,378

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
	2005	2004
Cash flows from operating activities:		
Net loss	$ (4,137)	$ (18,708)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,857	5,079
Provision for doubtful accounts	830	18
Provision for deferred income taxes	923	—
Restricted stock amortization	245	283
Net loss on disposal of assets	—	892
Changes in assets and liabilities:		
Increase in accounts receivable	(30,092)	(13,399)
(Increase) decrease in other assets	(1,478)	5,970
Increase in accounts payable, accrued expenses and other liabilities	6,472	11,653
Decrease in accrued business reorganization expenses	(1,713)	(6,198)
Decrease in accrued merger and integration expenses	(513)	(972)
Total adjustments	(20,469)	3,326
Net cash (used in) operating activities	(24,606)	(15,382)
Cash flows from investing activities:		
Capital expenditures	(2,139)	(2,518)
Net cash (used in) investing activities	(2,139)	(2,518)
Cash flows from financing activities:		
Borrowings under credit facility	24,250	13,550
Repayments under credit facility	(5,250)	(13,550)
Payments on short and long-term debt	(802)	(117)
Issuance of common stock – Long Term Incentive Plan option exercises	74	—
Proceeds from issuance of common stock	—	27,919
Payments received from Monster	—	2,500
Net cash provided by financing activities	18,272	30,302
Effect of exchange rates on cash and cash equivalents	(275)	(387)
Net (decrease) increase in cash and cash equivalents	(8,748)	12,015
Cash and cash equivalents, beginning of period	21,064	26,137
Cash and cash equivalents, end of period	$ 12,316	$ 38,152
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 330	$ 999
Taxes	$ 2,044	$ —

See accompanying notes to consolidated condensed financial statements.

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

	Common stock	Additional paid-in capital	Treasury stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total
Balance January 1, 2005	$ 21	$353,825	$ (230)	$ (311,576)	$ 41,694	$83,734
Net loss	—	—	—	(4,137)	—	(4,137)
Other comprehensive loss, translation adjustments	—	—	—	—	(851)	(851)
Issuance of shares for 401(k) plan	—	1,563	—	—	—	1,563
Issuance of shares from exercise of stock options	—	74	—	—	—	74
Restricted stock issuance and related compensation charge	—	245	—	—	—	245
Balance March 31, 2005	$ 21	$355,707	$ (230)	$ (315,713)	$ 40,843	$80,628

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

NOTE 1 - INTERIM CONSOLIDATED CONDENSED QUARTERLY FINANCIAL STATEMENTS

These interim consolidated condensed quarterly financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the combined audited financial statements and related notes of Hudson Highland Group, Inc. (the "Company") in its Annual Report on Form 10-K for the year ended December 31, 2004 filed with the SEC on March 14, 2005 (the "Form 10-K"). The consolidated results for interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

NOTE 2 – BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Basis of Presentation

The Company was historically the combination of 67 acquisitions (the "Constituent Companies") made between 1999 and 2002, which became the eResourcing and Executive Search divisions ("HH Group") of Monster Worldwide, Inc. ("Monster"), formerly TMP Worldwide, Inc. Some of the Company's constituent businesses have operated for more than 20 years. On March 31, 2003 (the "Distribution Date"), Monster spun-off the Company to its stockholders, and the Company has since operated as an independent publicly held company, adding two small acquisitions, and reorganizing a number of smaller business units after determining that those businesses were not viable profit centers. On February 2, 2005, the Board of Directors of the Company declared a two-for-one stock split effected in the form of a 100% stock dividend payable on February 25, 2005 to stockholders of record as of February 14, 2005. All share and per share amounts in this Form 10-Q are presented on a post-stock split basis.

Loss Per Share

Basic (loss) earnings per share is computed by dividing the Company's (losses) earnings 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 net earnings 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. For periods in which a loss is presented, 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 the quarters ended March 31, 2005 and 2004, the effect of approximately 1,138,000 and 1,000,000, 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.

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

Description of Business Segments

The Company is one of the world's largest specialized professional staffing, retained executive search and human capital solutions providers. The Company provides professional staffing services on a permanent, contract and temporary basis, as well as executive search and a range of human capital services to businesses operating in a wide variety of industries. The Company is organized into two business segments, the Hudson businesses ("Hudson") and Highland Partners ("Highland"), which constituted approximately 89% and 11% of the Company's gross margin, respectively, for the quarter ended March 31, 2005. The Company helps its clients in recruiting employees in a wide variety of positions ranging from mid-level or professional candidates to senior executives.

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

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

Hudson operates on a global basis in over 20 countries from over 110 offices with first quarter 2005 revenue of approximately 33% in North America, 36% in Europe (including the United Kingdom), and 31% in the Asia Pacific region (primarily Australia and New Zealand).

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

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

Highland, an executive search boutique with global capabilities, operates in 15 practice offices in four countries. For the quarter ended March 31, 2005, approximately 79% of revenue in the Highland business was derived in North America.

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

NOTE 3 – STOCK BASED COMPENSATION

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

The Company currently uses the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. Black-Scholes does not consider the employment, transfer or vesting restrictions that are inherent in the Company's employee options. Use of an option valuation model, as required by SFAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant.

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

	Three Months Ended March 31,	
	2005	2004
Risk free interest rate	4.0%	4.0%
Volatility	55.0%	55.0%
Expected life (years)	5.0	5.0
Dividends	0.0%	0.0%
Weighted average fair value of options granted during the period	$ 6.71	$ 6.40

For purposes of pro forma disclosures, the options' estimated fair value was assumed to be amortized to expense over the options' vesting periods. The pro forma effects of recognizing compensation expense under the fair value method on the Company's operating results and per share data are shown below. As a result of the Company's inability to recognize current tax benefits on reported net losses, total stock-based compensation expense is shown without tax benefits for all periods presented:

	Three Months Ended March 31,	
	2005	2004
Reported net loss	$(4,137)	$(18,708)
Add: Total stock-based employee compensation expense determined under fair value based method for all awards	(1,014)	(1,286)
Pro forma net loss	$(5,151)	$(19,994)
Basic and diluted earnings per share:		
As reported net loss	$ (.20)	$ (1.09)
Pro forma net loss	$ (.25)	$ (1.16)

NOTE 4 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2004, the Financial Accounting Standards Board (the "FASB") issued Staff Position ("FSP") No. 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* ("FSP 109-2"). FSP 109-2 provides guidance under SFAS 109, with respect to recording the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. The Company plans to evaluate the effects of the repatriation provision to determine how it will apply this provision.

On December 16, 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB No. 25. SFAS 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, SFAS 123 permitted entities the option of continuing to apply the guidance in APB No. 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. SFAS 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123R requires the cost of all share-based payment transactions be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value-based measurement method in accounting for share-based payment transactions. The statement applies to all awards granted, modified, repurchased or cancelled after July 1, 2005, and unvested portions of previously issued and outstanding awards.

The SEC amended the effective date of SFAS 123R with a new rule issued on April 14, 2005 to amend the compliance date for SFAS 123R that allows companies to implement SFAS 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005, although early adoption is allowed. SFAS 123R permits companies to adopt its requirements using either a "modified prospective" method, or a "modified retrospective" method. Under the "modified prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted after that date, and based on the requirements of SFAS 123 for all unvested awards granted prior to the effective date of SFAS 123R. Under the "modified retrospective" method, the requirements are the same as under the "modified prospective" method, but also permits entities to restate financial statements of previous periods based on proforma disclosures made in accordance with SFAS 123.

The Company currently expects to adopt SFAS 123R effective January 1, 2006; however, the Company has not yet determined which of the aforementioned adoption methods it will use. Based upon the stock options granted through February 2, 2005, estimates of employee contributions to the Employee Stock Purchase Plan and subject to a complete management review, the Company expects the adoption of SFAS 123R would reduce pre-tax income by approximately $3,200 for the year ended 2006, based upon current stock compensation plans. As a result of the Company's inability to recognize current tax benefits on reported net losses, tax benefits are not expected to be recorded in the near future. The Company has not changed any of the stock compensation plans as a result of the impending adoption of SFAS 123R but maintains the right to amend, suspend or terminate any plan at any time.

On December 16, 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions* ("SFAS 153"). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Previously, Opinion 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in the same or similar productive asset should be based on the recorded amount of the asset relinquished. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company currently expects to adopt SFAS 153 effective on July 1, 2005 and does not expect that the adoption will have an effect on its consolidated financial statements.

NOTE 5 - REVENUE, DIRECT COSTS AND GROSS MARGIN

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

	Three Months Ended March 31, 2005			Three Months Ended March 31, 2004		
	Temporary	Other	Total	Temporary	Other	Total
Revenue	$ 256,700	$96,169	$ 352,869	$ 204,770	$ 85,034	$ 289,804
Direct costs (1)	212,135	12,527	224,662	171,482	11,931	183,413
Gross Margin	$ 44,565	$83,642	$ 128,207	$ 33,288	$ 73,103	$ 106,391

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

NOTE 6—BUSINESS REORGANIZATION EXPENSES

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

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

In the following tables, amounts under the "Utilization" caption are primarily the cash payments associated with the plans and amounts in the "Change in estimate" column represent amounts charged to business reorganization expenses in the Company's statement of operations. Business reorganization expense activities and liability balances were as follows:

Year ended December 31, 2004	December 31, 2004	Changes in estimate	Utilization	March 31, 2005
Consolidation of excess facilities	$ 12,894	$ 605	$ (1,843)	$ 11,656
Workforce reduction	663	—	(180)	483
Professional fees and other	2,205	(76)	(563)	1,566
Total	$ 15,762	$ 529	$ (2,586)	$ 13,705

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

Year ended December 31, 2004	December 31, 2004	Changes in estimate	Utilization	March 31, 2005
Second Quarter 2002 Plan	$ 3,062	$ 700	$ (622)	$ 3,140
Fourth Quarter 2002 Plan	7,921	(1)	(920)	7,000
Fourth Quarter 2003 Plan	4,779	(170)	(1,044)	3,565
Total	$ 15,762	$ 529	$ (2,586)	$ 13,705

NOTE 7 - BUSINESS COMBINATIONS

Accrued Merger and Integration Expenses

In connection with plans relating to pooled entities, the Company recovered $43 and $37 in the first quarter of 2005 and 2004, respectively, relating to integration activities included as a component of merger and integration expenses. All merger and integration accruals and expenses consist of obligations from assumed leases on closed facilities.

The following table presents a summary of activity relating the Company's integration and restructuring plans for acquisitions made in prior years. Amounts under the "Expense" column represented modifications to plans, subsequent to finalization and have been (recovered) or expensed in the current period. Amounts under the "Utilization" caption of the following tables were primarily the cash payments associated with the plans.

