

HUDSON HIGHLAND GROUP INC
Form PRE 14A
February 27, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Hudson Highland Group, Inc.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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PRELIMINARY PROXY MATERIALS – SUBJECT TO COMPLETION

HUDSON HIGHLAND GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 26, 2012

To the Stockholders of Hudson Highland Group, Inc.:

We are providing notice that the annual meeting of stockholders of Hudson Highland Group, Inc. will be held on Thursday, April 26, 2012, at 8:00 A.M., local time, at the offices of Foley & Lardner LLP, 90 Park Avenue, 39th Floor, New York, New York 10016, for the following purposes:

1. To elect two directors to hold office until the 2015 annual meeting of stockholders and until their successors are duly elected and qualified;
2. To approve, by advisory vote, the compensation of our named executive officers as disclosed in the accompanying proxy statement;
3. To approve an amendment and restatement of the Hudson Highland Group, Inc. 2009 Incentive Stock and Awards Plan;
4. To approve an amendment to our Amended and Restated Certificate of Incorporation to change our corporate name to “Hudson Global, Inc.” from “Hudson Highland Group, Inc.,” and
5. To ratify the appointment of KPMG LLP as independent registered public accounting firm to audit Hudson Highland Group, Inc.’s financial statements for the fiscal year ending December 31, 2012.

We also will consider and act upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on February 27, 2012 will be entitled to vote at the annual meeting and any adjournment or postponement of the meeting.

Your vote is important no matter how large or small your holdings may be. To assure your representation at the meeting, please vote your shares over the Internet or via the toll-free telephone number, as instructed in the Notice of Internet Availability of Proxy Materials. You also may request a printed proxy card to submit your vote by mail. You will not receive a printed copy of the proxy materials unless you request them, as instructed in the Notice of Internet Availability of Proxy Materials.

For directions to the annual meeting please write Latham Williams, Corporate Secretary, Hudson Highland Group, Inc., 560 Lexington Avenue, 5th Floor, New York, New York 10022 or call (212) 351-7300.

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

Latham Williams
Corporate Secretary

New York, New York

March 16, 2012

PROXY STATEMENT

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PRELIMINARY PROXY MATERIALS – SUBJECT TO COMPLETION

HUDSON HIGHLAND GROUP, INC.

560 Lexington Avenue, 5th Floor

New York, New York 10022

PROXY STATEMENT

For

ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 26, 2012

ANNUAL MEETING INFORMATION

Our Board of Directors is soliciting proxies for use at our annual meeting of stockholders, which will be held on Thursday, April 26, 2012, at 8:00 A.M., local time, at the offices of Foley & Lardner LLP, 90 Park Avenue, 39th Floor, New York, New York 10016, and all adjournments or postponements of the meeting, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders.

On or before March 16, 2012, we mailed to you and our other stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access this proxy statement and our annual report on the Internet and to vote your shares over the Internet or by telephone. You will not receive a printed copy of the proxy materials unless you request them. If you would like to receive a printed copy of our proxy materials, including a printed proxy card on which you may submit your vote by mail, then you should follow the instructions for obtaining a printed copy of our proxy materials contained in the Notice of Internet Availability of Proxy Materials.

Submitting your proxy over the Internet, by telephone or by executing and returning a printed proxy card will not affect your right to attend the annual meeting and to vote in person. However, your presence at the annual meeting will not in itself revoke your submitted proxy. You may revoke your proxy at any time before it is exercised only by notifying us in writing or in open meeting.

If you submit your proxy over the Internet or by telephone, or you request a printed proxy card and properly execute and return the proxy card by mail, then the persons named as proxies will vote the shares represented by your proxy according to your instructions. If you request a printed proxy card, and properly execute and return the proxy card by mail, but do not mark voting instructions on the proxy card, then the persons named as proxies will vote FOR the two nominees for election as directors referred to in this proxy statement, FOR approval of the compensation of our named executive officers as disclosed in this proxy statement, FOR approval of the amendment and restatement of our 2009 Incentive Stock and Awards Plan, FOR approval of the amendment to our Amended and Restated Certificate of Incorporation to change our corporate name, and FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Our management knows of no matters other than those set forth in the Notice of Annual Meeting of Stockholders to be brought before the annual meeting. However, if any other business or matters properly shall come before the annual meeting, then the persons named as proxies in the form of proxy will vote the shares represented by each proxy in accordance with their judgment on such matters.

Only holders of record of our common stock at the close of business on February 27, 2012 are entitled to vote at the annual meeting. On that date, there were [32,696,597] shares of common stock outstanding and entitled to vote. Each share is entitled to one vote.

If you would like to attend the annual meeting, you must demonstrate that you were a stockholder on February 27, 2012 and you must bring photo identification with you to the annual meeting. If your shares are held through a broker, bank or nominee, you must bring to the annual meeting a copy of your brokerage account statement, which you can obtain from your broker, bank or nominee that holds your shares. If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you must bring only photo identification with you to the annual meeting.

PRINCIPAL STOCKHOLDERS**Management and Directors**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 27, 2012 by: (i) each director and nominee; (ii) each of the executive officers named in the Summary Compensation Table set forth below; and (iii) all of the directors, nominees and executive officers (including the executive officers named in the Summary Compensation Table) as a group. Each of the holders listed below has sole voting and investment power over the shares beneficially owned. No holders listed below have pledged any of their shares as security.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned
Jon F. Chait (2)(3)	163,617	*
Robert B. Dubner (1)(3)	68,293	*
John J. Haley (1)(3)	148,293	*
Jennifer Laing (1)(3)	73,293	*
Manuel Marquez (4)	0	*
David G. Offensend (1)(3)	161,054	*
Richard J. Stolz (1)(3)	73,293	*
Mary Jane Raymond (1)(2)	352,309	[1.1]%
Frank P. Lanuto (2)	48,961	*
Latham Williams (1)(2)	63,840	*
Neil J. Funk (1)(2)	78,294	*
Richard S. Gray (1)(2)	167,152	*
All directors, nominees and executive officers as a group (13 persons) (1)(2)	1,557,683	[4.9]%

* Denotes less than 1%.

Includes the following shares of common stock subject to stock options, which are exercisable within 60 days of February 27, 2012: Robert B. Dubner, 50,000 shares; John J. Haley, 50,000 shares; Jennifer Laing, 40,000 shares; (1)David G. Offensend, 50,000 shares; Richard J. Stolz, 50,000 shares; Mary Jane Raymond, 190,000 shares; Latham Williams, 26,000 shares; Neil J. Funk, 26,000 shares; Richard S. Gray, 98,000 shares; and all directors, nominees and executive officers as a group, 702,000 shares.

(2)

Includes the following shares of restricted common stock, which are subject to forfeiture until they vest: Jon F. Chait, 25,500 shares; Mary Jane Raymond, 74,699 shares; Frank P. Lanuto, 22,382 shares; Latham Williams, 16,907 shares; Neil J. Funk, 18,240 shares; Richard S. Gray, 20,907 shares; and all directors, nominees and executive officers as a group, 178,635 shares.

(3) Includes the following share units under our Director Deferred Share Plan, which are payable only in shares of common stock upon a director ceasing service as a Board member: Jon F. Chait, 2,479 shares; Robert B. Dubner, 18,293 shares; John J. Haley, 23,293 shares; Jennifer Laing, 23,293 shares; David G. Offensend, 23,293 shares; Richard J. Stolz, 18,293 shares; and all directors, nominees and executive officers as a group, 108,944 shares.

(4) In connection with his commencement of employment as Chief Executive Officer of our company, the Compensation Committee of our Board of Directors granted to Mr. Marquez (i) 100,000 restricted stock units that vest 50% upon completion of two years of employment, 25% upon completion of three years of employment and 25% upon completion of four years of employment with us, and (ii) options to purchase 400,000 shares of our common stock that vest 50% upon completion of two years of employment and 50% upon completion of three years of employment with us.

Other Beneficial Owners

The following table sets forth certain information regarding beneficial ownership by other persons known to us to own more than 5% of our outstanding common stock as of February 27, 2012.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)		Investment Power		Aggregate	Percent of Class
	Voting Power Sole	Shared	Sole	Shared		
Hotchkis and Wiley Capital Management, LLC. 725 South Figueroa St. 39th Floor Los Angeles, CA 90017	2,438,154	0	4,757,909	0	4,757,909	[14.5] %
Heartland Advisors, Inc. 789 North Water St. Milwaukee, WI 53202	0	3,560,471	0	3,701,671	3,701,671	[11.3] %
Schneider Capital Management Corporation 460 East Swedesford Rd. Suite 2000 Wayne, PA 19087	2,230,585	0	3,323,384	0	3,323,384	[10.1] %
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,942,324	0	1,942,324	0	1,942,324	[5.9] %
Rutabaga Capital Management 64 Broad St., 3rd Floor Boston, MA 02109	1,508,432	262,900	1,771,332	0	1,771,332	[5.4] %

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

ELECTION OF DIRECTORS

Our Certificate of Incorporation and By-Laws provide that our directors are divided into three classes, with staggered terms of three years each. At the 2012 annual meeting, our stockholders will elect two directors to hold office until the 2015 annual meeting of stockholders and until their successors are duly elected and qualified.

Listed below are the nominees of our Board of Directors for election at the annual meeting and each director whose term will continue after the annual meeting. All of the members of the Board of Directors other than Mr. Chait approved the nomination of the nominees for director listed below. The following sets forth specific information about each nominee and continuing director as of February 27, 2012.

Nominees for Election at the Annual Meeting

Terms Expiring at the 2012 Annual Meeting

John J. Haley, 62, has served as a director since 2003. Mr. Haley is the Chairman of the Board and Chief Executive Officer of Towers Watson & Co., a global professional services company headquartered in New York City. Mr. Haley joined Watson Wyatt Worldwide in 1977 and was elected a director of the firm in 1992. In 2010, Watson Wyatt Worldwide merged with Towers Perrin forming Towers Watson & Co. Mr. Haley is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries and a member of the American Academy of Actuaries. Mr. Haley is a member of the board of directors for Maximus, Inc., a position he has held since June 2002, and the U.S.-China Business Council. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Haley should serve as a director of our company include his experience as Chief Executive Officer of an international publicly-traded company of a similar size (in terms of number of employees) and geographic spread as our company, and his financial expertise.

David G. Offensend, 58, has served as director since 2003. Mr. Offensend is the Chief Operating Officer of the New York Public Library. Prior to joining the Library in 2004, Mr. Offensend was Senior Advisor of Evercore Partners, Inc., which he co-founded in 1995. Evercore operates in the private equity business and provides merger and acquisition and restructuring advice to companies. Prior to founding Evercore, Mr. Offensend spent five years in the investment organization of Robert M. Bass, the Texas investor. Prior to joining the Bass organization in 1990, Mr. Offensend spent 13 years at Lehman Brothers. Mr. Offensend also was the lead investor in Resources Connection, Inc., a competing company that was successfully taken public in 2000, and serves as a trustee of Princeton University. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Offensend should serve as a director of our company include his financial and executive compensation expertise, investing experience, and background in mergers and acquisitions.

Vote Required

Each director will be elected by a plurality of the votes cast at the annual meeting (assuming a quorum is present). Consequently, any shares not voted at the annual meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of the directors. Shares of common stock represented by executed, but unmarked, proxies will be voted in favor of the election as directors of the persons named as nominees; provided that, if you hold your shares of our common stock through a broker-dealer, bank nominee, custodian or other securities intermediary, the intermediary will not vote those shares for the election of any nominee for director unless you give the intermediary specific voting instructions on a timely basis directing the intermediary to vote for such nominee. Our Board of Directors has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, if any nominee should be unable to serve or will not serve, then the shares represented by proxies received will be voted for another nominee selected by our Board of Directors.

Our Board of Directors recommends that the nominees identified above be elected as directors and urges you to vote “FOR” them.

Directors Continuing in Office

Terms Expiring at the 2013 Annual Meeting

Jon F. Chait, 61, served as Chief Executive Officer and Chairman of the Board of the Company since we were spun off from Monster Worldwide, Inc. (“Monster”) in 2003 until February 22, 2011. He joined Monster in 2002 expressly in contemplation of the spin-off. Prior to joining us, Mr. Chait was the Chairman of Spring Group, PLC, a provider of workforce management solutions, from May 2000 through June 2002 and Chief Executive Officer from May 2000 through March 2002. From 1998 through 2000, Mr. Chait founded and acted as Chairman and Chief Executive Officer of Magenta Limited, a developer of web-enabled human resource solutions, which was subsequently sold to Spring Group, PLC. Mr. Chait served as the Managing Director—International Operations of Manpower Inc. from 1995 to 1998, Chief Financial Officer from 1993 to 1998 and Executive Vice President, Secretary and Director from 1991 to 1998, and Executive Vice President from September 1989 to July 1998 of Manpower International Inc., a provider of temporary employment services. Mr. Chait also served as a director of the Marshall & Ilsley Corporation (“M&I”), a bank holding company, from 1990 until 2011 when M&I was acquired by BMO Financial Group. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Chait should serve as a director of our company include his over 20 years of executive and financial experience in the staffing industry in the geographic markets in which we operate, along with his experience as a director of other publicly-traded staffing and other companies.

Manuel Marquez, 53, has served as a director since March 7, 2011 and as Chief Executive Officer and Chairman of the Board of our company since May 13, 2011. Mr. Marquez has over 20 years of experience in senior leadership positions. From 2007 to 2010, he was the chief executive officer of Amper S.A., a publicly traded defense, homeland security and telecommunications company in Spain. Prior to joining Amper, Mr. Marquez spent 15 years in the recruitment industry with Spencer Stuart, an international leader in executive search consulting services. He joined Spencer Stuart in 1991 and co-founded one of the firm's first specialized industry practices, High Technology. From 2000 to 2005, he was a member of the global executive team of Spencer Stuart responsible for the firm's operations in Europe, India and South Africa, expanding this region to 14 countries with over 100 consultants. Mr. Marquez also was a member of the Advisory Board of ESADE Business School from 2007 to 2011. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Marquez should serve as a director of our company include his experience as a Chief Executive Officer of a publicly-traded company and his global senior leadership experience in the recruiting industry.

Richard J. Stolz, 66, has served as a director since 2006 and served as Chairman of the Board from February 22, 2011 until May 13, 2011. Prior to becoming a director, Mr. Stolz was a Partner with PricewaterhouseCoopers LLP until 2004. He served as the New York Region Leader for the Consumer and Industrial Products Industry Group of PricewaterhouseCoopers from 1997 to 2001. From 1988 to 1992, Mr. Stolz worked in Tokyo, Japan, leading the International Division of the PricewaterhouseCoopers affiliate. Mr. Stolz joined PricewaterhouseCoopers in 1967 and became a Partner in accounting and auditing in 1981. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Stolz should serve as a director of our company include his accounting and auditing background and his international business experience. Mr. Stolz also is a certified public accountant.

