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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 11, 2006

Hudson Highland Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-50129
(Commission File Number)

59-3547281
(IRS Employer
Identification No.)

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

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

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

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

On May 11, 2006, the Compensation Committee of the Board of Directors (the "Board") of Hudson Highland Group, Inc. (the "Company") approved an amendment to the Stock Option Agreement (the "Agreement") with non-employee directors of the Company that is applicable to all outstanding options with non-employee directors. This Agreement replaces the stock option agreement filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. The Agreement changes the terms so that if the optionee's service as a non-employee 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 two years after such date and the remaining portion of the option will automatically expire on such date. The Agreement also changes the terms so that 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 two years after the date of the optionee's death. The previous agreement had a six month expiration period generally and, in the event of death, a one year expiration period. The expense associated with this change will total less than \$50,000 and be recorded in the second quarter of 2006. The Agreement is filed as Exhibit 10.1 hereto and incorporated herein by reference.

On May 12, 2006, the Company posted on its web site a Letter to Shareholders and Friends, which discusses the amendment to the Agreement and is filed as Exhibit 99.1 hereto.

Item 9.01. Financial Statements and Exhibits.

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) Exhibits. The following exhibit is being filed herewith:
 - (10.1) Form of Hudson Highland Group, Inc. Stock Option Agreement (Directors).
 - (99.1) Letter to our Shareholders and Friends issued on May 12, 2006 and posted to the Company's web site.

SIGNATURES

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

HUDSON HIGHLAND GROUP, INC.

Date: May 12, 2006

By: /s/ MARY JANE RAYMOND

Mary Jane Raymond
Executive Vice President and Chief Financial Officer

HUDSON HIGHLAND GROUP, INC.

Exhibit Index to Current Report on Form 8-K

- | <u>Exhibit
Number</u> | |
|---------------------------|---|
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**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.

<u>Full Years of Continuous Service</u>	<u>Incremental Percentage of Option Exercisable</u>	<u>Cumulative Percentage of Option Exercisable</u>
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 two years after such date 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 two years 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 two-year period following termination of service will automatically expire.

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

To our Shareholders and Friends

We are filing today an 8-K report which indicates that the Board of Directors, in response to my recommendation, has extended the period in which non-employee Directors can exercise vested stock options to two years after the end of their board service. Previously the limit had been six months.

I want to be sure you understand the scope of this change:

- It only applies to non-employee directors
- It only applies to options vested as of a director's departure date
- It extends the period of exercise but does not change any other features of option grants

Under the HH directors' stock option plan, stock options vest over 3 years with 40% of an option grant vesting on the date of grant and the remainder ratably over the next three anniversaries.

The two year period is more consistent with common practice. According to a study made for us, less than 25% of companies allow option exercises for retirements (as most director departures are classified) for 2 years or less and approximately 33% allow exercises for the full term of the option.

I recommended the change to the Board. My rationale is that it has been the practice, although not a requirement, that directors not exercise options while serving on the board of directors. Leaving a director with only a six month period in which to exercise options post termination is unfairly short and is out of step with current practices. The total cost to the company of this change under FAS 123R is less than \$50,000.

Jon F Chait
Chairman & CEO