Details of merger and integration activity by plan for the three months ended March 31, 2005 follow:

	December 31, 2004	Expense	Utilization	March 31, 2005
2000 Plans	$ 2,407	$ —	$ (202)	$ 2,205
2001 Plans	800	(43)	(57)	700
2002 Plans	1,994	—	(305)	1,689
Total	$ 5,201	$ (43)	$ (564)	$ 4,594

There were no acquisitions during the first quarter of 2005.

NOTE 8 - TAXES

The provision for income taxes for the three months ended March 31, 2005 was $1,400 on a pretax loss of $2,737, compared with a provision of $403 on a pretax loss of $18,305 for the same period of 2004. The higher tax provision in the first quarter of 2005 related primarily to the increase in foreign tax expense in jurisdictions where there are no tax loss carry-forwards available to offset taxable income. In each period, the effective tax rate differs from the U.S. Federal statutory rate of 35% due to valuation allowances on deferred tax assets, certain non-deductible expenses such as amortization, business restructuring and spin off costs, merger costs from pooling of interests transactions, and variations from the U.S. tax rate in foreign jurisdictions. The Company records a valuation allowance against deferred tax assets to the extent that it is more likely than not that some portion, or all of, the deferred tax assets will not be realized.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Company and Monster entered into a three-year commercial contract, ending March 31, 2006, involving the utilization of Monster.com services for targeting, sourcing, screening and tracking prospective job candidates around the world. The Company and Monster may from time to time also negotiate and purchase other services from the other, pursuant to customary terms and conditions. There is no contractual commitment that requires the Company to use Monster services in preference to other competitors.

NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

During the quarter ended March 31, 2005, the Company issued 94,958 shares of its common stock to satisfy the 2004 contribution liability to the 401(k) Savings Plan; the value of these shares at issuance was $1,563. Also during the quarter ended March 31, 2005, the Company entered into a capital lease obligation for a financial and operational application software package with a fair value of $1,090.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company has a history of operating losses and has operated as an independent company only since the Distribution Date. Prior to the Distribution Date, the Company's operations were historically financed by Monster as separate segments of Monster's broader corporate organization rather than as a separate stand-alone company. Monster assisted the Company by providing financing, particularly for acquisitions, as well as providing corporate functions such as identifying and negotiating acquisitions, legal and tax functions. Following the Distribution, Monster has no obligation to provide assistance to the Company other than the interim and transitional services provided by Monster pursuant to the transition services agreement, which have essentially all been completed.

NOTE 12 — FINANCIAL INSTRUMENTS

Credit Facility

The Company has a senior secured credit facility for $50,000 with Wells Fargo Foothill, Inc., as agents and certain lenders (the "Foothill Credit Facility"). The maturity date of the Foothill Credit Facility is March 31, 2007. Outstanding loans bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit are based on a percentage of the accounts receivable of the Company. The Company expects to continue to use such credit to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. During the quarter ended March 31, 2005, the Company borrowed $24,250 and repaid $5,250 under the Foothill Credit Facility. As of March 31, 2005, outstanding borrowings were $19,000 and the Company had letters of credit issued and outstanding of $19,037, leaving $11,963 of the Foothill Credit Facility available for use.

The Foothill Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends and repurchases of the Company's stock; (2) requirements that the Company maintain its Adjusted EBITDA and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness. These restrictions and covenants could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions. On March 31, 2005, the Company entered into an amendment to the Foothill Credit Facility that, among other things, approved the Company's updated plan for consolidation of certain of its subsidiaries and clarified the basis for establishing the Company's Adjusted EBITDA covenant for the Company's fiscal year 2005 and thereafter.

On May 2, 2005, the Company entered into an amendment to the Foothill Credit Facility that increased the maximum borrowing level allowed under the Foothill Credit Facility from $50,000 to $54,000, for a period ending May 31, 2005. The Company's outstanding borrowings under the Foothill Credit Facility have increased to approximately $33,300 as of May 2, 2005 from $19,000 million as of March 31, 2005. As of May 2, 2005, the Company had letters of credit issued and outstanding of approximately $18,000, leaving $2,700 of available credit under the Foothill Credit Facility . The Company expects that its outstanding borrowings under the Foothill Credit Facility will remain at a level near or at capacity throughout May 2005 and possibly longer.

Derivatives Held for Purposes Other Than Trading

The Company periodically enters into forward contracts to reduce exposure to exchange rate risk related to short-term intercompany loans denominated in currencies other than the functional currency. The fair values for all derivatives are recorded in other assets or other liabilities in the consolidated balance sheets.

The notional amounts and fair values of the Company's derivatives as of March 31, 2005 follow:

Inception Dates	Maturity Dates	Notional Value	Fair Value	Derivative Type
March 2005	April 2005	$ 5,911	$ 29	Currency forward

NOTE 13 - COMPREHENSIVE (LOSS) INCOME

	Three Months Ended March 31,	
	2005	2004
Net loss	$(4,137)	$(18,708)
Other comprehensive (loss) income - translation adjustments	(851)	908
Total comprehensive loss	$(4,988)	$(17,800)

NOTE 14 — SEGMENT AND GEOGRAPHIC DATA

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

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

	Three Months Ended March 31,	
Information by business segment	2005	2004
Revenue		
Hudson	$338,005	$275,275
Highland	14,864	14,529
	$352,869	$289,804
Gross Margin		
Hudson	$114,141	$ 92,765
Highland	14,066	13,626
	$128,207	$106,391
Depreciation and amortization		
Hudson	$ 4,371	$ 3,733
Highland	354	423
Corporate	132	923
	$ 4,857	$ 5,079
Business reorganization expenses (recoveries)		
Hudson	$ 529	$ (16)
Highland	—	76
	$ 529	$ 60
Operating income (loss)		
Hudson	$ 7,668	$ (6,807)
Highland	96	(443)
Corporate expenses	(9,799)	(9,057)
Operating income (loss)	(2,035)	(16,307)
Interest and other expense, net	702	1,998
Loss before provision for income taxes	$ (2,737)	$ (18,305)

NOTE 14 – SEGMENT AND GEOGRAPHIC DATA (Continued)

	As of March 31,	
	2005	2004
Accounts receivable, net		
Hudson	$214,314	$152,630
Highland	8,490	8,213
	$222,804	$160,843
Long-lived assets, net of accumulated amortization		
Hudson	$ 32,228	$ 28,135
Highland	2,072	3,471
Corporate	6,088	6,467
	$ 40,388	$ 38,073

	As of and for the Three Months Ended						
Information by geographic region	**United States**	**Australia**	**United Kingdom**	**Continental Europe**	**Other Asia**	**Other Americas**	**Total**
March 31, 2005							
Revenue	$122,254	$81,549	$95,985	$ 28,335	$24,084	$ 662	$352,869
Long-lived assets	$ 22,314	$ 8,126	$ 5,373	$ 3,081	$ 1,223	$ 271	$ 40,388
March 31, 2004							
Revenue	$ 80,448	$83,995	$78,691	$ 26,371	$18,949	$ 1,350	$289,804
Long-lived assets	$ 16,932	$ 8,280	$ 6,638	$ 3,877	$ 1,873	$ 473	$ 38,073

NOTE 15 – STOCKHOLDERS' EQUITY

On February 2, 2005, the Board of Directors of the Company declared a two-for-one stock split effected in the form of a 100% stock dividend paid on February 25, 2005 to stockholders of record as of February 14, 2005. This stock split resulted in the issuance of approximately 10,300,000 additional shares of common stock and was accounted for by the transfer of approximately $10 from additional paid-in capital to common stock, which was recorded as of December 31, 2004, and the restatement of all share and per share amounts in this Form 10-Q for the stock split.

Also, 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 paid upon the close of business 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 agreement is extended or the Rights are redeemed, exchanged or terminated earlier, the Rights will expire on February 28, 2015.

Report of Independent Registered Public Accounting Firm

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

We have reviewed the consolidated condensed balance sheet of Hudson Highland Group, Inc. as of March 31, 2005, the related consolidated condensed statements of operations for the three month period ended March 31, 2005 and 2004, the related consolidated condensed statements of cash flows for the three month period ended March 31, 2005 and 2004 and the consolidated condensed statement of changes in stockholders' equity for the three month period ended March 31, 2005 included in the accompanying Securities and Exchange Commission Form 10-Q for the period ended March 31, 2005. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Hudson Highland Group, Inc. as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 8, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2004 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ BDO Seidman, LLP

BDO Seidman, LLP

New York, New York
May 5, 2005

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

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

Hudson Highland Group, Inc. (the "Company" or "we", "us" and "our") is one of the world's largest specialized professional staffing, retained executive search and human capital solutions providers. The Company provides professional staffing services on a permanent, contract and temporary basis, as well as executive search and a range of human capital services to businesses operating in a wide variety of industries. The Company is organized into two business segments, the Hudson businesses ("Hudson") and Highland Partners ("Highland"), which constituted approximately 89% and 11% of the Company's gross margin, respectively, for the quarter ended March 31, 2005. We help our clients in recruiting employees in a wide variety of positions ranging from mid-level or professional candidates to senior executives.

Strategic Actions

With the focus of our management being to move the Company to profitability, we are continuing with several initiatives in 2005 that we began in 2004 to meet our long-term strategic goals.

- Increase the portion of our revenues attributable to temporary contracting in higher margin specializations.
- Increase the portion of our revenue attributable to the North American market.
- Realign our expense structure and infrastructure costs in various markets including office relocations and closures, and management staff reductions, to better match our business mix and improve the potential profitability of those operations.
- Continue to reposition of our Highland business as a global boutique. The strategic direction that we are following with our Highland businesses is to become an executive search boutique with global capabilities, operating at the highest end of the executive search market with a limited number of highly experienced partners.
- In 2005, subsequent to the end of the first quarter, we filed a universal shelf registration statement on Form S-3 with the SEC for the possible future offer and sale, from time-to-time, of up to an aggregate of $40 million of equity and/or debt securities. This shelf registration will offer the Company additional flexibility in accessing the capital markets to support the continued growth of our business.

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

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

Hudson operates on a global basis in over 20 countries from over 110 offices with first quarter 2005 revenue of approximately 33% in North America, 36% in Europe (including the United Kingdom), and 31% in the Asia Pacific region (primarily Australia and New Zealand).

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

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

Highland, an executive search boutique with global capabilities, operates in 15 practice offices in four countries. For the quarter ended March 31, 2005, approximately 79% of revenue in the Highland business was derived in North America.