Terms Expiring at the 2014 Annual Meeting

Robert B. Dubner, 69, has served as a director since 2006. Mr. Dubner has been a Senior Advisor to Apollo Management LP, a private equity fund, and Drawbridge Special Opportunities Fund, LLC, an investment firm, since 2005. Prior to that, Mr. Dubner was a management consulting partner and a member of International Business Machines Corporation's Business Consulting Services Global Middle Market leadership team from 2002 to 2004. Mr. Dubner joined Coopers & Lybrand International in 1989 and was a partner from 1991 to 1998, and then was a partner with PricewaterhouseCoopers LLP from 1998 to 2002, serving as the U.S. and global leader of its middle market consulting practice. He served as an elected member of Coopers & Lybrand's Board of Partners from 1995 to 1998, PricewaterhouseCoopers' U.S. Board of Partners from 1998 to 2001, and PricewaterhouseCoopers' Global Oversight Board from 1998 to 2001. He was the co-founder, in 1972, of Information Automation, Inc., a production management and monitoring systems implementation company, and served as its President from 1982 to 1989. Mr. Dubner is also a director of Converse Technology, Inc., a position he has held since January 2009. Mr. Dubner also was a director of Perf Go-Green Holdings, Inc. from September 2008 to February 2010. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Dubner should serve as a director of our company include his strategic, management and operational consulting experience, and his financial and accounting background.

Jennifer Laing, 65, has served as a director since 2003. Ms. Laing served as the Associate Dean, External Relations at the London Business School from 2002 until 2007. Ms. Laing started her career in brand building and communications in 1969 with Garland-Compton which subsequently became Saatchi and Saatchi in 1975. In 1979, she joined Leo Burnett in London. In 1981, she re-joined Saatchi and Saatchi London as Deputy Chairman rising to Joint Chairman. From 1988 to 1991 she was Chairman and Chief Executive Officer of Aspect Hill Holiday and, following a management buyout of Aspect Hill Holiday, from 1991 to 1995 she led her own firm, Laing Henry, which was eventually purchased by Saatchi and Saatchi. Ms. Laing became Chairman of Saatchi and Saatchi London in 1995 and Chairman and Chief Executive Officer of Saatchi and Saatchi North America from 1997 to 2001. Ms. Laing is also a director of InterContinental Hotels Group PLC, a position she has held since August 2005, and a fellow of both The Marketing Society and the Institute of Practitioners in Advertising. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Ms. Laing should serve as a director of our company include her international experience in branding, marketing and communications, her experience as a senior executive officer, and her experience as a director of other publicly-traded companies.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independent Directors

Of the seven directors currently serving on our Board of Directors, the Board has determined that Ms. Laing and Messrs. Dubner, Haley, Offensend and Stolz are independent directors under the independence standards of the Nasdaq Global Select Market. Mr. Chait is not permitted to be considered an independent director under the standards of the Nasdaq Global Select Market because he was employed by us as Chief Executive Officer within the past three years.

Board Committees

Our Board of Directors has standing Audit, Compensation, Nominating and Governance, Human Resources and Executive Committees. Under the standards of the Nasdaq Global Select Market, the members of the Audit, Compensation and Nominating and Governance Committees must be comprised solely of independent directors. Accordingly, Mr. Chait is not eligible to serve on such Committees. All directors receive materials for all Board Committees even if they do not serve, or are not eligible to serve, on a Committee.

The Board has adopted, and may amend from time to time, a written charter for each of the Audit Committee, Compensation Committee, Nominating and Governance Committee, Human Resources Committee and Executive Committee. We maintain a Web site at www.hudson.com and make available on that Web site, free of charge, copies of each of the charters for the Audit, Compensation, Nominating and Governance, Human Resources and Executive

Committees. We are not including the information contained on or available through this Web site as a part of, or incorporating such information by reference into, this proxy statement.

Audit Committee

The Audit Committee presently consists of Richard J. Stolz (Chairman), Robert B. Dubner, John J. Haley and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market and Securities and Exchange Commission rules. Our Board of Directors has determined that each of Messrs. Dubner, Haley, Offensend and Stolz qualify as an “audit committee financial expert,” as defined by the Securities and Exchange Commission. The Audit Committee held eleven meetings in 2011.

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

- the integrity of our financial statements;
- the independent registered public accounting firm’s qualifications and independence;
- the performance of our internal audit function and of the independent registered public accounting firm; and

our compliance with legal and regulatory requirements.

Compensation Committee

The Compensation Committee presently consists of Jennifer Laing (Chairman), John J. Haley and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market and qualify as “outside directors” under Section 162(m) of the Internal Revenue Code. The Compensation Committee held seven meetings in 2011.

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

The Compensation Committee has retained the services of an independent, external compensation consultant, Pay Governance LLC. Pay Governance LLC has served as the independent compensation consultant since 2010. The mandate of the consultant is to work for the Compensation Committee in its review of executive and director compensation practices, including the competitiveness of pay levels, executive compensation design issues, market trends and technical considerations. The consultant does not determine or recommend amounts or forms of compensation. The historical and ongoing nature and scope of services rendered by the independent compensation consultant on the Compensation Committee’s behalf is described below:

- competitive market pay analyses, Board of Director pay studies, dilution analyses, and market trends;
- ongoing support with regard to the latest relevant regulatory, technical, and/or accounting considerations affecting executive compensation and benefit programs;
- guidance on overall compensation program structure and executive employment agreement terms; and
- preparation for and attendance at selected management, Board committee, or Board of Director meetings.

The Compensation Committee has the final authority to hire and terminate the consultant, and the Compensation Committee evaluates the consultant periodically. In 2011, Pay Governance LLC did not provide any services to the

Compensation Committee other than the executive and director compensation-related consulting services as described above. Management did not obtain any services from Pay Governance LLC in 2011.

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

Nominating and Governance Committee

The Nominating and Governance Committee presently consists of John J. Haley (Chairman), Robert B. Dubner, Jennifer Laing, David G. Offensend and Richard J. Stolz, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market. The Nominating and Governance Committee held six meetings in 2011.

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

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

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

· identifying directors qualified to serve as lead director and recommending to the Board nominees for lead director;

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

· Board organization, membership and function;

· Board committee structure and membership;

· succession planning for our Chief Executive Officer; and

· taking a leadership role in shaping our corporate governance.

In identifying and evaluating nominees for director, the Nominating and Governance Committee seeks to ensure that our Board of Directors possesses, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The Nominating and Governance Committee also seeks to ensure that the Board is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are important to us. In addition, the Nominating and Governance Committee believes it is important that at least one director has the requisite experience and expertise to be designated as an “audit committee financial expert.” The Nominating and Governance Committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee.

In looking at the qualifications of each candidate to determine if their election would further the goals described above, the Nominating and Governance Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. The Nominating and Governance Committee also believes that candidates should be selected so that the Board of Directors is a diverse body, with diversity reflecting, among other things, age, gender, race and professional experience. At a minimum, each director nominee must have displayed the highest personal and professional ethics, integrity and values, and sound business judgment. In addition, the

Nominating and Governance Committee believes that the following minimum qualifications are necessary for a director to possess to be recommended by the Nominating and Governance Committee to the Board:

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

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

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

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

The Nominating and Governance Committee has the authority to retain a search firm to assist it in identifying director nominees, and the Nominating and Governance Committee provides the search firm with the criteria for the director nominees as described previously.

The Nominating and Governance Committee will consider persons recommended by stockholders to become nominees for election as directors in accordance with the foregoing and other criteria set forth in our Nominating and Governance Committee Charter, which is available on our website as described previously. Recommendations for consideration by the Nominating and Governance Committee should be sent to our Corporate Secretary in writing, together with appropriate biographical information concerning each proposed nominee. Our By-Laws also set forth certain requirements for stockholders wishing to nominate director candidates directly for consideration by the stockholders. With respect to an election of directors to be held at an annual meeting, a stockholder must, among other things, give notice of an intent to make such a nomination to our Corporate Secretary in advance of the meeting in compliance with the terms and within the time period specified in our By-Laws. Pursuant to our By-Laws, a stockholder must give a written notice of intent to our Corporate Secretary not less than 45 days or more than 75 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders. See "Other Matters – Stockholder Proposals" for the specific deadlines for submitting stockholder proposals to our Corporate Secretary in connection with the 2013 annual meeting of stockholders.

Human Resources Committee

The Human Resources Committee presently consists of Robert B. Dubner (Chairman), Jennifer Laing and Richard J. Stolz. The Human Resources Committee held five meetings in 2011.

The Human Resources Committee provides assistance to our Board of Directors by:

· assisting management and making recommendations to the Board of Directors regarding human resources and organizational matters, other than compensation and benefits matters, for employees of our company other than our Chief Executive Officer;

· participating in the selection process of key executives; and

· reviewing and monitoring our company's succession plan for senior leadership.

Executive Committee

The Executive Committee presently consists of Manuel Marquez (Chairman), Robert B. Dubner and David G. Offensend. The Executive Committee held three meetings in 2011. Richard J. Stolz served as a member of the Executive Committee in 2011 prior to Manuel Marquez becoming our Chief Executive Officer on May 13, 2011, at which time Mr. Marquez replaced Mr. Stolz on the Executive Committee.

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

Board Leadership Structure

Our positions of Chairman of the Board and Chief Executive Officer are combined and we have a lead independent director. We generally have used this leadership structure since we became an independent publicly traded company in 2003. On February 22, 2011, our Board of Directors elected Richard J. Stolz, an independent director, to serve as Chairman in connection with the appointment of Mary Jane Raymond as Interim Chief Executive Officer. However, when Manuel Marquez became Chief Executive Officer of our company on May 13, 2011, he also became Chairman of the Board and the positions of Chairman of the Board and Chief Executive Officer were again combined. The reasons why we have combined these positions and why we continue to believe that combining these positions is appropriate for our company include the resulting operational efficiencies given the size of our company and the particularly detailed knowledge of our company's operations that our Chief Executive Officer develops, which we believe is beneficial for serving as our Chairman.

Our independent directors meet regularly without management, including our Chief Executive Officer, and are active in the oversight of our company. Our Board of Directors and each Board committee have access to members of our management and the authority to retain independent legal, accounting or other advisors as they deem necessary or appropriate. Our Chairman and Chief Executive Officer does not serve on any Board committee except the Executive Committee.

The duties and responsibilities of our lead independent director include the following:

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

- chair meetings and executive sessions at which only the independent directors attend;

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

- jointly with the Compensation Committee, conduct an annual evaluation of the performance of the Chairman and Chief Executive Officer and report to the Board of Directors the results of that evaluation;

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

- conduct exit interviews of senior management upon resignation; and

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

The Nominating and Governance Committee recommends to our Board of Directors nominees for the position of lead director from among the independent directors. The independent directors on our Board of Directors then select a lead director from among the nominees to serve for a term of one year or until a successor is elected by the independent directors. There is no limit to the number of terms a director can serve as lead director. Richard J. Stolz served as our lead director until April 28, 2011, at which time David G. Offensend became our lead director.

We believe that our board leadership structure provides an appropriate balance between strong and strategic leadership and independent oversight of our company, and that our board leadership structure continues to serve the best interests of our company and stockholders.

Risk Oversight

The Audit Committee of our Board of Directors oversees our risk management process. Our Risk Committee, which consists of certain members of our senior management, has day-to-day responsibility for our risk management process. The members of the Risk Committee are our Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President, Legal Affairs and Administration, Vice President, Internal Audit, and Vice President, Operations. Our Vice President, Internal Audit serves as the liaison between the Risk Committee and our Board of Directors. Our Vice President, Internal Audit provides periodic updates to our Board of Directors on behalf of the Risk Committee regarding, among other things, risk assessments and actions taken to mitigate risks. In addition, our Vice President, Internal Audit reports directly to the Chairman of the Audit Committee and, accordingly, also provides periodic updates to the Audit Committee regarding risk management issues, particularly those regarding accounting and finance related risks. Also, our Senior Vice President, Legal Affairs and Administration provides periodic updates to our Board of Directors regarding claims against our company.

Corporate Governance Guidelines

In December 2011, our Board of Directors adopted Corporate Governance Guidelines to further promote the effective functioning of our Board and Board committees and to set forth a common set of expectations as to how our Board and Board committees should perform their functions. Our Corporate Governance Guidelines are available, free of charge, on our Web site at www.hudson.com.

Meetings and Attendance

Our Board of Directors held seven meetings in 2011. Each of the directors currently serving on our Board of Directors attended at least 75% of the aggregate number of meetings of the Board held in 2011 and meetings held by each committee of the Board on which such director served during the period that the director so served in 2011. Directors are expected to attend our annual meeting of stockholders each year. At the 2011 annual meeting of stockholders, all of the directors then serving were in attendance.

Communications with Board of Directors

You may communicate with our Board of Directors by writing to our Corporate Secretary at Hudson Highland Group, Inc., c/o the Board of Directors (or, at the stockholder's option, c/o a specific director), 560 Lexington Avenue, 9th Floor, New York, New York 10022. The Corporate Secretary will deliver this communication to the Board or the specified director, as the case may be.

Policies and Procedures Regarding Related Person Transactions

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

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

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

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

DIRECTOR COMPENSATION

The following table sets forth information regarding the compensation received by each of our directors during 2011, except Mr. Marquez who did not receive any compensation for serving as a director and whose compensation as an executive officer is set forth below under “Executive Compensation—Summary Compensation Table.”

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(2)	Total
Jon F. Chait(3)	\$ 28,324	\$ 15,000	\$ 0	\$43,324
Robert B. Dubner	\$ 73,000	\$ 30,125	\$ 0	\$103,125
John J. Haley	\$ 82,000	\$ 30,125	\$ 0	\$112,125
Jennifer Laing	\$ 77,666	\$ 30,125	\$ 0	\$107,791
David G. Offensend	\$ 95,666	\$ 30,125	\$ 0	\$125,791
Richard J. Stolz	\$ 86,333	\$ 30,125	\$ 0	\$116,458

(1) The dollar amount shown reflects the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 for all awards of restricted stock granted during the fiscal year under our Director Deferred Share Plan. Assumptions used in the calculation of these amounts are included in Note 9 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

(2) During 2011, no independent directors were granted options to purchase shares of our common stock. The aggregate number of outstanding stock options as of December 31, 2011 for each of our directors named above was: Mr. Chait, 0; Mr. Dubner, 50,000; Mr. Haley, 50,000; Ms. Laing, 40,000; Mr. Offensend, 50,000; and Mr. Stolz, 50,000.

(3) Amounts shown reflect compensation received by Mr. Chait for service as a director following his employment as our Chairman and Chief Executive Officer terminating on February 22, 2011. Mr. Chait’s compensation as an executive officer prior to that date is set forth below under “Executive Compensation – Summary Compensation Table.”