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

Results of Operations

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

	For the Three Months Ended March 31,	
	2005	2004
Hudson revenue	$ 338,005	$ 275,275
Highland revenue	14,864	14,529
	$ 352,869	$ 289,804
Hudson gross margin	$ 114,141	$ 92,765
Highland gross margin	14,066	13,626
	$ 128,207	$ 106,391
Gross margin as a percentage of revenue	36.3%	36.7%
Hudson operating income (loss)	$ 7,668	$ (6,807)
Highland operating income (loss)	96	(443)
Corporate expenses	(9,799)	(9,057)
Operating loss	$ (2,035)	$ (16,307)
Net loss	$ (4,137)	$ (18,708)
Temporary Contracting Data (1):		
Temporary contracting revenue	$ 256,700	$ 204,770
Direct costs of temporary contracting	212,135	171,482
Temporary contracting gross margin	$ 44,565	$ 33,288
Gross margin as a percent of revenue	17.4%	16.3%

(1) Temporary contracting revenues are a component of Hudson revenues. Temporary contracting gross margin and gross margin as a percent of revenue are shown to provide additional information on the Company's ability to manage its cost structure and provide further comparability relative to 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 revenues, direct costs, gross margin and selling, general and administrative expenses include the effect of changes in foreign currency exchange rates. Variance analysis usually describes period-to-period variances that are calculated using constant currency as a percentage. The Company's management reviews and analyzes business results in constant currencies and believes these results better represent the Company's underlying business trends.

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

	For the Three Months Ended March 31,			
	2005			2004
	As reported	Currency Translation	Constant Currencies	As reported
Hudson revenue	$ 338,005	$ (7,196)	$ 330,809	$ 275,275
Highland revenue	14,864	(155)	14,709	14,529
Revenue	352,869	(7,351)	345,518	289,804
Direct costs	224,662	(4,066)	220,596	183,413
Gross margin	$ 128,207	$ (3,285)	$ 124,922	$ 106,391
Selling, general and administrative expenses (a)	$ 129,756	$ (2,811)	$ 126,945	$ 122,675

(a) Selling, general and administrative expenses include salaries and related, office and general, marketing and promotion, and depreciation and amortization

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Consolidated revenue for the three months ended March 31, 2005 was $352,869, an increase of $63,065, or 21.8%, as compared to revenue of $289,804 in the first quarter of 2004. On a constant currencies basis, revenue increased 19.2% comparing the 2005 first quarter with the 2004 first quarter. Temporary contracting revenue grew 23.3% on a constant currency basis, which included the effect of additional billing days in first quarter 2005 compared to first quarter 2004 (+5%). Permanent placement and search revenue grew 9.3% and Human Capital Solutions grew 8.0% in constant currency in 2005 first quarter compared to 2004 first quarter.

Hudson revenue was $338,005 for the three months ended March 31, 2005, an increase of 22.8% over the same period of 2004. On a constant currency basis, Hudson revenue increased 20.2% from prior year, reflecting strong demand for services and additional billing days for the temporary contracting business. On a constant-currency basis, temporary contracting revenue increased 23.3% and permanent placement revenue increased 11.4%. North America showed particularly significant increases (+54.9%) from strong performances in the legal (+89%), accounting & finance (+268%), information technology ("IT")(+39%) and engineering aerospace and defense (+61%) practice groups. North America also included the effect of additional billing days in first quarter 2005 compared to first quarter 2004 (+4%). On a constant currency basis, Europe's increase (+14.6%) was led by growth in the U.K. (+18.4%) and Belgium (+22.7%) with strong growth from the smaller operations in Spain and Sweden. The Asia Pacific region had constant currency growth of 0.9% from prior year, reflecting increases in China (+127%), Hong Kong (+57%), Singapore (+31%), Japan (+20%) and New Zealand (+9%), offset by a decline in the larger Australian business (–3%).

Highland revenue of $14,864 for the three months ended March 31, 2005 increased 2.3% from $14,529 in same period of 2004. On a constant currency basis, Highland revenue increased 1.2% comparing the first quarter of 2005 with the same period of 2004, reflecting higher revenue in North America (+23.2%) and the U.K. (+14.2%), essentially offset by lower revenues in Australia (-61.2%) and the absence of any continental European revenue in 2005 due to the 2004 closure of operations.

Direct costs for 2005 first quarter were $224,662, increasing 22.5% from $183,413 for the same period of 2004. On a constant currency basis, direct costs increased 20.3% from prior year, primarily reflecting strong demand for services, particularly in temporary contracting costs in Hudson North America (+52.1%) and Hudson U.K. (+20.6%), offset by a decrease in Hudson Australia temporary contracting costs (-4.6%).

Gross margin, defined as revenue less direct costs, for the quarter ended March 31, 2005 was $128,207, higher by $21,816, or 20.5%, from $106,391 reported in the quarter ended March 31, 2004. On a constant currency basis, gross margin increased 17.4% comparing 2005 with 2004. Gross margin derived from temporary contracting increased 31.9% on a constant currency basis as a result of growth in North America and Europe, while gross margin derived from the Other revenue category increased 28.7%. Gross margin as a percentage of revenue declined to 36.3% for the first quarter of 2005, from 36.7% in the first quarter of 2004, as a result of the mix of the gross margin by revenue category. Temporary contracting, which has a lower gross margin than the Other revenue category, increased as a proportion of consolidated revenue in the 2005 first quarter compared to the 2004 first quarter. The temporary contracting gross margin increased to 17.4% in the 2005 first quarter compared to 16.3% in the 2004 first quarter. Gross margin for Hudson North America increased (+60.0%) on a constant currency basis for 2005 first quarter compared to the same period of 2004, including the effect of additional billing days in first quarter 2005 compared to first quarter 2004 (+4%).

Selling, general and administrative expenses for 2005 first quarter were $129,756 compared with $122,675 for the same period of 2004. Selling general and administrative expenses were 36.8% and 42.3%, as a percentage of revenue for the first quarter of 2005 and 2004, respectively. On a constant currency basis, first quarter 2005 selling, general and administrative expenses increased by 3.5% compared to the first quarter 2004. The increase primarily related to increases in compensation expense for sales and delivery staff and higher provisions for doubtful accounts, partially offset by lower occupancy and support staff compensation.

Business reorganization expenses for 2005 first quarter were $529 compared to $60 for the same period in 2004. The 2005 expenses were primarily related to the relocation of the Hudson North America Tampa office, which had been included in the reorganization of operations announced in the second quarter of 2002 and completed in the first quarter of 2005, partially offset by lower estimates for professional fees and other lease costs. The 2004 expenses were for changes in estimates related to plans initiated in 2003 and 2002. There were no new reorganization programs initiated in the first quarters of 2005 and 2004. Merger and integration expenses reflect costs incurred as a result of pooling-of-interests transactions and the integration of such companies. For the periods presented, recoveries are changes in estimates for lease obligations of acquisitions completed prior to June 2002.

The operating loss of $2,035 in the 2005 first quarter compared to a loss of $16,307 in the same period of 2004, an improvement of $14,272. Of this improvement, Hudson accounted for $14,475 and Highland $539. Corporate expense increased to $9,799 in 2005 from $9,057 in 2004, primarily as a result of higher professional fees and support staff expenses, partially offset by lower depreciation expense. For Hudson all the regions reported operating income improvement in 2005 compared to 2004 with the North America and Europe regions reporting income in 2005 compared to losses in 2004. Highland reported operating income in North America and operating losses in the U.K. and Australia for the first quarter of 2005.

Other non-operating expenses, including net interest expense, were $702 in the 2005 first quarter and $1,998 for the same period of 2004. Other non-operating expenses included $892 of losses on disposition of certain non-U.S. operations in 2004.

The provision for income taxes for the 2005 first quarter was $1,400 on a pretax loss of $2,737, compared with a provision of $403 on a pretax loss of $18,305 for the same period of 2004. No benefits on losses were recorded. The higher tax provision in 2005’s first quarter related primarily to the increase in foreign tax expense in jurisdictions where there were no tax loss carry-forwards available to offset taxable income compared to lower non-U.S. taxable income for the same period of 2004. In each period, the effective tax rate differs from the U.S. Federal statutory rate of 35% due to valuation allowances on deferred tax assets, certain non-deductible expenses such as amortization, business restructuring and spin off costs, merger costs from pooling-of-interests transactions, and variations from the U.S. tax rate in foreign jurisdictions.

Net loss was $4,137 for the three months ended March 31, 2005, compared with a net loss of $18,708 for the same period in 2004.

Basic and diluted loss per share for the first quarter of 2005 was a loss of $.20 per share, compared to a loss of $1.09 per share in the first quarter of 2004. Basic average shares outstanding increased in 2005 as a result of the issuance of shares of common stock in a public offering in March 2004, shares issued as consideration in an acquisition in the second quarter 2004, and other stock compensation share issuances during 2004 and 2005. For the period ended March 31, 2005 and 2004, the effects of approximately 1,138,000 and 1,000,000 outstanding stock options and other common stock equivalents, respectively, were excluded from the calculation of diluted loss per share because the effect was anti-dilutive.

Liquidity and Capital Resources

The Company's liquidity needs arise primarily from funding working capital requirements, as well as capital investment in information technology.

The Company has a senior secured credit facility for $50,000 with Wells Fargo Foothill, Inc., as agents and certain lenders (the "Foothill Credit Facility"). The maturity date of the Foothill Credit Facility is March 31, 2007. Outstanding loans bear interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Foothill Credit Facility is secured by substantially all of the assets of the Company and extensions of credit are based on a percentage of the accounts receivable of the Company. The Company expects to continue to use such credit to support its ongoing working capital requirements, capital expenditures and other corporate purposes and to support letters of credit. During the quarter ended March 31, 2005, the Company borrowed $24,250 and repaid $5,250 under the Foothill Credit Facility. As of March 31, 2005, outstanding borrowings were $19,000 and the Company had letters of credit issued and outstanding of $19,037, leaving $11,963 of the Foothill Credit Facility available for use.

The Foothill Credit Facility contains various restrictions and covenants, including (1) prohibitions on payments of dividends and repurchases of the Company's stock; (2) requirements that the Company maintain its Adjusted EBITDA and capital expenditures within prescribed levels; (3) restrictions on the ability of the Company to make additional borrowings, or to consolidate, merge or otherwise fundamentally change the ownership of the Company; and (4) limitations on investments, dispositions of assets and guarantees of indebtedness. These restrictions and covenants could limit the Company's ability to respond to market conditions, to provide for unanticipated capital investments, to raise additional debt or equity capital, to pay dividends or to take advantage of business opportunities, including future acquisitions.

On March 31, 2005, the Company entered into an amendment to the Foothill Credit Facility that established the Adjusted EBITDA and capital expenditure covenant levels for fiscal year 2005. The Adjusted EBITDA covenant generally provides that the Company's Adjusted EBITDA (as defined in the Foothill Credit Facility) for the trailing twelve-month periods ending March 31, June 30, September 30 and December 31, 2005 may not be less than $4,500, $5,000, $6,000 and $6,000, respectively. The capital expenditure covenant provides that the Company's capital expenditures for 2005 may not exceed $13,000.