Retainer and Meeting Fees

Each non-employee director was entitled to receive in 2011 an annual retainer of \$25,000 paid in cash and \$15,000 paid in share units as described below under “Director Deferred Share Plan,” a fee of \$2,000 for each Board and Board committee meeting attended in person and a fee of \$1,000 for each telephonic Board and Board committee meeting in

which the director participates. The Chairmen of the Audit Committee and Compensation Committee receive an additional annual retainer of \$10,000, and the Chairmen of the Nominating and Governance Committee and Human Resources Committee receive an additional annual retainer of \$5,000. The lead director also receives an additional annual retainer of \$20,000. Additionally, directors are reimbursed for out-of-pocket expenses associated with attending meetings of the Board and Board committees.

In 2011, using market data provided by Pay Governance, our independent compensation consultant, the Compensation Committee reviewed the compensation of our independent directors. Based on the market data, the Compensation Committee determined it was appropriate to increase the additional annual retainer for the lead director from \$10,000 to \$20,000, and such increase became effective in 2011. Also, based on the market data provided by Pay Governance, the Compensation Committee determined that the total compensation of our independent directors was below the median total compensation of both the industry peer group and the general industry comparator group. As a result, the Compensation Committee determined that it was appropriate to increase total director compensation by increasing the equity portion of the annual retainer, but to simplify the equity component of director compensation by eliminating the one time grant of share units upon initially being elected or appointed to serve as a non-employee director and the annual grant of share units after three years of Board service. Consequently, beginning on the date of our 2012 annual meeting of stockholders, the portion of the annual retainer paid in share units will increase from \$15,000 to \$65,000 and the one time grant of share units upon initially being elected or appointed to serve as a non-employee director and the annual grant of 2,500 share units after three years of Board service will be eliminated.

Director Deferred Share Plan

The share units paid as part of the annual retainer are awarded under our Director Deferred Share Plan. On the date of the annual meeting of our stockholders, the retirement account of each non-employee director under the Director Deferred Share Plan is credited with the share units, which fully vest on the date of grant. All share units are equivalent to one share of our common stock and are payable only in common stock issued under our 2009 Incentive Stock and Awards Plan upon a director ceasing service as a Board member.

Stock Options

Until 2008, upon first being elected or appointed as a director, we granted each non-employee director an option to purchase 50,000 shares of our common stock. The exercise price for options was the fair market value of a share of our common stock on the date of grant. Options have a term of ten years and became exercisable as follows: 40% immediately on the date of grant, 60% after the first anniversary of the date of grant, 80% after the second anniversary and 100% after the third anniversary. If a director ceases service for any reason other than death, then that portion of the option that is exercisable on the date the director ceases service will remain exercisable for a period of two years after such date. If the director's service ceases by reason of the director's death, then the option will remain exercisable by the director's beneficiary for a period of two years after the date of the director's death.

Stock Ownership Policy

The Board of Directors considers ownership of our common stock to be an important factor in aligning the interest of directors with those of our stockholders. In December 2011, the Board of Directors established a Stock Ownership Policy for non-employee directors that became effective beginning January 1, 2012. Under the Stock Ownership Policy, non-employee directors are required to own shares of our common stock with a market value equal to at least three times the director's then-current annual cash retainer. A director must satisfy the ownership requirements within five years from the date of the director's appointment to the Board or five years from the effective date of the Stock Ownership Policy, whichever occurs later. Stock ownership can consist of shares owned directly by the director and deferred shares, but vested and unvested stock options and unvested restricted shares will not apply. The value of our common stock held by directors will be measured annually using the greater of the value of our common stock on the date when the shares were vested or purchased and the value of our common stock as of December 31 of the applicable year. Once the value of a director's shares reaches the required market value, the director will be deemed to have met the stock ownership requirements and must retain only the number of shares that were required to meet the stock ownership requirements as of the date the director first met the requirements.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

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

Objectives of the Compensation Program

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

Design of the Total Compensation Program

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

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

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

- Long term incentives provide equity awards, typically in the form of restricted shares and stock options, and are targeted at median market levels for comparable companies.

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

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

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

At our 2011 annual meeting of stockholders, our stockholders were asked to approve, on a non-binding advisory basis, the compensation of our named executive officers as disclosed in the proxy statement for the 2011 annual meeting. Of those stockholders who voted, in excess of 79% voted to approve the compensation of our named executive officers. As of the date of our 2011 annual meeting of stockholders, our executive compensation program for 2011 had already been established by the Compensation Committee. However, following the 2011 annual meeting of stockholders, the Compensation Committee reviewed our executive compensation program and concluded that our overall executive compensation program for 2011 continued to be appropriate for our company and effective in rewarding executives commensurate with our financial performance. The Compensation Committee did not make any adjustments to the compensation of our executive officers, including our named executive officers, based on the results of the advisory vote at our 2011 annual meeting of stockholders.

Target Compensation Levels and Benchmarking

Overview

The Compensation Committee, with the assistance of the independent compensation consultants it retains, reviews the market positioning of total compensation for each of our executive officers. It has been the practice of the Compensation Committee to review the market positioning of total compensation for each of our executive officers on a biennial basis. In 2010, the Compensation Committee undertook such a study with Pay Governance, its independent compensation consultant. In 2011, at the direction of the Compensation Committee, Pay Governance updated the 2010 study for our continuing executive officers.

Compensation and Benchmarking Studies

In 2010, at the direction of the Compensation Committee, Pay Governance compared the base salary, annual incentives and long-term incentives of our executive officers to executives in similar positions at relevant comparator companies. Pay Governance used two groups of comparator companies for the positions of chief executive officer and chief financial officer. The first group of companies, all of which were U.S.-based publicly traded staffing companies, consisted of CDI Corp., Ciber, Inc., Kelly Services, Inc., Kforce, Inc., On Assignment, Inc., Resources Connection, Inc., Robert Half International, Inc. and SFN Group, Inc. In weighing the relevance of a particular comparator company, the Compensation Committee considered the size and business mix of each comparator in relationship to our company. For the second group of companies, Pay Governance used survey data from a database of approximately 110 consolidated professional and general business service firms. For the positions other than chief executive officer and chief financial officer, Pay Governance used survey data from the same database of consolidated professional and general business service firms. The data was adjusted for annual revenue size using regression analysis.

The Compensation Committee determined that no adjustments to base salaries, annual incentives or long term incentives for our named executive officers were required for 2010 based on the market data provided by Pay Governance. The Compensation Committee also did not make any adjustments for 2011 based on such market data.

In 2011, at the direction of the Compensation Committee, Pay Governance updated the 2010 study for our continuing executive officers by increasing the 2010 base salary data at comparator companies by three percent, which reflects the change in the market data from 2010 to 2011. For the updated study in 2011, Pay Governance used the same two groups of comparator companies for the positions of chief executive officer and chief financial officer and the same database of consolidated professional and general business service firms for the positions other than the chief executive officer and chief financial officer as used for the original study in 2010.

The Compensation Committee determined that no adjustments to base salaries, annual incentives or long term incentives for our named executive officers were required based on the updated market data provided by Pay Governance, other than for Ms. Raymond and Mr. Williams. Based on the updated market data, the Compensation Committee determined that the total compensation for Ms. Raymond and Mr. Williams was below median market levels for comparable positions. The Compensation Committee determined it was appropriate to increase the total compensation of Ms. Raymond and Mr. Williams to median market levels by increasing their base salaries and target bonus amounts. Effective January 1, 2012, the Compensation Committee increased (i) the base salaries of Ms. Raymond from \$350,000 to \$375,000 and Mr. Williams from \$265,000 to \$300,000, and (ii) the target bonus amounts of Ms. Raymond from \$233,450 to \$251,250 and Mr. Williams from \$198,750 to \$201,000. The Compensation Committee did not make any adjustments to the compensation of our other named executive officers for 2012 because the Compensation Committee determined that their compensation was appropriate based on the updated market data provided by Pay Governance, internal fairness and our performance.

Role of Executive Officers in the Compensation Process

The development of annual incentive targets and the calculation of the actual annual incentives earned are performed by the Senior Human Resources Officer in conjunction with the Executive Vice President, Chief Financial Officer. These data (incentive targets and actual incentives earned) are then reviewed by the Chief Executive Officer before being presented to the Compensation Committee for discussion and approval. Long term equity incentive grants are recommended to the Chief Executive Officer by various regional business heads and corporate department heads. The Chief Executive Officer then presents his grant recommendations to the Compensation Committee for its discussion and consideration. While the Chief Executive Officer takes an active role in making compensation recommendations for our executive officers, he makes no recommendations concerning any element of his own compensation. Compensation decisions for executive officers other than the Chief Executive Officer are made during regularly scheduled Compensation Committee meetings which are generally attended by a representative of the Compensation Committee's compensation consultant. Discussions regarding Chief Executive Officer compensation take place in Compensation Committee executive session without the Chief Executive Officer or other executive officers present. The Compensation Committee makes all final decisions on compensation for our executive officers. Beginning in mid-2011, the Chief People Officer assumed the role in the compensation process previously held by the Senior Human Resources Officer as described above.

Elements of Compensation

Overview

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

The same compensation policies and decisions cover all of our named executive officers, including Mr. Chait even though he did not have an employment agreement.

Base Salary

We do not have a policy of providing annual raises for executive officers; however, the base salary of our named executive officers as a group was reviewed in 2010 as part of the review of total compensation and in 2011 as part of the update to the 2010 market study, each performed for the Compensation Committee by Pay Governance. These reviews consisted of the benchmarking described previously.

The Compensation Committee did not make any changes to base salary for any of our named executive officers for 2010 or 2011 because the Compensation Committee believed that our named executive officers were compensated appropriately based on the market data provided by Pay Governance, internal fairness and our performance.

In 2011, the Compensation Committee did not make any adjustments to the base salaries of our other named executive officers for 2012 (other than Ms. Raymond and Mr. Williams as described previously in “Target Compensation Levels and Benchmarking – Compensation and Benchmarking Studies”) because the Compensation Committee determined that their base salaries were appropriate based on the updated market data provided by Pay Governance, internal fairness and our performance.

Annual Incentives

The annual incentive program consists of eligibility for a cash bonus based on our actual earnings before interest, income taxes, special charges, other non-operating expense and depreciation and amortization, or adjusted EBITDA, on a constant currency basis, relative to target adjusted EBITDA set at the beginning of the year by the Compensation Committee. The Compensation Committee has the authority to determine all components of the calculation of adjusted EBITDA. The achievement of threshold adjusted EBITDA (dollars earned) is required for any bonus to be paid. The Compensation Committee believes that adjusted EBITDA is a clear, objective standard of measurement which encourages executives to strive toward increased profit generation year-over-year. The annual incentive program also consists of eligibility to earn an additional cash bonus based on the percentage increase of our gross margin over prior year results, provided that adjusted EBITDA exceeds the threshold. The intent of the annual incentive program is to provide above market median bonus compensation in years where our performance meets or exceeds target levels, but to pay less or no incentive in years where our performance does not meet or exceed target levels.

The Compensation Committee sets performance targets annually at the beginning of the year based on the recommendation of the Chief Executive Officer (with the exception of the Chief Executive Officer’s own target, which is set solely by the Compensation Committee). Target bonus amounts for individual named executive officers are set as a percentage of base salary and are reviewed during the independent compensation consultant’s total compensation study to ensure that the target bonus is appropriate considering both internal equity and relevant market competitiveness. Factors considered in setting the performance targets include profit we earned in the prior year, the current year’s profit budget, desired growth and general economic conditions (for example, higher targets may be set in good economic periods). Historically, the Compensation Committee has set these targets meaningfully above prior year results to stimulate ongoing profit growth from one year to the next. In setting the 2011 performance targets, the Compensation Committee considered our 2010 actual performance, our 2011 budget and its view of the global economic conditions.

In 2011, the Compensation Committee continued to apply its compensation policies as they relate to setting performance targets consistent with past practices. In December 2010, the Compensation Committee established the 2011 Incentive Compensation Program for the named executive officers, including specific performance targets as described in the subsequent paragraph. After considering the factors set forth previously under the caption “Base Salary” – updated market data, internal fairness and our performance – the Compensation Committee did not make any changes to the target bonus amounts in 2011 and no changes to these target bonus amounts are planned for 2012, other than the changes for Ms. Raymond and Mr. Williams as described previously in “Target Compensation Levels and Benchmarking – Compensation and Benchmarking Studies.” The Compensation Committee has considered all of such factors in setting performance targets for 2012, and the goals and terms of the program remain substantially the same as in 2011.

For all named executive officers, achievement of a single consolidated corporate adjusted EBITDA (which is determined on a constant currency basis) threshold of \$7.0 million and target of \$25.0 million measured in dollars of adjusted EBITDA was required to earn 25% and 100% payouts, respectively. For adjusted EBITDA performance between \$0 and \$7 million, bonuses were payable on a pro rata basis from 0% to 25% based on dollars of adjusted EBITDA. For adjusted EBITDA performance between threshold and target, bonuses were payable on a pro rata basis from 25% to 100% based on dollars of adjusted EBITDA. For adjusted EBITDA performance at target, our named executive officers would be paid 100% of their maximum bonus amount. If adjusted EBITDA performance exceeded target, then the executive officers would be paid an additional bonus on a straight line basis up to a cap of 200%. In addition to the bonus payable based on our adjusted EBITDA performance, each named executive officer was eligible to be paid an additional cash bonus equal to one percent of the named executive officer's target bonus amount for every one percent increase in our gross margin over 2010 results. The total bonus payable (maximum bonus amount) was capped at 200% of the executive officer's target bonus plus the bonus percentage attributable to our gross margin performance, other than the bonus payable to Mr. Marquez, which was uncapped. Mr. Chait did not participate in the 2011 Incentive Compensation Program given his announced separation from our company prior to the establishment of the program.

For 2011, our adjusted EBITDA, on a constant currency basis, performance was \$22.5 million and our gross margin income, on a constant currency basis, was \$345.3 million. As a result of both our adjusted EBITDA performance relative to the 2011 bonus targets and our gross margin percentage increase over 2010 results, Mr. Marquez, Ms. Raymond, Mr. Lanuto, Mr. Williams, Mr. Funk and Mr. Gray received a cash bonus of \$379,647 (less Mr. Marquez's minimum cash bonus as described below), \$233,450, \$186,000, \$198,750, \$125,000 and \$150,000, respectively.

The Compensation Committee has the discretion to make payments outside of the formula of the annual incentive program and chose to exercise this discretion with respect to one named executive officer for 2011 performance. Mr. Marquez was awarded a discretionary cash bonus of \$200,000 in recognition of his performance as Chief Executive Officer during 2011.

Pursuant to Mr. Marquez's employment agreement, he was also entitled to a minimum cash bonus for 2011 equal to 90% of his annual base salary, which was deducted from the cash bonus described above, prorated for 2011 by the number of days between the effective date of his employment with our company (May 13, 2011) and December 31, 2011. Based on this formula, Mr. Marquez received a minimum cash bonus of \$339,577.

Long-Term Incentives

The Compensation Committee has the authority under the Hudson Highland Group 2009 Incentive Stock and Awards Plan to make equity grants to certain employees. Prior to our stockholders' approval in May 2009 of the 2009 Incentive Stock and Awards Plan, the Compensation Committee made equity grants under the Long Term Incentive Plan. The Long Term Incentive Plan terminated upon approval of the 2009 Incentive Stock and Awards Plan. However, all

equity grants made under the Long Term Incentive Plan that were outstanding at the time of the approval of the 2009 Incentive Stock and Awards Plan will remain outstanding and will continue to be subject to all of the terms and conditions of the Long Term Incentive Plan.

Historically, the Compensation Committee has used a mix of stock options and restricted shares, vesting over time, to motivate and retain key executive officers, including our named executive officers. To provide both a financial commitment to a new executive officer and an incentive to drive performance to increase our share price, the named executive officers have been awarded grants of stock options and restricted stock from time to time. Decisions about annual grants are made considering the factors of market competitiveness, internal equity, position responsibilities and prior year performance achievements.

In February 2011, the Compensation Committee, considering the factors of market competitiveness, internal equity, and position responsibilities, granted 70,000 shares of restricted stock to Ms. Raymond and 12,000 shares of restricted stock to each of Mr. Lanuto, Mr. Funk, Mr. Williams and Mr. Gray, pursuant to a form of restricted stock award agreement that allows awards of restricted stock to vest based on our financial performance. For Ms. Raymond, 22,000 of these shares of restricted stock also vest if Ms. Raymond is terminated without cause by the Company prior to May 13, 2012. The Compensation Committee approved the form of restricted stock award agreement with both performance and service vesting conditions to align further the interests of our executive officers with our stockholders and, in the case of Ms. Raymond, with vesting upon termination without cause for retention purposes. Mr. Chait did not receive a grant of equity in 2011 given his announced separation from our company. The performance vesting conditions with respect to the restricted stock are satisfied as follows: (a) 60% of the shares of restricted stock (the “EBITDA Restricted Stock”) vest upon the determination by the Compensation Committee that our company achieved income (loss) from continuing operations before inclusion of provision for income taxes, other income (expense), interest income (expense), and depreciation and amortization for the year ended December 31, 2011 equal to or greater than \$25.0 million, provided that the shares of EBITDA Restricted Stock shall vest (subject to satisfaction of the service vesting conditions) pro rata for EBITDA performance between \$0 and \$25.0 million; and (b) 40% of the shares of restricted stock (the “Gross Margin Restricted Stock”) vest upon the determination by the Compensation Committee that our company achieved gross margin growth (measured as a percentage of growth) for the year ended December 31, 2011 as compared to the year ended December 31, 2010 equal to or greater than 10%, provided that the shares of Gross Margin Restricted Stock vest pro rata for gross margin growth between 1% and 10%. The executive will forfeit the number of shares of EBITDA Restricted Stock and Gross Margin Restricted Stock that do not vest pursuant to the preceding sentence. To the extent the performance vesting conditions described in this paragraph have been satisfied, the service vesting conditions with respect to the restricted stock are satisfied as follows: (i) 33% of the shares of restricted stock vest on the first anniversary of the grant date, (ii) 33% of the shares of restricted stock vest on the second anniversary of the grant date and (iii) 34% of the shares of restricted stock vest on the third anniversary of the grant date; provided that, in each case, the executive remains employed by our company from the grant date through the date the performance vesting conditions are satisfied, in the case of clause (i), or the applicable anniversary date, in the case of clauses (ii) and (iii). Based on the Compensation Committee’s determination of our 2011 EBITDA of \$23.6 million and gross margin growth of 18.7%, the performance vesting conditions were satisfied for 96.7% of the shares of restricted stock awarded in 2011.

On May 13, 2011, in connection with his commencement of employment as Chief Executive Officer of our company, the Compensation Committee granted to Mr. Marquez 100,000 restricted stock units pursuant to a Restricted Stock Unit Award Agreement representing a right to receive such number of shares of our common stock upon vesting. The restricted stock units awarded to Mr. Marquez vest (i) 50% upon completion of two years of employment, (ii) 25% upon completion of three years of employment and (iii) 25% upon completion of four years of employment with us. Also on May 13, 2011, in connection with his commencement of employment as Chief Executive Officer of our company, the Compensation Committee granted to Mr. Marquez options to purchase 400,000 shares of our common stock pursuant to a Stock Option Agreement. The options granted to Mr. Marquez vest (i) 50% upon completion of two years of employment and (ii) 50% upon completion of three years of employment with us. Unless sooner terminated, the options will expire on the tenth anniversary of the grant date.

The Compensation Committee considers grants to executive officers, including our named executive officers, upon a significant change in the status of an officer (hire, promotion, additional responsibility) or annually at its first meeting in the calendar year. The consistency of this practice helps to ensure that the Compensation Committee makes no

attempt to coordinate grants with any release of non-public information, either positive or negative.

Grants of equity awards approved by the Compensation Committee, other than those described previously for Mr. Marquez, become effective seven calendar days following the release of the annual or quarterly earnings period most immediately following the Compensation Committee's approval. The grant price for all equity awards approved by the Compensation Committee is the Nasdaq closing price on the date of effectiveness of the grant. If the stock is not traded on this date, the grant price of the stock option will be the Nasdaq closing price on the next day of market activity.

Stock Ownership Guidelines

In December 2011, the Board of Directors established a new Stock Ownership Policy for senior management, including our named executive officers, which became effective on January 1, 2012. The new Stock Ownership Policy is intended to further align the interests of management and stockholders. Under the Stock Ownership Policy, executives, other than the Chief Executive Officer, are required to own shares of our common stock with a value equal to at least one times their respective base salaries. The Chief Executive Officer must own shares of our common stock with a value equal to at least two times his annual base salary. An executive must satisfy the ownership requirements within five years of the date of the executive's appointment to a position covered by the Stock Ownership Policy or five years from the effective date of the Stock Ownership Policy, whichever occurs later. Stock ownership can consist of shares owned directly by the executive, vested restricted shares, deferred shares, shares in the executive's 401(k) account and shares owned through the Employee Stock Purchase Plan. Vested and unvested stock options, unvested restricted stock units and unvested restricted shares will not apply to the ownership level. The value of our common stock held by executives will be measured annually using the greater of the value of our common stock on the date when the shares were vested or purchased and the value of our common stock as of December 31 of the applicable year. Once the value of an executive's shares reaches the required market value, the executive will be deemed to have met the stock ownership requirements and must retain only the number of shares that were required meet the stock ownership requirements as of the date the executive first met the requirements.

Benefits

We provide our employees with customary health care benefits and offer a defined contribution plan (401(k) plan) in lieu of a pension plan to eligible employees, including our named executive officers, who, if they meet the plan eligibility requirements, may elect to participate. Under our 401(k) plan, we have the discretion to make a matching contribution at the end of each plan year to each participant's account in an amount up to 50% of the participant's salary reduction contributions for the plan year, taking into account salary reduction contributions between 1% and 6% of the participant's eligible compensation. Other than these savings programs, we provide no retirement benefits to employees or supplemental retirement benefits to our executive officers.

Perquisites

We provide no perquisites to our named executive officers as a group, and in 2011, we did not provide perquisites in an aggregate amount greater than \$10,000 to any individual named executive officer, other than Mr. Marquez as described in Footnote 4 to the Summary Compensation Table.

The perquisites that we provided to Mr. Marquez are pursuant to his CEO Employment Agreement and consisted of (i) round trip airplane tickets for Mr. Marquez and his wife for their first trip to New York and for both of them and their three children to travel round trip from New York to Madrid, Spain twice during the year; (ii) a relocation and temporary housing allowance in New York; (iii) tax equalization payments accrued in 2011; (iv) legal fees and expenses for legal counsel in connection with the negotiation, drafting and review of Mr. Marquez's employment agreement; and (v) fees to an accounting firm in connection with the preparation of Mr. Marquez's tax equalization documentation. We believe these perquisites were necessary to attract and retain Mr. Marquez to serve as Chairman and Chief Executive Officer of our company.

Agreements with Named Executive Officers

We entered into a CEO Employment Agreement with Manuel Marquez in connection with him becoming our Chairman and Chief Executive Officer. We believe it was necessary to enter into the CEO Employment Agreement to attract and retain Mr. Marquez to serve as Chairman and Chief Executive Officer of our company and to motivate Mr. Marquez to achieve goals designed to enhance long-term stockholder value. Under the CEO Employment Agreement, Mr. Marquez is entitled to, among other things, (i) an annual base salary, subject to increase in each of 2013 and 2015; (ii) eligibility to receive an annual bonus as provided in our Senior Management Bonus Plan, as well as a retention bonus for 2013 and 2014, in each case contingent on Mr. Marquez's continued employment with us on such dates; (iii) reimbursement of the travel expenses incurred by Mr. Marquez and his spouse for their first trip to New York and for both of them and their three children to travel round trip from New York to Madrid, Spain, twice each year during the term of Mr. Marquez's employment; (iv) a relocation and temporary housing allowance; (v) tax equalization payments to the extent the income taxes Mr. Marquez is required to pay in the United States for compensation exceed the income taxes he would have paid in Spain; (vi) four weeks of vacation per year; (vii) severance and health and dental benefits upon termination or non-renewal of employment; (viii) severance and health and dental benefits upon a termination of employment after a change in control of our company; and (ix) other benefits of employment comparable to other senior management. Mr. Marquez is not entitled to an excise tax gross-up payment after a change in control of our company. However, if any portion of the severance payments or any other payments under the CEO Employment Agreement or under any other agreement with Mr. Marquez would result in the imposition on him of an excise tax under the Internal Revenue Code, then the total amount of such payments will be delivered either in full (with Mr. Marquez paying the applicable excise tax) or in a reduced amount such that no portion of such payments would be subject to excise tax, whichever results in the receipt of the greatest benefit on an after-tax basis. In connection with entering into the CEO Employment Agreement, Mr. Marquez executed a Confidentiality, Non-solicitation and Work Product Assignment Agreement with us.

In addition to Mr. Marquez, all of our other named executive officers, with the exception of Mr. Chait, who was not covered by an employment agreement during his employment with us, and Mr. Gray, who has entered into a separation agreement with us as described below, have signed a standard form of employment agreement with us. These agreements were put in place to allow us to attract and retain key talent to our business. They are designed to provide reasonable financial security (in general, not exceeding one year's salary and target bonus) to our executive officers in the event of certain kinds of separations from our company, while providing our company with appropriate releases from potential claims and commitments not to solicit our clients or employees during a set period.

Under the employment agreements, each named executive officer (except Mr. Chait, Mr. Marquez and Mr. Gray) is entitled to (i) an annual base salary; (ii) eligibility to receive an annual bonus as provided in our Senior Management Bonus Plan; (iii) four weeks of vacation plus four personal days per year; (iv) severance and health and dental benefits upon termination or non-renewal of employment; (v) severance and health and dental benefits upon a termination of employment after a change in control of our company; and (vi) other benefits of employment comparable to other senior management. In connection with entering into the employment agreements, each named executive officer has executed a Confidentiality, Non-solicitation and Work Product Assignment Agreement with us.

On July 27, 2011, the Compensation Committee approved the removal of the right to receive an excise tax gross-up payment upon a termination of employment after a change in control of our company from the employment agreements of our continuing executive officers, including Ms. Raymond, Mr. Lanuto, Mr. Williams and Mr. Funk. The amended employment agreements remove the excise tax gross-up payment and provide instead that, upon a termination of employment after a change in control of our company, if any portion of the executive's termination payment would constitute an "excess parachute payment" then the termination payment made to the executive shall either be delivered in full or delivered in the greatest amount such that no portion of the termination payment would be subject to the excise tax, whichever results in the receipt by the executive of the greatest benefit on an after-tax basis. The Compensation Committee approved these amendments because the Compensation Committee no longer considered the provision of such excise tax gross-up payments to be appropriate. The amended agreements were entered into in February 2012.

On January 20, 2012, we entered into a separation agreement with Mr. Gray, which superseded his employment agreement with us and pursuant to which his employment with us will end effective March 31, 2012. Under the agreement, Mr. Gray is entitled to a severance benefit of \$225,000 payable in equal semi-monthly installments for a period of twelve months after the termination of his employment. As also provided in the agreement, Mr. Gray's nonvested shares of restricted stock, which were scheduled to vest based on certain performance and service conditions, will become fully vested on March 31, 2012. Also, as provided in the agreement, we will continue to pay our portion of Mr. Gray's group medical and dental insurance premium during the twelve-month severance period provided that Mr. Gray pays his portion of the group medical and dental insurance premium in the form of a deduction from his severance benefit. Pursuant to the agreement, Mr. Gray provided us and our affiliates a general liability release and agreed to not solicit certain of our clients and employees for one year following the termination of his employment and to keep confidential and proprietary business information of ours confidential and to return such information to us upon the termination of his employment.

We had an excise tax gross-up agreement with Mr. Chait. Since Mr. Chait was no longer employed by us after February 22, 2011, his excise tax gross-up agreement expired by its terms.

Additional information regarding these employment agreements can be found in "Disclosure Regarding Summary Compensation Table and Grants of Plan-Based Awards Table" and "Potential Payments Upon Termination or Change in Control." Additional information regarding the excise tax gross-up agreement can be found in "Potential Payments Upon Termination or Change in Control—Executive Excise Tax Gross-Up Agreement."

Impact of Tax Treatment on Compensation

Under Section 162(m) of the Internal Revenue Code, the tax deduction available to corporate taxpayers, such as us, is limited with respect to the compensation of certain executive officers unless such compensation is based upon performance objectives meeting certain regulatory criteria or is otherwise excluded from the limitation. The Compensation Committee currently intends, except in limited circumstances, to qualify compensation paid to our executive officers for deductibility by us under Section 162(m) of the Internal Revenue Code. Section 409A of the Internal Revenue Code provides, among other things, rules for when compensation may be deferred and when, if deferred, it may be paid. Our compensation plans and agreements are intended to be compliant with Section 409A.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this document with our management and, based on such review and discussion, has recommended to our Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and in our Annual

Report on Form 10-K for the fiscal year ended December 31, 2011.

Hudson Highland Group, Inc.
COMPENSATION COMMITTEE

Jennifer Laing, Chairman
John J. Haley
David G. Offensend

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EXECUTIVE COMPENSATION**Summary Compensation Table**

The following table sets forth certain information concerning the compensation earned during 2011 by (i) our Chief Executive Officer, (ii) our Chief Financial Officer, (iii) our four other most highly compensated executive officers who were serving as executive officers at the end of 2011 and (iv) Mr. Chait, our former Chairman and Chief Executive Officer who served in such position until February 22, 2011. Information is not included for Mr. Marquez for 2009 or 2010 because he did not join our company until 2011. The persons named in the table are sometimes referred to in this proxy statement as the “named executive officers.”