On May 2, 2005, the Company entered into an amendment to the Foothill Credit Facility that increased the maximum borrowing level allowed under the Foothill Credit Facility from $50,000 to $54,000 for a period ending May 31, 2005. The Company's outstanding borrowings under the Foothill Credit Facility have increased to approximately $33,300 as of May 2, 2005 from $19,000 million as of March 31, 2005. As of May 2, 2005, the Company had letters of credit issued and outstanding of approximately $18,000, leaving $2,700 of available credit under the Foothill Credit Facility . The Company expects that its outstanding borrowings under the Foothill Credit Facility will remain at a level near or at capacity throughout May 2005 and possibly longer.

During the three months ended March 31, 2005 and 2004, the Company used cash in operating activities of $24,606 and $15,382, respectively. Cash usage in 2005 first quarter compared to the same period of 2004 was negatively affected by the significant growth in revenues for the Company, particularly in Hudson North America (+55%) and Hudson U.K (+18%), which caused variances from the prior year in working capital, primarily accounts receivable of $16,693, and in other assets of $7,448. The increased revenue did result in lower losses of $14,571, and the process of winding up business reorganization plans resulted in lower payments on prior accrued amounts of $4,485.

During the three months ended March 31, 2005 and 2004, the Company used cash in investing activities of $2,139 and $2,518, respectively. This use of cash was for capital expenditures in the normal course of operations, which decreased in the first quarter of 2005 compared to the same period of 2004.

During the three months ended March 31, 2005 and 2004, the Company generated cash from financing activities of $18,272 and $30,302, respectively. The cash provided from financing was lower in the first quarter of 2005 compared to the same period of 2004, as a result of the absence of the proceeds from the issuance of common stock effected in 2004 ($27,919) and the absence of payments received from Monster ($2,500), partially offset by increased net borrowing under the credit facility ($19,000).

On April 14, 2005, the Company filed a universal shelf registration statement on Form S-3 with the SEC for the possible future offer and sale, from time-to-time, of up to an aggregate of $40,000 of equity and/or debt securities.

The Company believes that its cash and cash equivalents, supplemented by the Foothill Credit Facility and, the $40,000 universal shelf registration, can provide it with sufficient liquidity to satisfy its working capital needs, capital expenditures, investment requirements and commitments through at least the next twelve months. Cash generated from operating activities is subject to the Company's management of its operating growth and working capital, fluctuations in the global economy and unemployment rates. Total third-party debt and capital lease obligations were $25,721, as of March 31, 2005. The shelf registration statement to issue up to 1,350,000 shares of the Company's common stock can provide it with additional available funding in connection with acquisitions.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

All statements other than statements of historical fact included in this Form 10-Q, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. All forward-looking statements are subject to important factors, risks, uncertainties and assumptions, including industry and economic conditions, that could cause actual results to differ materially from those described in the forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to, (1) the impact of global economic fluctuations on the Company's temporary contracting operations, (2) the cyclical nature of the Company's executive search and mid-market professional staffing businesses, (3) the Company's ability to manage its growth and fund working capital requirements associated therewith, (4) risks associated with expansion, (5) the Company's heavy reliance on information systems and the impact of potentially losing or failing to develop technology, (6) competition in the Company's markets, (7) fluctuations in the Company's operating results from quarter to quarter, (8) risks relating to the Company's foreign operations, including foreign currency fluctuations, (9) the Company's dependence on its highly skilled professionals and key management personnel, (10) the impact of employees departing with existing executive search clients, (11) risks maintaining the Company's professional reputation and brand name, (12) restrictions imposed by blocking arrangements, (13) the Company's exposure to employment-related claims from both clients and employers and limits on related insurance coverage, (14) the impact of government regulations, and (15) restrictions on the Company's operating flexibility due to the terms of its credit facility. Please see "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC on March 14, 2005 for more information.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The majority of the Company's borrowings are in fixed rate leases and seller financed notes. The carrying amounts of long-term debt approximate fair value, generally due to the short-term nature of the underlying instruments. During the three months ended March 31, 2005, the Company borrowed $24,250 and repaid a total of $5,250 under its credit facility for outstanding borrowings of $19,000 as of March 31, 2005, which bears interest equal to the prime rate plus 0.25% or LIBOR plus 2.00%, at the Company's option. The Company does not trade derivative financial instruments for speculative purposes.

The Company also conducts operations in various foreign countries, including Australia, Belgium, Canada, France, the Netherlands, New Zealand and the United Kingdom. For the three months ended March 31, 2005, approximately 71% of gross margin was earned outside the United States and collected in local currency, and related operating expenses also were paid in such corresponding local currency. Accordingly, the Company is subject to increased risk for exchange rate fluctuations between such local currencies and the U.S. dollar.

The financial statements of the Company's non-U.S. subsidiaries are translated into U.S. dollars using current rates of exchange, with translation gains or losses included in the cumulative translation adjustment account, a component of stockholders' equity. During the three months ended March 31, 2005, the Company had a translation loss of $851 primarily attributable to the strenghtening of the U.S. dollar against the Euro, British Pound and New Zealand Dollar.

The Company's objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes. Accordingly, the Company enters into foreign currency forward contracts to minimize the impact of foreign exchange movements on intercompany loan balances. At March 31, 2005, the outstanding foreign currency forward contracts had terms of no more than one month. The principal currencies hedged are the New Zealand Dollar and British Pound.

The notional value of the Company's hedging instruments was approximately $5,911 at March 31, 2005. The fair value of these hedging instruments is subject to change as a result of potential changes in foreign exchange rates. The Company assesses its market risk based on changes in foreign exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in fair values based on a hypothetical 10% change in currency rates. The potential loss in fair value for foreign exchange rate-sensitive instruments, all of which were forward foreign currency contracts, based on a hypothetical 10% decrease in the value of the U.S. dollar or, in the case of non-dollar-related instruments, the currency being purchased, was $591 at March 31, 2005. However, the change in the fair value of foreign exchange rate-sensitive instruments would likely be offset by a change in the fair value of the intercompany loans being hedged. The estimated fair values of the foreign exchange risk management contracts were determined based on quoted market prices.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, with the participation of the Company's Chairman of the Board and Chief Executive Officer and Executive Vice President and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the quarter ended March 31, 2005. Based upon their evaluation of these disclosure controls and procedures, the Chairman of the Board and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the quarter ended March 31, 2005 to ensure that material information relating to the Company, including the Company's consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

Changes in internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2005 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended March 31, 2005, the Company made no repurchases of its equity securities.

ITEM 5. OTHER INFORMATION

Entry into a Material Definitive Agreement

Approval of Executive Employment Agreements

On May 5, 2005, the Compensation Committee of the Board of Directors of the Company (the "Committee") approved Executive Employment Agreements (the "Employment Agreements") for each of the Company's executive officers (other than Jon F. Chait and Steven B. London) that were effective as of May 6, 2005. Pursuant to the Employment Agreements the Company agrees to employ each of the executive officers for one-year terms, with automatic, annual extensions of additional one-year terms. Under the Employment Agreements, the executives are entitled to (i) an annual base salary ($350,000 for Richard W. Pehlke, $275,000 for Margaretta Noonan, $225,000 for Richard S. Gray, $250,000 for Richard A. Harris, $175,000 for Neil J. Funk, $225,000 for Ralph L. O'Hara and $265,000 for Latham Williams); (ii) eligibility to receive an annual bonus as provided in the Company's senior management bonus plan; (iii) other benefits of employment comparable to other senior management; and (iv) four weeks of vacation per year.

Under the Employment Agreements, the Company has the right to terminate the executive's employment at any time. If the Company terminates the executive's employment without cause (as defined in the Employment Agreements), then, subject to the executive executing the Company's then current form of separation agreement and general release, the executive will be entitled to receive a severance payment equal to one year of his or her then current base salary, plus the Company's portion of the premiums for providing continued health and dental insurance benefits to the executive for twelve months after termination (with the amount of such premiums deducted from the executive's severance payment).

Under the Employment Agreements, after a change in control of the Company (as defined in the Employment Agreements), if the executive's employment is terminated by the Company other than by reason of death, disability or for cause (as defined in the Employment Agreements) or by the executive for good reason (as defined in the Employment Agreements), then the executive is entitled to a cash termination payment equal to the executive's annual base salary immediately prior to termination and the executive's target annual bonus under the Company's Senior Management Bonus Plan for the year in which the termination occurs, plus health and dental insurance benefits for a period of up to twelve months after termination. The Employment Agreements provide that, subject to limited exceptions, if the payments under the Employment Agreements or under any other agreement with or plan of the Company are "excess parachute payments" for purposes of the Internal Revenue Code (the "Code"), then the Company will pay the executive the amount necessary to offset the 20% excise tax imposed by the Code and any additional taxes on this payment.

In connection with entering into the Employment Agreements, the executives also executed confidentiality, non-solicitation and work product assignment agreements and mutual agreements to arbitrate claims with the Company. The form of Employment Agreement is filed as Exhibit 10.2 to this Quarterly Report and is incorporated by reference herein.

Approval of Executive Excise Tax Gross-Up Agreement

On May 5, 2005, the Committee approved an Executive Excise Tax Gross-Up Agreement (the "Gross-Up Agreement") for Jon F. Chait, the Company's Chairman of the Board and Chief Executive Officer, that was effective as of May 6, 2005. The Gross-Up Agreement provides that, after a change in control of the Company (as defined in the Gross-Up Agreement), if Mr. Chait's employment is terminated by the Company other than by reason of death, disability or for cause (as defined in the Gross-Up Agreement) or by Mr. Chait for good reason (as defined in the Gross-Up Agreement), subject to limited exceptions, and the payments under the Gross-Up Agreement or under any other agreement with or plan of the Company are "excess parachute payments" for purposes of the Code, then the Company will pay Mr. Chait the amount necessary to offset the 20% excise tax imposed by the Code and any additional taxes on this payment. The Gross-Up Agreement is filed as Exhibit 10.3 to this Quarterly Report and is incorporated by reference herein.

Amended Forms of Equity Award Agreements

On May 5, 2005, the Committee approved amended forms of Stock Option Agreement (Employees), Stock Option Agreement (Directors) and Restricted Stock Award Agreement under the Company's Long Term Incentive Plan. The amended forms of Stock Option Agreement provide that, upon a change in control of the Company (as defined in each Agreement), all stock options will fully vest and will become exercisable. The amended form of Restricted Award Agreement provides that, upon a change in control of the Company (as defined in the Agreement), all shares of restricted stock will fully vest and the restrictions imposed on the restricted stock will be immediately deemed to have lapsed. The terms of the amended forms of Stock Option Agreements and Restricted Stock Award Agreement will be applicable to all of the Company's previously granted awards of stock options and restricted stock. The forms of Stock Option Agreement (Employees), Stock Option Agreement (Directors) and Restricted Stock Award Agreement are filed as Exhibits 10.4, 10.5 and 10.6, respectively, to this Quarterly Report and are incorporated by reference herein.

Amended and Restated Nonqualified Deferred Compensation Plan

On May 5, 2005, the Committee approved an amended and restated Nonqualified Deferred Compensation Plan (the "Plan") effective as of January 1, 2005. The material amendments to the Plan (i) permit the Company's non-employee directors to defer up to 100% of their compensation, including retainer fees and meeting attendance fees, earned after June 1, 2005 through the Plan and (ii) make certain other changes to the Plan to comply with Section 409A of the Code. The Plan is filed as Exhibit 10.7 to this Quarterly Report and is incorporated by reference herein.

Termination of a Material Definitive Agreement

In connection with the executive officers of the Company (other than Mr. Chait) entering into the Employment Agreements described above, each of (i) the Employment Agreement, dated March 7, 2003, between Mr. Pehlke and the Company, (ii) the Employment Agreement, dated November 27, 2002, between Mr. Harris and the Company, (iii) the Letter, dated May 6, 2003, between Mr. Gray and the Company, (iv) and the Executive Employment Agreements, dated August 2, 2004, between each of Ms. Noonan, Mr. Funk, Mr. O'Hara and Mr. Williams and the Company, will terminate effective as of May 6, 2005.

ITEM 6. EXHIBITS

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

3.1	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 (Commission File No. 0-50129)).
4.1	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)).
4.2	Amendment No. 5 to Amended and Restated Loan and Security Agreement, dated as of March 31, 2005, by and among Hudson Highland Group, Inc., the Borrowers (as defined therein), Wells Fargo Foothill, Inc. and the Lenders (as defined therein) (incorporated by reference to Exhibit 4.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated March 31, 2005 (file No. 0-50129)).
10.1	Summary of Hudson Highland Group, Inc. 2005 Incentive Compensation Program (incorporated by reference to Exhibit 10.1 to Hudson Highland Group, Inc.'s Current Report on Form 8-K dated January 17, 2005 (file No. 0-50129)).
10.2	Form of Hudson Highland Group Executive Employment Agreement, effective as of May 6, 2005, between Hudson Highland Group, Inc. and each of Richard W. Pehlke, Margaretta Noonan, Richard S. Gray, Richard A. Harris, Neil J. Funk, Ralph L. O'Hara and Latham Williams.
10.3	Executive Excise Tax Gross-Up Agreement, effective as of May 6, 2005, between Hudson Highland Group, Inc. and Jon F. Chait.
10.4	Form of Hudson Highland Group, Inc. Stock Option Agreement (Employees).
10.5	Form of Hudson Highland Group, Inc. Stock Option Agreement (Directors).
10.6	Form of Hudson Highland Group, Inc. Restricted Stock Award Agreement.
10.7	Hudson Highland Group, Inc. Nonqualified Deferred Compensation Plan (as Amended and Restated Effective January 1, 2005).
15	Letter from BDO Seidman, LLP regarding unaudited interim consolidated condensed financial statements.
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.

SIGNATURES

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

HUDSON HIGHLAND GROUP, INC.
(Registrant)

By: /s/ Jon F. Chait

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

Dated: May 9, 2005

By: /s/ Richard W. Pehlke

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

Dated: May 9, 2005

HUDSON HIGHLAND GROUP, INC.
FORM 10-Q

EXHIBIT INDEX

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EXHIBIT 10.2

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
Richard W. Pehlke	Executive Vice President and Chief Financial Officer	$ 350,000
Margaretta Noonan	Executive Vice President and Chief Administrative Officer	$ 275,000
Richard S. Gray	Senior Vice President, Marketing and Communications	$ 225,000
Richard A. Harris	Senior Vice President and Chief Information Officer	$ 250,000
Neil J. Funk	Vice President, Internal Audit	$ 175,000
Ralph L. O'Hara	Vice President and Global Controller	$ 225,000
Latham Williams	Vice President, Legal Affairs and Administration, Corporate Secretary	$ 265,000

HUDSON HIGHLAND GROUP EXECUTIVE EMPLOYMENT AGREEMENT

This employment agreement (the "Agreement") is made effective as of May 6, 2005 by and between Hudson Highland Group, Inc. (the "Company") and _____ (the "Executive").

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. 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.

2. Term of Employment. The Executive's employment under this Agreement will commence on January 1, 2005 (the "Commencement Date") 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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 following such termination (the "Severance Period"), 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, 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 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 (7) 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.

(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 day's 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.

(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, he 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.

8. 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 ten (10) business days after the date of the executive's termination of employment with the Company. 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 Internal Revenue Code of 1986, including any amendments thereto or any successor tax codes thereof (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. 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. Within five (5) days after the National Tax Counsel's opinion is received by the Company and the Executive, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement.

(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.

(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 (ii) the Company shall bear up to $15,000 in the aggregate 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 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.

(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.

9. 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.

10. Complete Agreement. This Agreement, including Attachments 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.

11. Additional Rights and Causes of Action. This Agreement, including Attachments A and B, 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.

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
_____	_____
Date	Date

EXHIBIT 10.3

EXECUTIVE EXCISE TAX GROSS-UP AGREEMENT

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

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 Internal Revenue Code of 1986, including any amendments thereto or any successor tax codes thereof (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.

(b) 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)(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 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. Within five (5) days after the National Tax Counsel's opinion is received by the

Company and the Executive, the Company shall pay (or cause to be paid) or distribute (or cause to be distributed) to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement.

(c) 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.

(d) 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.

3. Additional Benefits. If there is a Covered Termination, then the Company shall bear up to $15,000 in the aggregate 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 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.

6. Definitions.

(a) 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.

(b) 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.

(c) 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.

(d) 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.

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. 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.

10. 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.

11. 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.

[INSERT APPROPRIATE HHG ENTITY]

By: _____

Signature of Executive

Signature of Authorized Representative

Its: _____

Print Name

Title of Representative

Date

Date

EXHIBIT 10.4

EMPLOYEE FORM
HUDSON HIGHLAND GROUP, INC.
STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT ("Agreement") made as of the [DAY]th day of [MONTH], [YEAR], by and between **HUDSON HIGHLAND GROUP, INC.**, a Delaware corporation (the "Company") and [FIRST NAME LAST NAME] (the "Optionee").

WITNESSETH:

WHEREAS, pursuant to the Hudson Highland Group, Inc. Long Term Incentive Plan (the "Plan"), the Company desires to grant to the Optionee and the Optionee desires to accept an option to purchase shares of common stock, $.001 par value, of the Company (the "Common Stock") upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee an option to purchase up to [OPTIONS] shares of Common Stock at a purchase price per share of $[PRICE]. This option is intended to be treated as an option that does not qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Vesting. Except as specifically provided otherwise herein, the option will vest and become exercisable, if at all, in accordance with the following schedule based upon the number of full years of the Optionee's continuous employment with the Company or an affiliate (as defined below) of the Company following the date of this Agreement. As used in this Agreement, the term "affiliate" means an affiliate of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended.

Full Years of Continuous Employment	Incremental Percentage of Option Exercisable	Cumulative Percentage of Option Exercisable
Less than 1	____%	____%
1	____%	____%
2	____%	____%
3	____%	____%
[4]	____%	____%

If any fractional shares would result from the strict application of the incremental percentages set forth above, then the actual number of shares vesting on any specific date will cover only the full number of shares determined by rounding the number of shares to be issued from the strict application of the incremental percentages set forth above to the nearest whole number. Unless sooner terminated, the option will expire on the tenth anniversary of the date hereof.

3. Exercise. Any portion of the option which has vested and is exercisable may be exercised in whole or in part by delivering to the Executive Vice President, Human Resources of the Company at its corporate headquarters in New York, New York (a) a written notice specifying (1) the number of shares to be purchased, (2) the date of this Agreement and the specific number of shares referred to in Section 1 of this Agreement, (3) the Optionee's home address and, if the Optionee has one, the Optionee's social security or U.S. taxpayer identification number and (4) delivery instructions with respect to the shares of Common Stock issuable upon exercise, and (b) cash payment in full of the exercise price, together with the amount, if any, deemed necessary by the Company to enable it to satisfy any federal, foreign or other tax withholding obligations with respect to the exercise (unless other arrangements acceptable to the Company in its sole discretion have been made). The Company may from time to time change (or provide alternatives to) the method of exercise of the option granted hereunder by notice to the Optionee, it being understood that from and after such notice the Optionee will be bound by the method (or alternatives) specified in any such notice. The Company (in its sole and absolute discretion) may permit all or part of the exercise price to be paid with shares of Common Stock which have been owned by the Optionee for at least six months, or in installments (together with interest) evidenced by the Optionee's secured promissory note.

4. Issuance of Shares. No shares of Common Stock shall be sold or delivered hereunder until full payment for such shares has been made. The Optionee shall have no rights as a stockholder with respect to any shares covered by the option until a stock certificate for such shares is issued to the Optionee. Except as otherwise provided herein, no adjustment shall be made for dividends or distributions of other rights for which the record date is prior to the date such stock certificate is issued.

5. No Assignment of Option. This option is not assignable or transferable except upon the Optionee's death to a beneficiary designated by the Optionee in a written beneficiary designation filed with the Company or, if no duly designated beneficiary shall survive the Optionee, pursuant to the Optionee's will and/or by the laws of descent and distribution, and is exercisable during the Optionee's lifetime only by the Optionee or the Optionee's guardian or legal representative.

6. Termination of Employment for Cause. If the Optionee's employment or service is terminated by the Company or its affiliates for cause (as defined below), or at a time when grounds for a termination for cause exist, then any option held by the Optionee, whether or not otherwise exercisable on the termination date, shall immediately terminate and cease to be exercisable. For purposes hereof, the term "cause" means (a) in the case where there is no employment, consulting or similar service agreement between the participant and the Company or its affiliates 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 (b) 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.

7. Other Termination of Employment. If the Optionee ceases to be employed by the Company or any of its affiliates for any reason other than death or for cause (as defined in Section 6), then, unless sooner terminated, that portion of the option which is exercisable on the date of the Optionee's termination of employment will remain exercisable for a period of six months after such date (one year in the case of an Optionee whose employment terminates by reason of disability (as defined below)) but in no event after the expiration of the option in accordance with Section 2, and the remaining portion of the option will automatically expire on such date. If the Optionee's employment terminates by reason of the Optionee's death, then, unless sooner terminated, the option will become fully vested (to the extent it was not vested on the date of death) and will remain exercisable by the Optionee's beneficiary for a period of one year after the date of the Optionee's death but in no event after the expiration of the option in accordance with Section 2. Any vested option which is not exercised within the applicable six month or one-year period following termination of employment will automatically expire. For purposes hereof, the term "disability" means the inability of the Optionee to perform the customary duties of the Optionee's employment with the Company or an affiliate of the Company by reason of a physical or mental incapacity which is expected to result in death or be of indefinite duration as determined by the Committee (as defined in the Plan).