Name and Principal Position	Year	Salary	Bonus	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Manuel Marquez, Chairman and Chief Executive Officer	2011	\$377,308	\$539,577(1)	\$518,000	\$1,401,480	\$40,070	\$333,519 (4)	\$3,209,954
	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—
Mary Jane Raymond, Executive Vice President and Chief Financial Officer	2011	\$350,000	\$0	\$445,200	\$0	\$233,450	\$7,350 (5)	\$1,036,000
	2010	\$350,000	\$100,000	\$218,400	\$0	\$207,000	\$7,350	\$882,750
	2009	\$350,000	\$0	\$5,280	\$0	\$0	\$7,350	\$362,630
Frank P. Lanuto, Senior Vice President, Controller and Chief Accounting Officer	2011	\$310,000	\$0	\$76,320	\$0	\$186,000	\$7,350 (5)	\$579,670
	2010	\$310,000	\$0	\$54,600	\$0	\$165,000	\$7,350	\$536,950
	2009	\$279,357	\$0	\$3,600	\$0	\$0	\$7,350	\$290,307
Latham Williams, Senior Vice President, Legal Affairs and Administration, Corporate Secretary	2011	\$265,000	\$0	\$76,320	\$0	\$198,750	\$7,350 (5)	\$547,420
	2010	\$265,000	\$0	\$54,600	\$0	\$177,000	\$0	\$496,600
	2009	\$265,000	\$0	\$1,920	\$0	\$0	\$0	\$266,920
Neil J. Funk, Vice President, Internal Audit	2011	\$250,000	\$0	\$76,320	\$0	\$125,000	\$7,350 (5)	\$458,670
	2010	\$250,000	\$0	\$54,600	\$0	\$111,000	\$7,350	\$422,950
	2009	\$250,000	\$0	\$2,400	\$0	\$0	\$7,350	\$259,750

Richard S. Gray, Senior Vice President, Marketing and Communications(6)	2011	\$225,000	\$0	\$76,320	\$0	\$150,000	\$7,350	(5) \$458,670
	—							
	—							
Jon F. Chait, Former Chairman and Chief Executive Officer(7)	2011	\$72,113	\$0	\$0	\$0	\$0	\$0	\$72,113
	2010	\$500,000	\$0	\$341,250	\$0	\$667,000	\$0	\$1,508,250
	2009	\$500,000	\$0	\$7,200	\$0	\$0	\$0	\$507,200

The dollar amount consists of (i) a \$200,000 discretionary cash bonus awarded to Mr. Marquez at the discretion of the Compensation Committee in recognition of Mr. Marquez's performance as Chief Executive Officer during 2011 (1) and (ii), pursuant to Mr. Marquez's employment agreement, a \$339,577 minimum cash bonus for 2011, which represents 90% of his annual base salary, prorated for 2011 based on the number of days from his effective date of employment with our company (May 13, 2011) and December 31, 2011.

The dollar amount shown reflects the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures) for all awards of restricted stock and restricted stock units granted during the relevant fiscal year. Assumptions used in the calculation of these amounts are included in Note 9 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011. Awards of restricted stock that we granted in 2011 to our named executive officers, except Mr. Marquez who received restricted stock units, are subject to performance conditions based on our 2011 EBITDA and gross margin growth that determine the number of shares of restricted stock that will be subject to service vesting conditions. See note 2 to the Grants of Plan-Based Awards table. Based on our actual 2011 EBITDA and 2011 gross margin growth, the dollar amounts in the table on the previous page reflect the maximum number of shares that will vest subject to service vesting conditions. The restricted stock units that we granted in 2011 to Mr. Marquez vest 50% upon completion of two years of employment, 25% upon completion of three years of employment and 25% upon completion of four years of employment with us.

The dollar amount shown reflects the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures) for all awards of stock options granted during the relevant fiscal year. Assumptions used in the calculation of these amounts are included in Note 9 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011. The stock options that we granted in 2011 to Mr. Marquez vest 50% upon completion of two years of employment and 50% upon completion of three years of employment with us.

For Mr. Marquez, the dollar amount consists of \$45,469 for round trip airline tickets for Mr. Marquez and his wife on their first trip to New York and for both of them and their three children to travel round trip from New York and Madrid, Spain twice during 2011; \$200,000 for a relocation and temporary housing allowance in New York; \$1,200 for tax equalization payments accrued in 2011; \$69,500 for legal fees and expenses for legal counsel in connection with the negotiation, drafting and review of Mr. Marquez's employment agreement; \$10,000 of fees to an accounting firm in connection with the preparation of Mr. Marquez's tax equalization documentation; and \$7,350 for matching contributions under our 401(k) Savings Plan.

Consists only of our matching contributions under our 401(k) Savings Plan. Certain personal benefits we provided to the named executive officers are not included in the table because the aggregate amount of such personal benefits for each named executive officer was less than \$10,000.

On January 20, 2012, we entered into a separation agreement with Mr. Gray, pursuant to which his employment with us will end effective March 31, 2012.

On February 22, 2011, Mr. Chait's employment as Chairman and Chief Executive Officer of the Company terminated.

Grants of Plan-Based Awards

The following table sets forth information regarding the awards that we made to the named executive officers during 2011 under our 2011 Incentive Compensation Program (“ICP”), our 2009 Incentive Stock and Awards Plan (“ISAP”) and, with respect to Mr. Marquez, the Restricted Stock Unit Award Agreement and Stock Option Agreement that we entered into with Mr. Marquez in connection with his commencement of employment as Chief Executive Officer of our company. The columns under “Estimated Potential Payouts Under Non-Equity Incentive Plan Awards” show the threshold, target and maximum bonus amounts that could have been earned under the 2011 Incentive Compensation Program.

Name	Grant Date	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: (3)	All Other Option Awards: (4)	Exercise or Base Price of	Grant Date Fair Value of
		Threshold	Target	Maximum	Threshold	Target	Maximum	Number of Shares of Stock or Units	Number of Underlying Securities Options)	Option Awards	Option Awards (3)
Manuel Marquez											
ICP		\$270,000	\$540,000	Uncapped	—	—	—				
Restricted Stock Units	5/13/11							100,000			\$518,000
Stock Options	5/13/11								400,000	\$5.18	\$1,401,480
Mary Jane Raymond											
ICP		\$116,725	\$233,450	\$466,900				—	—	—	
ISAP – Restricted Stock	2/16/11				23,100	46,200	70,000				\$445,200
Frank P. Lanuto											
ICP		\$93,000	\$186,000	\$372,000				—	—	—	
ISAP – Restricted Stock	2/16/11				3,960	7,920	12,000				\$76,320
Latham Williams											
ICP	2/16/11	\$99,375	\$198,750	\$397,500	3,960	7,920	12,000	—	—	—	\$76,320

ISAP –
Restricted
Stock

Neil J.
Funk

ICP		\$62,500	\$125,000	\$250,000			—	—	—
ISAP – Restricted Stock	2/16/11				3,960	7,920	12,000		\$76,320

Richard S.
Gray

ICP		\$75,000	\$150,000	\$300,000			—	—	—
ISAP – Restricted Stock	2/16/11				3,960	7,920	12,000		\$76,320

Jon F.
Chait
ICP

	—	—	—	—	—	—	—	—	—
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The 2011 threshold and target data and results under our 2011 Incentive Compensation Program for our named (1) executive officers is found in “Compensation Discussion and Analysis – Elements of Compensation – Annual Incentives.”

The performance vesting conditions with respect to the restricted stock are satisfied as follows: (a) 60% of the shares of restricted stock (the “EBITDA Restricted Stock”) vest upon the determination by the Compensation Committee that our company achieved income (loss) from continuing operations before inclusion of provision for income taxes, other income (expense), interest income (expense), and depreciation and amortization for the year ended December 31, 2011 equal to or greater than \$25.0 million, provided that the shares of EBITDA Restricted Stock shall vest (subject to satisfaction of the service vesting conditions) pro rata for EBITDA performance between \$0 and \$25.0 million; and (b) 40% of the shares of restricted stock (the “Gross Margin Restricted Stock”) vest upon the determination by the Compensation Committee that our company achieved gross margin growth (measured as a percentage of growth) for the year ended December 31, 2011 as compared to the year ended (2) December 31, 2010 equal to or greater than 10%, provided that the shares of Gross Margin Restricted Stock vest pro rata for gross margin growth between 1% and 10%. The executive will forfeit the number of shares of EBITDA Restricted Stock and Gross Margin Restricted Stock that do not vest pursuant to the preceding sentence. To the extent the performance vesting conditions above have been satisfied, the service vesting conditions with respect to the restricted stock are satisfied as follows: (i) 33% of the shares of restricted stock vest on the first anniversary of the grant date, (ii) 33% of the shares of restricted stock vest on the second anniversary of the grant date and (iii) 34% of the shares of restricted stock vest on the third anniversary of the grant date; provided that, in each case, the executive remains employed by our company from the grant date through the date the performance vesting conditions are satisfied, in the case of clause (i), or the applicable anniversary date, in the case of clauses (ii) and (iii).

- (3) The dollar amount shown reflects the aggregate grant date fair value of the amounts of restricted stock awards, restricted stock unit awards and option awards calculated in accordance with FASB ASC Topic 718.

Disclosure Regarding Summary Compensation Table and Grants of Plan-Based Awards Table

CEO Employment Agreement

Pursuant to the CEO Employment Agreement, we employ Mr. Marquez as Chairman and Chief Executive Officer of our company. The CEO Employment Agreement entitles Mr. Marquez to:

an annual base salary of \$600,000, subject to a 4% increase in each of 2013 and 2015;

for 2011 and 2012, a minimum bonus equal to 90% of his then-current base salary, prorated for 2011 for the partial year, in each case, subject to his continued employment with our company;

a retention bonus of \$125,000 for 2013 and \$75,000 for 2014, payable in twelve monthly installments and subject to Mr. Marquez's continued employment with our company on such dates;

reimbursement of the travel expenses incurred by Mr. Marquez and his spouse for their first trip to New York and an allowance, based on the reasonable estimate for business class airfare, for both of them and their three children to travel round trip from New York to Madrid, Spain, twice each year during the term of Mr. Marquez's employment;

a relocation and temporary housing allowance of \$200,000 and \$150,000 for 2011 and 2012, respectively, subject to his continued employment with our company;

tax equalization payments to the extent the income taxes Mr. Marquez is required to pay in the United States for Company compensation exceed the income taxes he would have paid in Spain;

four weeks of vacation per year; and

other benefits of employment comparable to other senior management.

Executive Employment Agreements

We have Executive Employment Agreements with each of our other executive officers, including the named executive officers (except Mr. Chait and Mr. Marquez, who is covered by the CEO Employment Agreement described previously). Pursuant to the Executive Employment Agreements, we agree to employ each of the executives for one-year terms, with automatic, annual extensions of additional one-year terms. The Executive Employment Agreements entitle the executives to:

an annual base salary in the amount of at least \$350,000 for Ms. Raymond (until January 1, 2012 as discussed below), \$310,000 for Mr. Lanuto, \$265,000 for Mr. Williams (until January 1, 2012 as discussed below), \$250,000 for Mr. Funk and \$225,000 for Mr. Gray;

- eligibility to receive an annual bonus as provided in our senior management bonus plan;

- four weeks of vacation per year; and

other benefits of employment comparable to other senior management.

Ms. Raymond also is entitled to an allowance for housing in New York, although because such allowance was not needed in 2011, we did not pay her such an allowance in 2011.

In December 2011, the Compensation Committee approved an increase to the annual base salary of Ms. Raymond from \$350,000 to \$375,000 and Mr. Williams from \$265,000 to \$300,000, and such increases became effective January 1, 2012. The Compensation Committee increased their annual base salaries for the reasons described previously in “Compensation Discussion and Analysis – Compensation and Benchmarking Studies.”

We have the right to terminate each executive’s employment at any time, subject to the provisions of the CEO Employment Agreement and the Executive Employment Agreements described under “Potential Payments Upon Termination or Change in Control—CEO Employment Agreement” and “Potential Payments Upon Termination or Change in Control—Executive Employment Agreements.”

2011 Incentive Compensation Program

Our Compensation Committee annually sets bonus performance targets to help drive growth in our financial performance year-over-year. For 2011, this growth was measured in dollars of adjusted EBITDA, on a constant currency basis. Adjusted EBITDA was calculated net of bonuses payable under the program. For 2011, growth also was measured by the percentage increase in our gross margin over prior year gross margin results, provided that adjusted EBITDA exceeded threshold. See “Compensation Discussion and Analysis – Elements of Compensation – Annual Incentives” for a discussion of the adjusted EBITDA targets and thresholds and the gross margin percentage increase applicable for the named executive officers.

Restricted Stock

The grants of restricted stock made to our named executive officers in February 2011 vest based on performance conditions and service conditions as described in “Elements of Compensation – Long-Term Incentive.” See “Potential Payments Upon Termination or Change in Control—Restricted Stock Agreements” for a description of the terms of the restricted stock triggered upon a termination of the employment of a named executive officer or a change in control of our company.

Restricted Stock Units

The grants of restricted stock units that we made to Mr. Marquez in 2011 vest (i) 50% upon completion of two years of employment, (ii) 25% upon completion of three years of employment and (iii) 25% upon completion of four years of employment with us. See “Potential Payments Upon Termination or Change in Control—Restricted Stock Unit Award Agreement with Manuel Marquez” for a description of the terms of the restricted stock units triggered upon a termination of the employment of Mr. Marquez or a change in control of our company.

Stock Options

The grants of stock options that we made to Mr. Marquez in 2011 vest (i) 50% upon completion of two years of employment and (ii) 50% upon completion of three years of employment with us. See “Potential Payments Upon Termination or Change in Control—Stock Option Agreement with Manuel Marquez” for a description of the terms of the stock options triggered upon a termination of the employment of Mr. Marquez or a change in control of our company.

Outstanding Equity Awards at December 31, 2011

The following table sets forth information on outstanding stock option, restricted stock and restricted stock unit awards held by the named executive officers at December 31, 2011, including the number of shares underlying both exercisable and unexercisable portions of each stock option, the exercise price and expiration date of each outstanding option and the market value of shares of restricted stock and restricted stock units that have not vested based on the closing market price for our common stock on December 31, 2011 of \$4.79.