8. Securities Law Restrictions. Notwithstanding anything herein to the contrary, the option shall in no event be exercisable and shares shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance may result in a violation of federal or state securities laws or the securities laws of any other relevant jurisdiction.

9. Capital and Corporate Changes.

(a) Adjustments Upon Changes in Capitalization. The number and class of shares covered by this option and, if applicable, the exercise price per share shall 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) Change in Control. Effective upon a Change in Control (as defined below), the option will fully vest and will immediately become exercisable. If, in connection with a Change in Control, the stockholders of the Company will receive capital stock of another corporation ("Exchange Stock") in exchange for their shares of Common Stock (whether or not such Exchange Stock is the sole consideration), and if the Board of Directors of the Company so directs, then this option will be converted into an option to purchase shares of Exchange Stock; provided that such conversion shall not effect the exercisability of the option pursuant to the foregoing sentence. The number of shares and exercise price under the converted option will be determined by adjusting the number of shares and exercise price under this option on the same basis as the determination of the number of shares of Exchange Stock the holders of Common Stock will receive in connection with the Change in Control.

(c) 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.

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

(e) Determination of the 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.

10. No Employment Rights. Nothing in this Agreement shall give the Optionee any right to continue in the employment of the Company or any affiliate of the Company, or interfere in any way with the right of the Company or any affiliate of the Company to terminate the employment of the Optionee.

11. Plan Provisions. The provisions of the Plan shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Optionee acknowledges receipt of a copy of the Plan prior to the execution of this Agreement.

12. Administration. The Committee will have full power and authority to interpret and apply the provisions of this Agreement and act on behalf of the Company and the Board in connection with this Agreement, and the decision of the Committee as to any matter arising under this Agreement shall be binding and conclusive as to all persons.

13. Employee Handbook and Arbitration Agreements. As a material inducement to the Company to grant this option and to enter into this Agreement, the Optionee hereby expressly agrees to (a) comply with and abide by the terms and conditions of, and rules relating to, such Optionee's employment with the Company or an affiliate set forth in the applicable employee handbook and (b) be bound by the terms and provisions of any arbitration or similar agreement to which the Optionee is or becomes a party with the Company or an affiliate.

14. Confidentiality, Non-Solicitation and Work Product Assignment. As a material inducement to the Company to grant this option and enter into this Agreement, the Optionee hereby expressly agrees to be bound by the following covenants, terms and conditions:

(a) Definition. "Confidential Information" consists of all information or data relating to the business of the Company, including but not limited to, business and financial information; new product development and technological data; personnel information and the identities of employees; the identities of clients and suppliers and prospective clients and suppliers; client lists and potential client lists; development, expansion and business strategies, plans and techniques; computer programs, devices, methods, techniques, processes and inventions; research and development activities; trade secrets as defined by applicable law and

other materials (whether in written, graphic, audio, visual, electronic or other media, including computer software) developed by or on behalf of the Company which is not generally known to the public, which the Company has and will take precautions to maintain as confidential, and which derives at least a portion of its value to the Company from its confidentiality. Additionally, Confidential Information includes information of any third party doing business with the Company (actively or prospectively) that the Company or such third party identifies as being confidential. Confidential Information does not include any information that is in the public domain or otherwise publicly available (other than as a result of a wrongful act by the Optionee or an agent or other employee of the Company). For purposes of this Section 14, the term "the Company" also refers to each of its officers, directors, employees and agents, all subsidiary and affiliated entities, all benefit plans and benefit plans' sponsors and administrators, fiduciaries, affiliates, and all successors and assigns of any of them.

(b) Agreement to Maintain the Confidentiality of Confidential Information. The Optionee acknowledges that, as a result of his/her employment by the Company, he/she will have access to such Confidential Information and to additional Confidential Information which may be developed in the future. The Optionee acknowledges that all Confidential Information is the exclusive property of the Company, or in the case of Confidential Information of a third party, of such third party. The Optionee agrees to hold all Confidential Information in trust for the benefit of the owner of such Confidential Information. The Optionee further agrees that he/she will use Confidential Information for the sole purpose of performing his/her work for the Company, and that during his/her employment with the Company, and at all times after the termination of that employment for any reason, the Optionee will not use for his/her benefit, or the benefit of others, or divulge or convey to any third party any Confidential Information obtained by the Optionee during his/her employment by the Company, unless it is pursuant to the Company's prior written permission.

(c) Return of Property. The Optionee acknowledges that he/she has not acquired and will not acquire any right, title or interest in any Confidential Information or any portion thereof. The Optionee agrees that upon termination of his/her employment for any reason, he/she will deliver to the Company immediately, but in no event later that the last day of his/her employment, all documents, data, computer programs and all other materials, and all copies thereof, that were obtained or made by the Optionee during his/her employment with the Company, which contain or relate to Confidential Information and will destroy all electronically stored versions of the foregoing.

(d) Disclosure and Assignment of Inventions and Creative Works. The Optionee agrees to promptly disclose in writing to the Company all inventions, ideas, discoveries, developments, improvements and innovations (collectively "Inventions"), whether or not patentable and all copyrightable works, including but limited to computer software designs and programs ("Creative Works") conceived, made or developed by the Optionee, whether solely or together with others, during the period the Optionee is employed by the Company. The Optionee agrees that all Inventions and all Creative Works, whether or not conceived or made during working hours, that: (1) relate directly to the business of the Company or its actual or demonstrably anticipated research or development, or (2) result from the Optionee's work for the Company, or (3) involve the use of any equipment, supplies, facilities, Confidential Information, or time of the Company, are the exclusive property of the Company. The Optionee hereby

assigns and agrees to assign all right, title and interest in and to all such Inventions and Creative Works to the Company. The Optionee understands that he/she is not required to assign to the Company any Invention or Creative Work for which no equipment, supplies, facilities, Confidential Information or time of the Company was used, unless such Invention or Creative Work relates directly to the Company's business or actual or demonstrably anticipated research and development, or results from any work performed by the Optionee for the Company.

(e) Non-Solicitation of Clients. During the period of the Optionee's employment with the Company and for a period of one year from the date of termination of such employment for any reason, the Optionee agrees that he/she will not, directly or indirectly, for the Optionee's benefit or on behalf of any person, corporation, partnership or entity whatsoever, call on, solicit, perform services for, interfere with or endeavor to entice away from the Company any client to whom the Company provides services at any time during the 12 month period proceeding the date of termination of the Optionee's employment with the Company, or any prospective client to whom the Company had made a presentation at any time during the 12 month period preceding the date of termination of the Optionee's employment with the Company.

(f) Non-Solicitation of Employees. For a period of one year after the date of termination of the Optionee's employment with the Company for any reason, the Optionee agrees that he/she will not, directly or indirectly, hire, attempt to hire, solicit for employment or encourage the departure of any employee of the Company, to leave employment with the Company, or any individual who was employed by the Company as of the last day of the Optionee's employment with the Company.

(g) Enforcement. If, at the time of enforcement of this Section 14, a court holds that any of the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area deemed reasonable under such circumstances will be substituted for the stated period, scope or area as contained in this Section 14. Because money damages would be an inadequate remedy for any breach of the Optionee's obligations under this Agreement, in the event the Optionee breaches or threatens to breach this Section 14, the Company, or any successors or assigns, may, in addition to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance, or injunctive or other equitable relief in order to enforce or prevent any violations of this Section 14.

(h) Miscellaneous. The Optionee acknowledges and agrees that the provisions of this Section 14 are in addition to, and not in lieu of, any confidentiality, non-solicitation, work product assignment and/or similar obligations that the Optionee may have with respect to the Company and/or its affiliates, whether by agreement, fiduciary obligation or otherwise and that the grant and exercisability of the option contemplated by this Agreement are expressly made contingent on the Optionee's compliance with the provisions of this Section 14. Without in any way limiting the provisions of this Section 14, the Optionee further acknowledges and agrees that the provisions of this Section 14 shall remain applicable in accordance with their terms after the Optionee's termination of employment with the Company, regardless of whether (1) the Optionee's termination or cessation of employment is voluntary or involuntary, (2) the Optionee has exercised the option in whole or in part or (3) the option has not or will not vest.

15. Binding Effect; Headings. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The subject headings of Sections of this Agreement are included for the purpose of convenience only and shall not affect the construction or interpretation of any of its provisions. All references in this Agreement to "$" or "dollars" are to United States dollars.

16. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and controls and supersedes any prior understandings, agreements or representations by or between the parties, written or oral with respect to its subject matter and may not be modified except by written instrument executed by the parties. The Optionee has not relied on any representation not set forth in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

HUDSON HIGHLAND GROUP, INC.

By: _____

Name:
Title:

_____

Optionee – Signature

_____

Optionee – Print Name

EXHIBIT 10.5

DIRECTOR FORM
HUDSON HIGHLAND GROUP, INC.
STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT ("Agreement") made as of the [DAY]th day of [MONTH], [YEAR], by and between **HUDSON HIGHLAND GROUP, INC.**, a Delaware corporation (the "Company") and [FIRST NAME LAST NAME] (the "Optionee").

WITNESSETH:

WHEREAS, pursuant to the Hudson Highland Group, Inc. Long Term Incentive Plan (the "Plan"), the Company desires to grant to the Optionee and the Optionee desires to accept an option to purchase shares of common stock, $.001 par value, of the Company (the "Common Stock") upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant. Subject to the terms and conditions set forth herein, the Company hereby grants to the Optionee an option to purchase up to [OPTIONS] shares of Common Stock at a purchase price per share of $[PRICE]. This option is intended to be treated as an option that does not qualify as an incentive stock option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. Vesting. As of the date of this Agreement, 40% of the option will be vested and exercisable. Except as specifically provided otherwise herein, the remainder of the option will vest and become exercisable, if at all, in accordance with the following schedule based upon the number of full years of the Optionee's continuous service with the Company or an affiliate (as defined below) of the Company following the date of this Agreement. As used in this Agreement, the term "affiliate" means an affiliate of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended.

Full Years of Continuous Service	Incremental Percentage of Option Exercisable	Cumulative Percentage of Option Exercisable
1	20%	60%
2	20%	80%
3	20%	100%

If any fractional shares would result from the strict application of the incremental percentages set forth above, then the actual number of shares vesting on any specific date will cover only the full number of shares determined by rounding the number of shares to be issued from the strict application of the incremental percentages set forth above to the nearest whole number. Unless sooner terminated, the option will expire on the tenth anniversary of the date hereof.