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options – Exercisable	Number of Securities Underlying Unexercised Options – Unexercisable	Option Exercise Price	Option Expiration Date	Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested	
Manuel Marquez	0	400,000 (1)	\$ 5.18	5/13/2021	100,000(2)	\$ 479,000	
Mary Jane Raymond	140,000(3)	0	\$ 25.94	12/1/2015	32,160 (10)	\$ 154,046	
	50,000 (4)	0	\$ 14.53	5/5/2016	14,667 (9)	\$ 70,255	
					70,000 (11)	\$ 335,300	
Frank P. Lanuto	0	0	—	—	12,000 (11)	\$ 57,480	
					10,000 (9)	\$ 47,900	
					8,040 (10)	\$ 38,512	
Latham Williams	1,500 (12)	0	\$ 6.83	4/11/2013	12,000 (11)	\$ 57,480	
	12,000 (5)	0	\$ 13.25	1/18/2015	5,334 (9)	\$ 25,550	
	5,000 (6)	0	\$ 16.00	2/15/2016	8,040 (10)	\$ 38,512	
	7,500 (7)	0	\$ 16.90	2/6/2017			
Neil J. Funk	6,000 (8)	0	\$ 11.07	8/4/2013	12,000 (11)	\$ 57,480	
	15,000 (5)	0	\$ 13.25	1/18/2015	6,667 (9)	\$ 31,935	
	5,000 (7)	0	\$ 16.90	2/6/2017	8,040 (10)	\$ 38,512	
Richard S. Gray	18,000 (13)	0	\$ 9.17	6/25/2013	12,000 (11)	\$ 57,480	
	80,000 (14)	0	\$ 13.25	1/18/2015	9,334 (9)	\$ 44,710	
					8,040 (10)	\$ 38,512	
Jon F. Chait	0	0	—	—	50,250 (10)	\$ 240,698	

- (1) The options were granted on May 13, 2011 and vest 50% upon completion of two years of employment and 50% upon completion of three years of employment with us.
The restricted stock units were granted on May 13, 2011 and vest 50% upon completion of two years of
- (2) employment, 25% upon completion of three years of employment and 25% upon completion of four years of employment with us.
- (3) The options were granted on December 1, 2005 and vest over four years with 50% vesting on the third anniversary of the grant date and 50% vesting on the fourth anniversary of the grant date.
- (4) The options were granted on May 5, 2006 and vest on the anniversary of the grant date in four equal, annual installments.
- (5) The options were granted on January 18, 2005 and vest on the anniversary of the grant date in four equal, annual installments.
- (6) The options were granted on February 15, 2006 and vest on the anniversary of the grant date in four equal, annual installments.

- (7) The options were granted on February 6, 2007 and vest on the anniversary of the grant date in four equal, annual installments.
- (8) The options were granted on August 4, 2003 and vest over three years with 50% vesting on the first anniversary of the grant date, 25% on the second anniversary of the grant date and 25% on the third anniversary of the grant date. Shares of restricted stock were granted on February 24, 2009 and vest based on our share price. They vest in one-third increments on each of the first three anniversaries of the grant date, provided that the 20-day average closing price of a share of our common stock on the Nasdaq Global Select Market meets or exceeds the applicable share price target at any time on or prior to the anniversary date and the executive remains employed by us through the anniversary date.

- Shares of restricted stock were granted on February 17, 2010 and vest based on performance conditions and service conditions. The performance vesting conditions with respect to the restricted stock are satisfied as follows: (a) 60% of the shares of restricted stock (the "EBITDA Restricted Stock") vest upon the determination by the Compensation Committee that our company achieved income (loss) from continuing operations before inclusion of provision for income taxes, other income (expense), interest income (expense), and depreciation and amortization for the year ended December 31, 2010 equal to or greater than \$0; and (b) 40% of the shares of restricted stock vest upon the determination by the Compensation Committee that our company achieved gross margin growth (measured as a percentage of growth) for the year ended December 31, 2010 as compared to the year ended December 31, 2009 equal to or greater than 5%, provided that the shares of Gross Margin Restricted Stock vest pro rata for gross margin growth between 1% and 5%. The executive will forfeit the number of shares of EBITDA Restricted Stock and Gross Margin Restricted Stock that do not vest pursuant to the preceding sentence. To the extent the performance vesting conditions above have been satisfied, the service vesting conditions with respect to the restricted stock are satisfied as follows: (i) 33% of the shares of restricted stock vest upon the determination of the satisfaction of the performance vesting conditions, (ii) 33% of the shares of restricted stock vest on the second anniversary of the grant date and (iii) 34% of the shares of restricted stock vest on the third anniversary of the grant date; provided that, in each case, the executive remains employed by our company from the grant date through the date the performance vesting conditions are satisfied, in the case of clause (i), or the applicable anniversary date, in the case of clauses (ii) and (iii).

- Shares of restricted stock were granted on February 16, 2011 and vest based on performance conditions and service conditions as described above in "Compensation Discussion and Analysis — Elements of Compensation — Long-Term Incentives." The performance vesting conditions with respect to the restricted stock are satisfied as follows: (a) 60% of the shares of restricted stock (the "EBITDA Restricted Stock") vest upon the determination by the Compensation Committee that our company achieved income (loss) from continuing operations before inclusion of provision for income taxes, other income (expense), interest income (expense), and depreciation and amortization for the year ended December 31, 2011 equal to or greater than \$25.0 million, provided that the shares of EBITDA Restricted Stock shall vest (subject to satisfaction of the service vesting conditions) pro rata for EBITDA performance between \$0 and \$25.0 million; and (b) 40% of the shares of restricted stock vest upon the determination by the Compensation Committee that our company achieved gross margin growth (measured as a percentage of growth) for the year ended December 31, 2011 as compared to the year ended December 31, 2010 equal to or greater than 10%, provided that the shares of Gross Margin Restricted Stock vest pro rata for gross margin growth between 1% and 10%. The executive will forfeit the number of shares of EBITDA Restricted Stock and Gross Margin Restricted Stock that do not vest pursuant to the preceding sentence. To the extent the performance vesting conditions above have been satisfied, the service vesting conditions with respect to the restricted stock are satisfied as follows: (i) 33% of the shares of restricted stock vest on the first anniversary of the grant date, (ii) 33% of the shares of restricted stock vest on the second anniversary of the grant date and (iii) 34% of the shares of restricted stock vest on the third anniversary of the grant date; provided that, in each case, the executive remains employed by our company from the grant date through the date the performance vesting conditions are satisfied, in the case of clause (i), or the applicable anniversary date, in the case of clauses (ii) and (iii).

The options were granted on April 11, 2003 and vest over three years with 50% vesting on the first anniversary of
(12) the grant date, 25% on the second anniversary of the grant date and 25% on the third anniversary of the grant date.

The options were granted on June 25, 2003 and vest over three years with 50% vesting on the first anniversary of
(13) the grant date, 25% on the second anniversary of the grant date and 25% on the third anniversary of the grant date.

The options were granted on January 18, 2005 and vest over four years with 50% vesting on the third anniversary
(14) of the grant date and 50% vesting on the fourth anniversary of the grant date.

Option Exercises and Stock Vested

The following table sets forth information regarding each exercise of stock options and vesting of restricted stock that occurred during 2011 for each of our named executive officers on an aggregated basis:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Values Realized on Exercise	Number of Shares Acquired on Vesting	Values Realized on Vesting ⁽¹⁾
Manuel Marquez	0	\$ 0	0	\$ 0
Mary Jane Raymond	0	\$ 0	23,173	\$ 137,498
Frank P. Lanuto	0	\$ 0	15,627	\$ 81,288
Latham Williams	0	\$ 0	6,626	\$ 39,646
Neil J. Funk	0	\$ 0	7,293	\$ 43,868
Richard S. Gray	0	\$ 0	8,626	\$ 52,306
Jon F. Chait	0	\$ 0	24,750	\$ 142,313

(1) Reflects the amount calculated by multiplying the number of shares of restricted stock vested by the market price of our common stock on the vesting date.

Potential Payments Upon Termination or Change in Control

We have entered into agreements and maintain plans that will require us to provide compensation to the named executive officers in the event of a termination of employment or a change in control of our company. The estimated amount of compensation payable to each named executive officer (other than Mr. Chait and Mr. Gray) in each situation is listed in the tables below, assuming that the termination and/or change in control of our company occurred at December 30, 2011, the last business day of our fiscal year, and that our common stock is valued at \$4.79, the closing market price for our common stock on December 30, 2011. Descriptions of the circumstances that would trigger payments or the provision of other benefits to these named executive officers, how such payments and benefits are determined under the circumstances, material conditions and obligations applicable to the receipt of payments or benefits and other material factors regarding such agreements and plans, and other material assumptions that we have made in calculating the estimated compensation, follow these tables. Mr. Chait did not receive any compensation in connection with his employment as Chief Executive Officer of our company terminating on February 22, 2011. On January 20, 2012, we entered into a separation agreement with Mr. Gray, pursuant to which his employment with us will end effective March 31, 2012. The payments and other benefits that Mr. Gray will receive in connection with the termination of his employment pursuant to the separation agreement are described below.

Payments and Benefits to Manuel Marquez(1)

	Termination by Company for Cause or by Executive	Termination by Company Without Cause	Death	Disability	Change in Control	Change in Control and Termination by Company Without Cause or by Executive for Good Reason
Severance	\$ 0	\$ 1,740,000	\$0	\$ 0	\$0	\$ 2,280,000
Health and Dental Insurance	\$ 0	\$ 11,001	\$0	\$ 0	\$0	\$ 11,001
Advisor Fees	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Vesting of Restricted Stock	\$ 0	\$ 0	\$479,000	\$ 0	\$479,000	\$ 479,000
Vesting of Stock Options	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Total	\$ 0	\$ 1,751,001	\$479,000	\$ 0	\$479,000	\$ 2,770,001

The amounts shown do not reflect the amount of any tax equalization payment that we would be required to pay to (1)Mr. Marquez if the income taxes Mr. Marquez is required to pay in the United States for the compensation shown in the table exceed the income taxes he would have paid in Spain.

Payments and Benefits to Mary Jane Raymond

	Termination by Company for Cause or by Executive	Termination by Company Without Cause	Death	Disability	Change in Control	Change in Control and Termination by Company Without Cause or by Executive for Good Reason
Severance	\$ 0	\$ 350,000	\$0	\$ 0	\$0	\$ 583,450
Health and Dental Insurance	\$ 0	\$ 9,647	\$0	\$ 0	\$0	\$ 9,647
Advisor Fees	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 15,000
Vesting of Restricted Stock	\$ 0	\$ 105,380	(1) \$558,843	\$ 0	\$558,843	\$ 558,843
Vesting of Stock Options	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Total	\$ 0	\$ 465,027	\$558,843	\$ 0	\$558,843	\$ 1,166,940

(1) 22,000 shares of restricted stock vest if Ms. Raymond is terminated without cause by the Company prior to May 13, 2012.

Payments and Benefits to Frank P. Lanuto

	Termination by Company for Cause or by	Termination by Company Without Cause	Death	Disability	Change in Control	Change in Control and Termination by Company Without
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	Executive					Cause or by Executive for Good Reason	
Severance	\$	0	\$ 310,000	\$0	\$ 0	\$0	\$ 496,000
Health and Dental Insurance	\$	0	\$ 17,004	\$0	\$ 0	\$0	\$ 17,004
Advisor Fees	\$	0	\$ 0	\$0	\$ 0	\$0	\$ 15,000
Vesting of Restricted Stock	\$	0	\$ 0	\$143,702	\$ 0	\$143,702	\$ 143,702
Vesting of Stock Options	\$	0	\$ 0	\$0	\$ 0	\$0	\$ 0
Total	\$	0	\$ 327,004	\$143,702	\$ 0	\$143,702	\$ 671,706

Payments and Benefits to Latham Williams

	Termination by Company for Cause or by Executive	Termination by Company Without Cause	Death	Disability	Change in Control	Change in Control and Termination by Company Without Cause or by Executive for Good Reason
Severance	\$ 0	\$ 265,000	\$0	\$ 0	\$0	\$ 463,750
Health and Dental Insurance	\$ 0	\$ 23,695	\$0	\$ 0	\$0	\$ 23,695
Advisor Fees	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 15,000
Vesting of Restricted Stock	\$ 0	\$ 0	\$121,347	\$ 0	\$121,347	\$ 121,347
Vesting of Stock Options	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Total	\$ 0	\$ 288,695	\$121,347	\$ 0	\$121,347	\$ 623,792

Payments and Benefits to Neil J. Funk

	Termination by Company for Cause or by Executive	Termination by Company Without Cause	Death	Disability	Change in Control	Change in Control and Termination by Company Without Cause or by Executive for Good Reason
Severance	\$ 0	\$ 250,000	\$0	\$ 0	\$0	\$ 375,000
Health and Dental Insurance	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Advisor Fees	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 15,000
Vesting of Restricted Stock	\$ 0	\$ 0	\$127,737	\$ 0	\$127,737	\$ 127,737
Vesting of Stock Options	\$ 0	\$ 0	\$0	\$ 0	\$0	\$ 0
Total	\$ 0	\$ 250,000	\$127,737	\$ 0	\$127,737	\$ 517,737

CEO Employment Agreement

We have a CEO Employment Agreement with Manuel Marquez. Under the CEO Employment Agreement, we have the right to terminate Mr. Marquez's employment at any time. If we terminate Mr. Marquez's employment without cause or Mr. Marquez terminates his employment for good reason, then Mr. Marquez will be entitled to receive severance pay in an amount equal to (i) if the termination occurs prior to the second anniversary of the CEO Employment Agreement, Mr. Marquez's target annual bonus plus Mr. Marquez's then-current base salary for a period of twenty-four months following his separation from service or (ii) if the termination occurs on or after the second anniversary of the CEO Employment Agreement, Mr. Marquez's then-current base salary for a period of twelve months following his separation from service. We will also provide Mr. Marquez with a pro-rata bonus for the year of termination for a termination after December 31, 2013 and health and dental insurance benefits for a period up to the

length of the applicable twenty-four or twelve month severance period.

Under the CEO Employment Agreement, after a change in control of our company, if Mr. Marquez's employment is terminated by us other than by reason of death, disability or cause or by Mr. Marquez for good reason, then we will pay Mr. Marquez a cash termination payment equal to two times his then-current annual base salary and his target annual bonus. We will also provide Mr. Marquez health and dental insurance benefits for a period of up to twenty-four months after the termination. Mr. Marquez is not entitled to an excise tax gross-up payment after a change in control of our company. However, if any portion of the severance payments or any other payments under the CEO Employment Agreement or under any other agreement with Mr. Marquez would result in the imposition on him of an excise tax under the Internal Revenue Code, then the total amount of such payments will be delivered either in full (with Mr. Marquez paying the applicable excise tax) or in a reduced amount such that no portion of such payments would be subject to excise tax, whichever results in the receipt of the greatest benefit on an after-tax basis.

As a condition to entering into the CEO Employment Agreement, Mr. Marquez agreed to keep confidential information of ours confidential and to return such information to us upon termination of employment, not to solicit for one year clients who we provided services during the twelve months preceding the date of his termination and not to solicit or hire for one year any individual we employed on the date of his termination. Mr. Marquez also agreed that, for a period of one year after termination of employment, he will not disparage us.