3. Exercise. Any portion of the option which has vested and is exercisable may be exercised in whole or in part by delivering to the Executive Vice President, Human Resources of the Company at its corporate headquarters in New York, New York (a) a written

notice specifying (1) the number of shares to be purchased, (2) the date of this Agreement and the specific number of shares referred to in Section 1 of this Agreement, (3) the Optionee's home address and, if the Optionee has one, the Optionee's social security or U.S. taxpayer identification number and (4) delivery instructions with respect to the shares of Common Stock issuable upon exercise, and (b) cash payment in full of the exercise price, together with the amount, if any, deemed necessary by the Company to enable it to satisfy any federal, foreign or other tax withholding obligations with respect to the exercise (unless other arrangements acceptable to the Company in its sole discretion have been made). The Company may from time to time change (or provide alternatives to) the method of exercise of the option granted hereunder by notice to the Optionee, it being understood that from and after such notice the Optionee will be bound by the method (or alternatives) specified in any such notice. The Company (in its sole and absolute discretion) may permit all or part of the exercise price to be paid with shares of Common Stock which have been owned by the Optionee for at least six months, or in installments (together with interest) evidenced by the Optionee's secured promissory note.

4. Issuance of Shares. No shares of Common Stock shall be sold or delivered hereunder until full payment for such shares has been made. The Optionee shall have no rights as a stockholder with respect to any shares covered by the option until a stock certificate for such shares is issued to the Optionee. Except as otherwise provided herein, no adjustment shall be made for dividends or distributions of other rights for which the record date is prior to the date such stock certificate is issued.

5. No Assignment of Option. This option is not assignable or transferable except upon the Optionee's death to a beneficiary designated by the Optionee in a written beneficiary designation filed with the Company or, if no duly designated beneficiary shall survive the Optionee, pursuant to the Optionee's will and/or by the laws of descent and distribution, and is exercisable during the Optionee's lifetime only by the Optionee or the Optionee's guardian or legal representative. Notwithstanding the foregoing, this option may be transferred to (a) the spouse, children or grandchildren (the "Immediate Family Members") of the Optionee, (b) a trust established for the principal benefit of the Optionee's Immediate Family Members, or (c) a partnership in which the Optionee's Immediate Family Members are the only partners. The Optionee may not receive consideration for such transfer. The Optionee must notify the Company of any transfers and any subsequent transfers must be approved by the Company. Following transfer, this option shall continue to be subject to the same terms and conditions as were applicable immediately before the transfer, except that the transferee shall have the right to exercise the option upon the terms and conditions described herein.

6. Termination of Service. If the Optionee's service as a director of the Company ceases for any reason other than death, then, unless sooner terminated, that portion of the option which is exercisable on the date the Optionee ceases service will remain exercisable for a period of six months after such date (one year in the case of an Optionee whose service ceases by reason of disability (as defined below)) but in no event after the expiration of the option in accordance with Section 2, and the remaining portion of the option will automatically expire on such date. If the Optionee's service ceases by reason of the Optionee's death, then, unless sooner terminated, the option will become fully vested (to the extent it was not vested on

the date of death) and will remain exercisable by the Optionee's beneficiary for a period of one year after the date of the Optionee's death but in no event after the expiration of the option in accordance with Section 2. Any vested option which is not exercised within the applicable six month or one-year period following termination of service will automatically expire. For purposes hereof, the term "disability" means the inability of the Optionee to perform the customary duties of the Optionee's service with the Company or an affiliate of the Company by reason of a physical or mental incapacity which is expected to result in death or be of indefinite duration as determined by the Committee (as defined in the Plan).

7. Securities Law Restrictions. Notwithstanding anything herein to the contrary, the option shall in no event be exercisable and shares shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance may result in a violation of federal or state securities laws or the securities laws of any other relevant jurisdiction.

8. Capital and Corporate Changes.

(a) Adjustments Upon Changes in Capitalization. The number and class of shares covered by this option and, if applicable, the exercise price per share shall 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) Change in Control. Effective upon a Change in Control (as defined below), the option will fully vest and will immediately become exercisable. If, in connection with a Change in Control, the stockholders of the Company will receive capital stock of another corporation ("Exchange Stock") in exchange for their shares of Common Stock (whether or not such Exchange Stock is the sole consideration), and if the Board of Directors of the Company so directs, then this option will be converted into an option to purchase shares of Exchange Stock; provided that such conversion shall not effect the exercisability of the option pursuant to the foregoing sentence. The number of shares and exercise price under the converted option will be determined by adjusting the number of shares and exercise price under this option on the same basis as the determination of the number of shares of Exchange Stock the holders of Common Stock will receive in connection with the Change in Control.

(c) 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.

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

(e) Determination of the 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.

9. Plan Provisions. The provisions of the Plan shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Optionee acknowledges receipt of a copy of the Plan prior to the execution of this Agreement.

10. Administration. The Committee will have full power and authority to interpret and apply the provisions of this Agreement and act on behalf of the Company and the Board in connection with this Agreement, and the decision of the Committee as to any matter arising under this Agreement shall be binding and conclusive as to all persons.

11. Binding Effect; Headings. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The subject headings of Sections of this Agreement are included for the purpose of convenience only and shall not affect the construction or interpretation of any of its provisions. All references in this Agreement to "$" or "dollars" are to United States dollars.

12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and controls and supersedes any prior understandings, agreements or representations by or between the parties, written or oral with respect to its subject matter and may not be modified except by written instrument executed by the parties. The Optionee has not relied on any representation not set forth in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

HUDSON HIGHLAND GROUP, INC.

By: _____

Name:
Title:

_____

Optionee – Signature

_____

Optionee – Print Name

EXHIBIT 10.6

HUDSON HIGHLAND GROUP, INC.
RESTRICTED STOCK AWARD AGREEMENT

RESTRICTED STOCK AWARD AGREEMENT ("Agreement") made as of the [DAY]th day of [MONTH], [YEAR], by and between **HUDSON HIGHLAND GROUP, INC.**, a Delaware corporation (the "Company") and FIRST NAME LAST NAME (the "Grantee").

WITNESSETH:

WHEREAS, pursuant to the Hudson Highland Group, Inc. Long Term Incentive Plan (the "Plan"), the Company desires to grant to the Grantee and the Grantee desires to accept an award of shares of common stock, $.001 par value, of the Company (the "Common Stock") upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. Award. Subject to the terms and conditions set forth herein, the Company hereby awards the Grantee [RESTRICTED STOCK AWARDS] shares of Common Stock (the "Restricted Stock").

2. Restrictions; Vesting. Except as otherwise provided herein, the Restricted Stock may not be sold, transferred, pledged, encumbered, assigned or otherwise alienated or hypothecated, if at all, until such shares of Restricted Stock have vested in accordance with the following schedule based upon the number of full years of the Grantee's continuous employment with the Company or an affiliate (as defined below) of the Company following the date of this Agreement. As used in this Agreement, the term "affiliate" means an affiliate of the Company within the meaning of Rule 405 under the Securities Act of 1933, as amended.

Full Years of Continuous Employment	Incremental Percentage of Vested Restricted Stock	Cumulative Percentage of Vested Restricted Stock
Less than 1	____%	____%
1	____%	____%
2	____%	____%
3	____%	____%
[4]	____%	____%

If any fractional shares would result from the strict application of the incremental percentages set forth above, then the actual number of shares of Restricted stock that vest on any specific date will cover only the full number of shares determined by rounding the number of shares to be issued from the strict application of the incremental percentages set forth above to the nearest whole number.

3. Evidence of Restricted Stock. The shares of Restricted Stock awarded under this Agreement initially will be evidenced by book entries on the Company's stock transfer records. If and when the shares of Restricted Stock vest pursuant to Section 2 and the restrictions imposed by Section 2 terminate, the Company will deliver to the Grantee one or more stock certificates for the appropriate number of shares, free of any restrictions imposed under this Agreement.

4. Tax Withholding. Notwithstanding anything herein to the contrary, certificates for shares of Restricted Stock that have vested shall not be delivered to the Grantee unless and until the Grantee has delivered to the Executive Vice President, Human Resources of the Company, at its corporate headquarters in New York, New York, cash payment, if any, deemed necessary by the Company to enable it to satisfy any federal, foreign or other tax withholding obligations with respect to the shares of Restricted Stock that have vested (the "Tax Amount") (unless other arrangements acceptable to the Company in its sole discretion have been made). Notwithstanding anything herein to the contrary, in the event that a Grantee has not satisfied the conditions outlined in the immediately preceding sentence within twenty (20) days after the shares of Restricted Stock have vested, the Company may (but shall not be required to), in its sole discretion, at any time by notice to the Grantee, choose to satisfy the conditions outlined in the immediately preceding sentence by unilaterally revoking the Grantee's right to receive that number of shares of Restricted Stock that have vested with an aggregate value equal to 150% of the Tax Amount. For purposes of the preceding sentence, each share of Restricted Stock shall be deemed to have a value equal to the average closing price of a share of the Common Stock on the Nasdaq National Market (or such other U.S. exchange or market on which the Common Stock is then primarily traded) on the five (5) trading days up to and including the date of vesting. The Company may from time to time change (or provide alternatives to) the method of tax withholding on the Restricted Stock granted hereunder by notice to the Grantee, it being understood that from and after such notice the Grantee will be bound by the method (or alternatives) specified in any such notice. The Company (in its sole and absolute discretion) may permit all or part of the Tax Amount to be paid with shares of Common Stock that have been owned by the Grantee for at least six months, or in installments (together with interest) evidenced by the Grantee's secured promissory note.

5. Termination of Employment. If the Grantee's employment or service with the Company or its affiliates is terminated for any reason other than death or disability, then the shares of Restricted Stock that have not yet become fully vested in accordance with Section 2 will automatically be forfeited by the Grantee (or the Grantee's successors) and any book entry with respect thereto will be canceled. If the Grantee's employment terminates by reason of the Grantee's death, then the shares of Restricted Stock that have not yet become fully vested in accordance with Section 2 will automatically become fully vested and the restrictions imposed upon the Restricted Stock by Section 2 will be immediately deemed to have lapsed.

6. Voting Rights; Dividends and Other Distributions.

(a) While the Restricted Stock is subject to restrictions under Section 2 and prior to any forfeiture thereof, the Grantee may exercise full voting rights for the Restricted Stock registered in his name.

(b) While the Restricted Stock is subject to the restrictions under Section 2 and prior to any forfeiture thereof, the Grantee shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in shares of Common Stock, then such shares shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

(c) Subject to the provisions of this Agreement, the Grantee shall have, with respect to the Restricted Stock, all other rights of holders of Common Stock.

7. Securities Law Restrictions. Notwithstanding anything herein to the contrary, shares of Restricted Stock shall not be issued hereunder if, in the opinion of counsel to the Company, such exercise and/or issuance may result in a violation of federal or state securities laws or the securities laws of any other relevant jurisdiction.