The CEO Employment Agreement defines the following terms:

“Cause” means:

the willful failure of Mr. Marquez to perform his duties and obligations in any material respect (other than any failure resulting from illness or disability);

acts of dishonesty or willful misconduct by Mr. Marquez with respect to us;

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

any material breach of the agreement or our confidentiality, non-solicitation and work product assignment agreement; or

failure to confirm compliance with our Code of Business Conduct and Ethics after ten days’ written notice requesting confirmation.

“Disability” means Mr. Marquez is physically or mentally incapable (excluding infrequent and temporary absences due to ordinary illness) of performing his essential job duties or any substantially similar position of employment by reason of any medically determinable physical or mental impairment for a total of 180 days, whether consecutive or not, during any rolling twelve month period.

“Change in control” means:

the consummation of a consolidation, merger, share exchange or reorganization involving us, except for certain transactions that do not result in another person acquiring control of us;

our stockholders approve a plan of complete liquidation or dissolution of us or an agreement for the sale of substantially all of our assets, other than sale of substantially all of our assets to an entity at least 75% of combined voting power of the voting securities of which are owned by our stockholders in substantially the same proportions as their ownership immediately prior to such sale;

any person, with certain exceptions, is or becomes the beneficial owner of our securities representing more than 20% of our outstanding shares of common stock or combined voting power of our outstanding voting securities; or

individuals who were directors as of the date of the agreement and any new director whose appointment or election was approved or recommended by a vote of at least two-thirds of the directors then in office who were either directors on the date of agreement or whose appointment or election was previously so approved or recommended cease to constitute a majority of our directors.

Other than in connection with a change in control of our company, “good reason” means:

any changes in Mr. Marquez’s authority, duties and responsibilities which are materially inconsistent with his duties and responsibilities provided for under the agreement;

any material reduction of Mr. Marquez's salary, aggregate incentive compensation opportunities (excluding any reduction in incentive compensation awards due to the economic performance of our company) or aggregate benefits;

any required relocation of Mr. Marquez's office beyond a 50 mile radius from Manhattan, New York;

any failure by us to obtain the assumption of the agreement by a successor to our company in accordance with the agreement; or

a material breach of the agreement by us.

In connection with a change in control of our company, "good reason" means:

any breach of the agreement by us, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that we remedy promptly after receipt of notice thereof given by Mr. Marquez;

any reduction in Mr. Marquez'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 Mr. Marquez in effect at any time during the 180-day period prior to the change in control;

a good faith determination by Mr. Marquez that there has been a material adverse change, without Mr. Marquez's written consent, in Mr. Marquez's working conditions or status with us relative to the most favorable working conditions or status in effect during the 180-day period prior to the change in control, excluding for this purpose an isolated, insubstantial and inadvertent event not occurring in bad faith that we remedy within ten days after receipt of notice thereof given by Mr. Marquez;

the relocation of Mr. Marquez's principal place of employment to a location more than 50 miles from Mr. Marquez's principal place of employment on the date 180 days prior to the change in control;

we require Mr. Marquez to travel on company business 20% in excess of the average number of days per month Mr. Marquez was required to travel during the 180-day period prior to the change in control; or

Mr. Marquez voluntarily terminates his employment for any reason during the 30-day period beginning on the first anniversary of the change in control.

Executive Employment Agreements

We have Executive Employment Agreements with each of our executive officers, including the named executive officers (other than Mr. Chait and Mr. Marquez, who is covered by the CEO Employment Agreement described above). If the executive officer dies during the term of the Executive Employment Agreement, if we terminate the executive officer's employment as a result of the executive officer's disability or for cause, or if the executive officer voluntarily terminates employment with us, then we will have no further obligation to the executive officer or his or her estate, except to pay base salary earned through the date of death or termination.

If we terminate the executive officer's employment without cause or do not renew the executive officer's employment agreement, then, subject to the executive officer executing our then-current form of general release agreement, the executive officer will be entitled to receive base salary earned through the date of termination, a severance payment equal to his or her then-current base salary for a period of twelve months following such termination made in equal installments on our regular pay dates, our portion of the premiums for providing continued health and dental insurance benefits to the executive officer for twelve months after termination (with only the executive's portion of such premiums deducted from the executive officer's severance payment). The severance payment, plus accrued interest, will not be paid to the executive officer until six months after the executive officer's termination, unless the severance payment is less than a certain amount, as prescribed by statute.

After a change in control of our company, if the executive officer's employment is terminated by us other than by reason of death, disability or for cause or by the executive officer for good reason, then the executive officer is entitled to a lump-sum severance payment equal to the executive officer's annual base salary immediately prior to termination, and the executive officer's target annual bonus under our 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. Prior to February 2012, the Executive Employment Agreements provided that, subject to limited exceptions, if the payments under the Executive Employment Agreements or under any other agreement or plan of our company are "excess parachute payments" for purposes of the Internal Revenue Code, then we will pay the executive officer the amount necessary to offset the 20% excise tax imposed by the Internal Revenue Code and any additional taxes on this payment. On July 27, 2011, the Compensation Committee approved the removal of the excise tax gross-up payment from the Executive Employment Agreements for our continuing executive officers so that the Executive Employment Agreements provide instead that, upon a termination of employment after a change in control of our company, if any portion of the executive's termination payment would constitute an "excess parachute payment" then the termination payment made to the executive shall either be delivered in full or delivered in the greatest amount such that no portion of the termination payment would be subject to the excise tax, whichever results in the receipt by the executive of the greatest benefit on an after-tax basis. The Compensation Committee approved these amendments because the Compensation Committee no longer considered the provision of such excise tax gross-up payments to be appropriate. The amended agreements were entered into in February 2012.

The amounts in the tables previously described for executive officers who have an Executive Employment Agreement assume that:

- health and dental insurance benefits will continue for twelve months after termination at the current cost per year for each executive officer;

- for purposes of determining whether any excise tax is triggered, we would be able to overcome any presumption that restricted stock grants in 2011 were made in contemplation of a change in control pursuant to regulations issued under the Internal Revenue Code; and

- legal and accounting advisor fees are the maximum possible under the Executive Employment Agreements.

As a condition to entering into the Executive Employment Agreement, each executive officer agreed to keep confidential information of ours confidential and to return such information to us upon termination of employment, to not solicit for one year clients who we provided services during the twelve months preceding the date of the executive officer's termination and not to solicit or hire for one year any individual we employed on the date of the executive officer's termination. Each executive officer also agreed that, after termination of employment, the executive officer will not disparage us.

The Executive Employment Agreements define the following terms:

“Cause” means:

the willful or negligent failure of the executive to perform the executive's duties and obligations in any material respect, which failure is not cured within fifteen days after receipt of written notice of such failure;

- acts of dishonesty or willful misconduct by the executive with respect to us;
 - 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;
 - repeated refusal to perform the reasonable and legal instructions of the executive's supervisors;
 - any material breach of the agreement or our confidentiality, non-solicitation and work product assignment agreement; or
 - failure to confirm compliance with our Code of Business Conduct and Ethics after ten days' written notice requesting confirmation.
- "Change in control" generally has the same meaning as set forth previously under "CEO Employment Agreement."
- "Disability" means 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 weeks, whether consecutive or not, during any rolling twelve month period.

· "Good reason" means:

- any breach of the Executive Employment Agreement by us, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that we remedy promptly after receipt of notice;
- 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 during the 180-day period prior to a change in control;
- the removal of the executive from, or failure to reelect or reappoint the executive to, any of the positions held with us on the date of a change in control or any other positions to which the executive is thereafter elected or appointed;
- a good faith determination by the executive that there has been a material adverse change in the executive's working conditions or status with us relative to the most favorable working conditions or status during the 180-day period prior to a change in control;
- 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 a change in control; or
- we require the executive to travel on our 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.

Executive Excise Tax Gross-Up Agreement

We had an Executive Excise Tax Gross-Up Agreement (the "Gross-Up Agreement") with Mr. Chait. The Gross-Up Agreement provided that, after a change in control of our company, if Mr. Chait's employment is terminated by us

other than by reason of death, disability or for cause or by Mr. Chait for good reason, subject to limited exceptions, and the payments under the Gross-Up Agreement or under any other agreement with or plan of our company are “excess parachute payments” for purposes of the Internal Revenue Code, then we would pay Mr. Chait the amount necessary to offset the 20% excise tax imposed by the Internal Revenue Code and any additional taxes on this payment. Since Mr. Chait was no longer employed by us after February 22, 2011, the Gross-Up Agreement expired by its terms.

Restricted Stock Agreements

When we make grants of restricted stock to our executive officers, including the named executive officers, we enter into Restricted Stock Agreements with such executive officers that contain provisions that are triggered upon a termination of an executive officer or a change in control of our company.

If an executive officer's employment or service with us is terminated for any reason other than death, then the shares of restricted stock that have not yet become fully vested will automatically be forfeited, except, in the case of awards of restricted stock under the 2009 Incentive Stock and Awards Plan, if (a) for awards granted prior to February 21, 2012, an executive officer immediately becomes a non-employee director, then such executive officer will not be considered to have terminated employment until his or her service as a director has ceased and (b), for certain awards of restricted stock granted on February 16, 2011, an executive officer is terminated without cause prior to the first anniversary of the appointment of a new Chief Executive Officer, then the shares of restricted stock that have not yet become fully vested will fully vest.

If the executive officer's employment terminates by reason of the executive officer's death, then (i) for awards of restricted stock granted on February 24, 2009, the shares of restricted stock that have not yet become fully vested as a result of an anniversary date not having been reached will automatically become fully vested and the restrictions imposed upon the restricted stock will immediately lapse, but only if and to the extent that the applicable share price target with respect to such anniversary date shall have been achieved on or prior to the date of such termination of employment, and (ii) for awards of restricted stock granted on or after February 17, 2010, the shares of restricted stock that have not yet become fully vested as a result of a service vesting condition not being satisfied will automatically become fully vested and the restrictions imposed upon the restricted stock will immediately lapse, but only if and to the extent that the performance vesting conditions shall have been achieved on or prior to the date of such termination of employment. Effective upon a change in control of our company, if the executive is employed by us or an affiliate of ours immediately prior to the date of such change in control, the shares of restricted stock will fully vest and the restrictions imposed upon the restricted stock will be immediately deemed to have lapsed.

The amounts in the tables previously described include the value attributable to unvested restricted stock held by our named executive officers (other than Mr. Chait and Mr. Marquez) valued at the closing price of our common stock on December 31, 2011.

As a condition to the grant of the restricted stock, the Restricted Stock Agreements provide that the executive officer will agree to keep confidential information of ours confidential during and after employment and to return such information to us upon termination of employment, not to solicit for one year clients to whom we provided services during the twelve months preceding the date of the executive officer's termination and not to solicit or hire for one year any individual we employed as of the date of the executive officer's termination. "Change in control" in the Restricted Stock Agreements has the same meaning set forth previously under "CEO Employment Agreement."

Stock Option Agreements

When we make grants of options to our executive officers, including the named executive officers, we enter into Stock Option Agreements with such executive officers that contain provisions that are triggered upon a termination of an executive officer or a change in control of our company.

If we terminate the executive officer's employment for cause, then any option held by the executive officer will immediately terminate and cease to be exercisable. If an executive officer ceases to be employed by us for any reason other than death or for cause, then that portion of the option which is exercisable on the date of the executive officer's termination of employment will remain exercisable for a period of six months after such date and the remaining portion of the option will automatically expire on such date. If the executive officer's employment terminates by reason of the executive officer's death, then the option will become fully vested and will remain exercisable by the executive officer's beneficiary for a period of one year after the date of the executive officer's death. Effective upon a change in control of our company, the option will fully vest and will immediately become exercisable, except if our stockholders will receive capital stock of another corporation in connection with a change in control of our company and our Board of Directors determines that the option will be converted into an option to purchase shares of such capital stock. The amounts in the tables previously described include the value attributable to unvested stock options held by our named executive officers (other than Mr. Chait and Mr. Marquez) valued at the amount by which the closing price of our common stock on December 31, 2011 exceeded the exercise price of the unvested options.

As a condition to the grant of the option, the Stock Option Agreements provide that the executive officer will agree to keep confidential information of ours confidential during and after employment and to return such information to us upon termination of employment, not to solicit for one year clients to whom we provided services during the twelve months preceding the date of the executive officer's termination and not to solicit or hire for one year any individual we employed as of the date of the executive officer's termination. "Cause" and "change in control" in the Stock Option Agreements have the same meanings set forth previously under "CEO Employment Agreement."

Restricted Stock Unit Award Agreement with Manuel Marquez

We have a Restricted Stock Unit Award Agreement with Manuel Marquez. Under the Restricted Stock Unit Award Agreement, if Mr. Marquez's employment is terminated by us for cause or by Mr. Marquez other than for good reason or disability, then the units that have not yet become fully vested will be forfeited. If we terminate Mr. Marquez's employment for any reason other than cause, if Mr. Marquez terminates his employment for good reason, or if Mr. Marquez's employment terminates by reason of disability, then a pro-rata portion of the units will vest based on the date of termination in relation to the grant date and the remaining units will be forfeited. If Mr. Marquez's employment terminates by reason of death, then the units will become fully vested. After a change in control of our company, if Mr. Marquez's employment is terminated by us other than by reason of death, disability or for cause or by Mr. Marquez for good reason, then, upon such termination, all units that have not yet become fully vested will fully vest. "Cause", "good reason", "disability" and "change in control" in the Restricted Stock Unit Award Agreement have the same meanings set forth previously under "CEO Employment Agreement."

The amount in the table previously described includes the value attributable to unvested restricted stock units held by Mr. Marquez valued at the closing price of our common stock on December 31, 2011.

Stock Option Agreement with Manuel Marquez

We have a Stock Option Agreement with Manuel Marquez. Under the Stock Option Agreement, if Mr. Marquez's employment is terminated by us for cause, then the option, whether or not otherwise exercisable, will immediately terminate and cease to be exercisable. If we terminate Mr. Marquez's employment for any reason other than cause, if Mr. Marquez terminates his employment for good reason, or if Mr. Marquez's employment terminates by reason of disability, then a pro-rata portion of the options will become vested and exercisable based on the date of termination in relation to the grant date. If Mr. Marquez terminates his employment with us other than for good reason or disability, then any options not vested and exercisable on the date of such termination will immediately terminate. If Mr. Marquez's employment terminates by reason of death, then the options will become fully vested. After a change in control of our company, if Mr. Marquez's employment is terminated by us other than by reason of death, disability or for cause or by Mr. Marquez for good reason, then all options that have not yet become fully vested will fully vest and become immediately exercisable. "Cause", "good reason", "disability" and "change in control" in the Stock Option Agreement have the same meanings set forth previously under "CEO Employment Agreement."