8. Change in Control. Effective upon a Change in Control (as defined below), the shares of Restricted Stock will fully vest and the restrictions imposed upon the Restricted Stock by Section 2 will be immediately deemed to have lapsed. 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.

9. No Employment Rights. Nothing in this Agreement shall give the Grantee any right to continue in the employment of the Company or any affiliate of the Company, or interfere in any way with the right of the Company or any affiliate of the Company to terminate the employment of the Grantee.

10. Plan Provisions. The provisions of the Plan shall govern if and to the extent that there are inconsistencies between those provisions and the provisions hereof. The Grantee acknowledges receipt of a copy of the Plan prior to the execution of this Agreement.

11. Administration. The Committee will have full power and authority to interpret and apply the provisions of this Agreement and act on behalf of the Company and the Board in connection with this Agreement, and the decision of the Committee as to any matter arising under this Agreement shall be binding and conclusive as to all persons.

12. Binding Effect; Headings. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The subject headings of Sections of this Agreement are included for the purpose of convenience only and shall not affect the construction or interpretation of any of its provisions. All references in this Agreement to "$" or "dollars" are to United States dollars.

13. Employee Handbook and Arbitration Agreements. As a material inducement to the Company to grant this award of Restricted Stock and to enter into this Agreement, the Grantee hereby expressly agrees to (a) comply with and abide by the terms and conditions of, and rules relating to, such Grantee's employment with the Company or an affiliate

set forth in the applicable employee handbook and (b) be bound by the terms and provisions of any arbitration or similar agreement to which the Grantee is or becomes a party with the Company or an affiliate.

14. Confidentiality, Non-Solicitation and Work Product Assignment. As a material inducement to the Company to grant this award of Restricted Stock and enter into this Agreement, the Grantee hereby expressly agrees to be bound by the following covenants, terms and conditions:

(a) Definition. "Confidential Information" consists of all information or data relating to the business of the Company, including but not limited to, business and financial information; new product development and technological data; personnel information and the identities of employees; the identities of clients and suppliers and prospective clients and suppliers; client lists and potential client lists; development, expansion and business strategies, plans and techniques; computer programs, devices, methods, techniques, processes and inventions; research and development activities; trade secrets as defined by applicable law and other materials (whether in written, graphic, audio, visual, electronic or other media, including computer software) developed by or on behalf of the Company which is not generally known to the public, which the Company has and will take precautions to maintain as confidential, and which derives at least a portion of its value to the Company from its confidentiality. Additionally, Confidential Information includes information of any third party doing business with the Company (actively or prospectively) that the Company or such third party identifies as being confidential. Confidential Information does not include any information that is in the public domain or otherwise publicly available (other than as a result of a wrongful act by the Grantee or an agent or other employee of the Company). For purposes of this Section 14, the term "the Company" also refers to each of its officers, directors, employees and agents, all subsidiary and affiliated entities, all benefit plans and benefit plans' sponsors and administrators, fiduciaries, affiliates, and all successors and assigns of any of them.

(b) Agreement to Maintain the Confidentiality of Confidential Information. The Grantee acknowledges that, as a result of his/her employment by the Company, he/she will have access to such Confidential Information and to additional Confidential Information which may be developed in the future. The Grantee acknowledges that all Confidential Information is the exclusive property of the Company, or in the case of Confidential Information of a third party, of such third party. The Grantee agrees to hold all Confidential Information in trust for the benefit of the owner of such Confidential Information. The Grantee further agrees that he/she will use Confidential Information for the sole purpose of performing his/her work for the Company, and that during his/her employment with the Company, and at all times after the termination of that employment for any reason, the Grantee will not use for his/her benefit, or the benefit of others, or divulge or convey to any third party any Confidential Information obtained by the Grantee during his/her employment by the Company, unless it is pursuant to the Company's prior written permission.

(c) Return of Property. The Grantee acknowledges that he/she has not acquired and will not acquire any right, title or interest in any Confidential Information or any portion thereof. The Grantee agrees that upon termination of his/her employment for any reason, he/she will deliver to the Company immediately, but in no event later that the last day of his/her

employment, all documents, data, computer programs and all other materials, and all copies thereof, that were obtained or made by the Grantee during his/her employment with the Company, which contain or relate to Confidential Information and will destroy all electronically stored versions of the foregoing.

(d) Disclosure and Assignment of Inventions and Creative Works. The Grantee agrees to promptly disclose in writing to the Company all inventions, ideas, discoveries, developments, improvements and innovations (collectively "Inventions"), whether or not patentable and all copyrightable works, including but limited to computer software designs and programs ("Creative Works") conceived, made or developed by the Grantee, whether solely or together with others, during the period the Grantee is employed by the Company. The Grantee agrees that all Inventions and all Creative Works, whether or not conceived or made during working hours, that: (1) relate directly to the business of the Company or its actual or demonstrably anticipated research or development, or (2) result from the Grantee's work for the Company, or (3) involve the use of any equipment, supplies, facilities, Confidential Information, or time of the Company, are the exclusive property of the Company. The Grantee hereby assigns and agrees to assign all right, title and interest in and to all such Inventions and Creative Works to the Company. The Grantee understands that he/she is not required to assign to the Company any Invention or Creative Work for which no equipment, supplies, facilities, Confidential Information or time of the Company was used, unless such Invention or Creative Work relates directly to the Company's business or actual or demonstrably anticipated research and development, or results from any work performed by the Grantee for the Company.

(e) Non-Solicitation of Clients. During the period of the Grantee's employment with the Company and for a period of one year from the date of termination of such employment for any reason, the Grantee agrees that he/she will not, directly or indirectly, for the Grantee's benefit or on behalf of any person, corporation, partnership or entity whatsoever, call on, solicit, perform services for, interfere with or endeavor to entice away from the Company any client to whom the Company provides services at any time during the 12 month period proceeding the date of termination of the Grantee's employment with the Company, or any prospective client to whom the Company had made a presentation at any time during the 12 month period preceding the date of termination of the Grantee's employment with the Company.

(f) Non-Solicitation of Employees. For a period of one year after the date of termination of the Grantee's employment with the Company for any reason, the Grantee agrees that he/she will not, directly or indirectly, hire, attempt to hire, solicit for employment or encourage the departure of any employee of the Company, to leave employment with the Company, or any individual who was employed by the Company as of the last day of the Grantee's employment with the Company.

(g) Enforcement. If, at the time of enforcement of this Section 14, a court holds that any of the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area deemed reasonable under such circumstances will be substituted for the stated period, scope or area as contained in this Section 14. Because money damages would be an inadequate remedy for any breach of the Grantee's obligations under this Agreement, in the event the Grantee breaches or threatens to breach this Section 14, the Company, or any successors or assigns, may, in addition

to other rights and remedies existing in its favor, apply to any court of competent jurisdiction for specific performance, or injunctive or other equitable relief in order to enforce or prevent any violations of this Section 14.

(h) Miscellaneous. The Grantee acknowledges and agrees that the provisions of this Section 14 are in addition to, and not in lieu of, any confidentiality, non-solicitation, work product assignment and/or similar obligations that the Grantee may have with respect to the Company and/or its affiliates, whether by agreement, fiduciary obligation or otherwise and that the grant and the vesting of the Restricted Stock contemplated by this Agreement are expressly made contingent on the Grantee's compliance with the provisions of this Section 14. Without in any way limiting the provisions of this Section 14, the Grantee further acknowledges and agrees that the provisions of this Section 14 shall remain applicable in accordance with their terms after the Grantee's termination of employment with the Company, regardless of whether (1) the Grantee's termination or cessation of employment is voluntary or involuntary or (2) the Restricted Stock has not or will not vest.

15. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and controls and supersedes any prior understandings, agreements or representations by or between the parties, written or oral with respect to its subject matter and may not be modified except by written instrument executed by the parties. The Grantee has not relied on any representation not set forth in this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

HUDSON HIGHLAND GROUP, INC.

By: _____

Name:
Title:

_____

Grantee – Signature

_____

Grantee – Print Name

EXHIBIT 10.7

HUDSON HIGHLAND GROUP, INC.

NONQUALIFIED DEFERRED COMPENSATION PLAN

(Effective May 1, 2004, as Amended and Restated Effective January 1, 2005)

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, 2005.

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.

"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.

"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.

"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, (B) a Regional Vice-President, Vice President (Staff) or more senior position in the Hudson division of the Company or (C) a Partner, Managing Partner, Vice President (Staff) or more senior position in the Highland 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. Effective with respect to compensation earned after June 1, 2005, each Director shall be eligible to participate in the Plan.

Article 4. Elective Deferrals

4.1. Elective Deferral Election—Eligible Employees. Prior to the Effective Date and the first day of each Plan Year thereafter, 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 June 1, 2005 (with respect to the 2005 Plan Year) and prior to the first day of each Plan Year thereafter, 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 suspend 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 suspend 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 Effective Date and the first day of each Plan Year thereafter, 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 (2½) 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 the termination of such Participant's employment for any reason, and shall not thereafter be reallocated to the Accounts of any other Participants.

9.3. Timing of Distributions. If a Participant's employment with all Employers or service on the Board terminates 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. 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 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 __ day of _____, 2005.

HUDSON HIGHLAND GROUP, INC.

By: _____

Exhibit 15

May 9, 2005

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

We are aware that Hudson Highland Group, Inc. has incorporated by reference in its Registration Statements on Form S-3 (Nos. 333-110765, 333-113703 and 333-124064), Form S-4 (Nos. 333-114731 and 333-119563) and Form S-8 (Nos. 333-104209, 333-104210, 333-104212, 333-117005 and 333-117006) our report dated May 3, 2005, relating to the Company's unaudited interim consolidated financial statements appearing in its quarterly report on Form 10-Q for the quarter ended March 31, 2005. Pursuant to Regulation C under the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act. It should be noted that we have not performed any procedures subsequent to May 5, 2005.

/s/ BDO Seidman, LLP

New York, New York

Exhibit 31.1

CERTIFICATIONS

I, Jon F. Chait, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Highland Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: May 9, 2005

/s/ JON F. CHAIT

Jon F. Chait
Chairman and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard W. Pehlke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hudson Highland Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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: May 9, 2005

/s/ RICHARD W. PEHLKE

Richard W. Pehlke
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. ss.1350, as adopted pursuant to
ss.906 of the Sarbanes-Oxley Act of 2002

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Chairman of the Board, President and Chief Executive Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2005 (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 CHAIT

Jon F. Chait
May 9, 2005

Exhibit 32.2

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

Solely for the purposes of complying with 18 U.S.C. ss.1350, I, the undersigned Executive Vice President and Chief Financial Officer of Hudson Highland Group, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD W. PEHLKE

Richard W. Pehlke
May 9, 2005