The amount in the table previously described includes the value attributable to unvested stock options held by Mr. Marquez valued at the amount by which the closing price of our common stock on December 31, 2011 exceeded the exercise price of the unvested options.

Separation Agreement with Richard S. Gray

On January 20, 2012, we entered into a separation agreement with Mr. Gray, which superseded his employment agreement with us and pursuant to which his employment with us will end effective March 31, 2012. Under the agreement, Mr. Gray is entitled to a severance benefit of \$225,000 payable in equal semi-monthly installments for a period of twelve months after the termination of his employment. As also provided in the agreement, Mr. Gray's nonvested shares of restricted stock, which were scheduled to vest based on certain performance and service conditions, will become fully vested on March 31, 2012. The value attributable to unvested shares of restricted stock held by Mr. Gray valued at the closing price of our common stock on December 31, 2011 was \$100,145. Also, as provided in the agreement, we will continue to pay our portion of Mr. Gray's group medical and dental insurance premium during the twelve month severance period, which we estimate to be valued at \$14,784 provided that Mr. Gray pays his portion of the group medical and dental insurance premium in the form of a deduction from his severance benefit. Pursuant to the agreement, Mr. Gray provided us and our affiliates a general liability release and agreed to not solicit certain of our clients and employees for one year following the termination of his employment and to keep confidential and proprietary business information of ours confidential and to return such information to us upon the termination of his employment.

COMPENSATION POLICIES AND PRACTICES AND RISK

We monitor and assess periodically our enterprise risks, including risks from our compensation policies and practices for our employees. Based on our periodic assessments, we believe that risks arising from our compensation policies and practices for our employees, including our named executive officers, are not reasonably likely to have a material adverse effect on our company.

Our compensation policies and practices also do not encourage excessive or inappropriate risk for several reasons, including:

- salaries are generally targeted at median market levels;

- cash bonuses are capped, except in extremely rare cases, and are determined using subjective and objective criteria;

- equity awards have service, and often performance, vesting requirements;
- we have stock ownership guidelines for our executive officers; and
- we offer only customary benefits, such as health care and a defined contribution plan.

We believe these compensation policies and practices provide an appropriate balance between short term and long term incentives, encourage our employees to produce superior results for our company without having to take excessive or inappropriate risks to do so, and continue to serve the best interests our company and stockholders.

ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

We are required by Section 14A of the Securities Exchange Act of 1934 to provide our stockholders with an advisory vote to approve the compensation of our named executive officers. This proposal, commonly known as “Say-on-Pay,” asks our stockholders to vote, on a non-binding, advisory basis, on a resolution approving the compensation of our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the “Compensation Discussion and Analysis” and “Executive Compensation” sections of this proxy statement.

We have established comprehensive compensation programs for our executive officers, including our named executive officers, and the “Compensation Discussion and Analysis” and “Executive Compensation” sections of this proxy statement disclose information regarding the compensation of our named executive officers. Stockholders should reference and consider the information in these sections when evaluating our approach to compensating our named executive officers.

Our Board of Directors, the Compensation Committee of our Board of Directors, the Senior Human Resources Officer and the Compensation Committee’s independent compensation consultant, when appropriate, monitor executive compensation programs and adopt changes, when appropriate, to our compensation program to reflect the competitive market in which we compete for talent, as well as general economic, regulatory and legislative developments affecting executive compensation. Beginning in mid-2011, the Chief People Officer assumed the role of monitoring our executive compensation programs previously held by the Senior Human Resources Officer as described in a prior section.

The objectives of our executive compensation programs are to attract and retain the talented individuals needed to achieve long-term success and to motivate them to achieve goals designed to enhance long-term stockholder value. With these objectives in mind, the Compensation Committee has taken the following compensation actions.

- Targeting base salaries and long term equity incentives at median market levels for comparable companies.

· Designing annual cash incentives to provide awards above median market levels for comparable companies only for above median performance.

· Linking vesting of restricted stock awards to our financial performance through EBITDA and gross margin growth targets.

· Limiting the perquisites that we make available to our named executive officers, who are entitled to few benefits that are not otherwise available to our employees, and the aggregate amount of such perquisites for each named executive officer in any year reflected under “Executive Compensation – Summary Compensation Table” has not exceeded \$10,000, other than for Mr. Marquez pursuant to his CEO Employment Agreement.

Requiring named executive officers to maintain certain stock ownership levels through the establishment of stock ownership guidelines.

Amending our Executive Employment Agreements to eliminate excise tax gross-ups, and entering into a CEO Employment Agreement that does not provide for an excise tax gross-up.

The Compensation Committee will continue to emphasize compensation arrangements that align the financial interests of our executive officers with the interests of our stockholders and to require our executive officers to own a significant amount of our common stock. Please refer to the “Compensation Discussion and Analysis” and “Executive Compensation” sections of this proxy statement for a detailed discussion of the Company’s executive compensation practices and philosophy and the actual compensation provided to our named executive officers.

The vote on the compensation of our named executive officers is advisory and not binding on us, our Board of Directors or the Compensation Committee. The affirmative vote of the holders of a majority of the shares having voting power present in person or represented by proxy at the annual meeting (assuming a quorum is present) is required to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement. Consequently, broker non-votes will have no effect on approval of the resolution, but abstentions will act as a vote against approval of the resolution. Shares of common stock represented by executed, but unmarked, proxies will be voted in favor of the approval of the compensation of our named executive officers as disclosed in this proxy statement; provided that, if you hold your shares of our common stock through a broker-dealer, bank nominee, custodian or other securities intermediary, the intermediary will not vote those shares for the compensation of our named executive officers unless you give the intermediary specific voting instructions on a timely basis directing the intermediary to vote in such manner. Although the outcome of this advisory vote on the compensation of our named executive officers is non-binding, our Board of Directors and the Compensation Committee will review and consider the outcome of this vote when making future compensation decisions for our named executive officers.

Our Board of Directors recommends that you vote “FOR” the approval of the compensation of our named executive officers as disclosed in this proxy statement.

APPROVAL OF AN AMENDMENT AND RESTATEMENT OF THE HUDSON HIGHLAND GROUP, INC. 2009 INCENTIVE STOCK AND AWARDS PLAN

Summary of Proposal

General. Our Board of Directors is seeking stockholder approval of the Hudson Highland Group, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated, which we refer to as the “Plan.” We amended and restated the Plan primarily to increase the number of shares of our Common Stock authorized for issuance under the Plan by 2,500,000 shares to continue to meet our compensation goals for current and future years.

The two complementary goals of the Plan are to attract and retain outstanding individuals to serve as officers, directors, employees and consultants or other independent contractors to our company and to increase stockholder value. Through the Plan, we seek to provide a direct link between stockholder value and compensation awards through the use of awards of shares of our Common Stock, monetary payments based on the value of our Common Stock and other incentive compensation awards that are based on our financial performance.

Background. The Plan was initially approved by our stockholders and became effective on May 12, 2009.

On February 24, 2012, our Board of Directors approved the amendment and restatement of the Plan, subject to the approval of the stockholders at the 2012 annual meeting, to increase the total number of shares of Common Stock available for issuance under the Plan by 2,500,000 shares, to make awards granted under the plan expressly subject to any recoupment policy that we may adopt and to make certain other changes described below. As of February 24, 2012, there remain a total of approximately 606,392 shares available under the Plan, before any increase in available shares takes effect.

Our Amended and Restated Certificate of Incorporation authorizes the issuance of 100,000,000 shares of Common Stock, and, as of February 27, 2012, there were [_____] shares of Common Stock issued and outstanding. The market value of one share of Common Stock as of the close of market on [March 9], 2012 was \$[___].

Plan Highlights. The Plan contains the following provisions that govern award practices:

Administration by the Compensation Committee of our Board of Directors, which we refer to as the "Committee" and which is composed entirely of independent directors.

Performance-based awards that we approve under the Plan must be based on objective performance goals that the Committee establishes.

- A change in control definition that is triggered only upon consummation of a change in control event.

Exercise prices for stock options and stock appreciation rights must be at least 100% of fair market value on the date of grant of the award.

· Awards may not be repriced or backdated.

Stockholders must approve any plan amendment that constitutes a "material amendment" in accordance with NASDAQ standards.

Awards to individual participants are subject to limits, based on the type of award granted, as to the number of shares or value received.

Dilution. The proposed amendment and restatement would increase the number of shares that we may issue under the Plan by 2,500,000 shares. This proposed increase in shares to be available for issuance under the Plan could result in a maximum potential dilution to our existing stockholders of approximately [_____] %.

We calculated the dilution level of [_____] % based on [_____] shares of Common Stock outstanding as of February 27, 2012, [_____] shares (consisting of [_____] shares underlying stock options, [_____] shares of unearned restricted stock not included in the shares of Common Stock outstanding and [_____] shares underlying restricted stock units) reserved for outstanding awards as of February 27, 2012 and the proposed increase of 2,500,000 shares to be available for issuance under the Plan. Based on these figures, our fully-diluted number of shares of Common Stock outstanding is [_____] shares after taking into account all shares already issued and the maximum number of shares that might be issued under the Plan, including the proposed increase of 2,500,000 shares to be available for issuance under the Plan.

Summary of the Terms of the Plan

General. The following is a summary of the material provisions of the Plan as amended and restated. A copy of the Plan is attached to this Proxy Statement as Exhibit A and is incorporated by reference into this Proxy Statement in its entirety. This summary is subject to the language of the Plan and the text of the Plan shall control if there is any inconsistency between this summary and the Plan text.

Administration and Eligibility. The Plan is administered by the Compensation Committee (the “Committee”) of Hudson Highland Group, Inc. (the “Company”), which has the authority to interpret the provisions of the Plan; make, change and rescind rules and regulations relating to the Plan; and make changes to, or reconcile any inconsistency in, any award or agreement covering an award. The Committee may designate any of the following as a participant under the Plan: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee, consultants or other independent contractors who provide services to the Company or its affiliates and non-employee directors of the Company. The selection of participants is based upon the Committee’s opinion that the participant is in a position to contribute materially to the Company’s continued growth and development and to its long-term financial success. We currently have six non-employee directors, five officers and approximately 60 other employees who are eligible to participate in the Plan. We do not currently intend to grant awards under the Plan to any consultants.

Types of Awards. Awards under the Plan may consist of incentive awards, stock options, stock appreciation rights, performance shares, performance units, shares of Common Stock, restricted stock, restricted stock units or other stock-based awards as determined by the Committee. The Committee may grant any type of award to any participant it selects, but only employees of the Company or its subsidiaries may receive grants of incentive stock options. Awards may be granted alone or in addition to, in tandem with, or (subject to the prohibition on repricing contained in the Plan) in substitution for any other award (or any other award granted under another plan of the Company or any

affiliate). In addition, the Committee is authorized to provide or make awards in a manner that complies with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," so that the awards will avoid a plan failure as described in Code Section 409A(1). The Committee's authorization includes the authority to defer payments or wait for specified distribution events, as provided in Code Section 409A(2).

Shares Reserved under the Plan. Under the Plan prior to its amendment and restatement, 1,600,000 shares of Common Stock, plus any shares subject to awards granted under the Long Term Incentive Plan that would again become available for new grants under the terms of such plan if such plan were still in effect, were reserved for issuance, subject to adjustment as described below. The Plan as amended and restated provides that, subject to adjustment as described below, as of the date that our stockholders approve the Plan as amended and restated, an aggregate of 2,500,000 shares of Common Stock, plus the number of shares of Common Stock issuable under awards outstanding under the Plan as of such date, plus the number of shares available for issuance under the Plan that have not been made subject to an outstanding award as of such date, plus any shares subject to awards granted under the Long Term Incentive Plan that would again become available for new grants under the terms of such plan if such plan were still in effect, will be reserved for issuance under the Plan. The number of shares reserved for issuance will be depleted on the grant date of an award by the maximum number of shares of Common Stock, if any, with respect to which such award is granted.

In general, (a) if an award granted under the Plan lapses, expires, terminates or is cancelled without the issuance of shares under, or the payment of other compensation with respect to shares covered by, the award, (b) if it is determined during or at the conclusion of the term of an award that all or some portion of the shares with respect to which the award was granted will not be issuable, or that other compensation with respect to shares covered by the award will not be payable, (c) if shares are forfeited under an award, (d) if shares are issued under any award and the Company reacquires them pursuant to rights reserved by the Company upon the issuance of the shares, (e) if shares are tendered or withheld to satisfy federal, state or local tax withholding obligations, or (f) if shares are tendered or withheld in payment of the exercise price of an outstanding stock option or as a result of the net settlement of an outstanding stock appreciation right, then such shares may again be used for new awards under the Plan. Shares that are purchased by the Company using proceeds from option exercises may never be made available for issuance under the Plan.

No participant may be granted awards under the Plan that could result in such participant:

receiving options for, and/or stock appreciation rights with respect to, more than 500,000 shares of Common Stock during any fiscal year of the Company;

receiving awards of restricted stock and/or restricted stock units relating to more than 250,000 shares of Common Stock during any fiscal year of the Company;

receiving, with respect to an award of performance shares and/or an award of performance units the value of which is based on the fair market value of a share of Common Stock, payment of more than 500,000 shares of Common Stock in respect of any period of two consecutive fiscal years of the Company, or for more than 750,000 shares of Common Stock in respect of any period of three consecutive fiscal years of the Company;

receiving, with respect to an annual incentive award in respect of any fiscal year of the Company, a cash payment of more than \$3,000,000;

receiving, with respect to a long-term incentive award and/or an award of performance units the value of which is not based on the fair market value of a share of Common Stock, a cash payment of more than \$6,000,000 in respect of any period of two consecutive fiscal years of the Company or of more than \$9,000,000 in respect of any period of three consecutive fiscal years of the Company; or

receiving other stock-based awards relating to more than 250,000 shares of Common Stock during any fiscal year of the Company.

Each of these limitations is subject to adjustment as described below.

Options. The Committee has the authority to grant stock options and to determine all terms and conditions of each stock option. Stock options are granted to participants at such time as the Committee determines. The Committee also determines the number of options granted, whether an option is to be an incentive stock option or non-qualified stock

option and the grant date for the option, which may not be any date prior to the date that the Committee approves the grant. The Committee fixes the option price per share of Common Stock, which may never be less than the fair market value of a share of Common Stock on the date of grant. The Committee determines the expiration date of each option except that the expiration date may not be later than ten years after the date of grant. Options are exercisable at such times and be subject to such restrictions and conditions as the Committee deems necessary or advisable. Participants do not have a right to receive dividend payments or dividend equivalent payments with respect to shares of Common Stock subject to an outstanding stock option award.

Stock Appreciation Rights. The Committee has the authority to grant stock appreciation rights, which are also referred to as SARs. A SAR is the right of a participant to receive cash in an amount, and/or Common Stock with a fair market value, equal to the appreciation of the fair market value of a share of Common Stock during a specified period of time. The Plan provides that the Committee determines all terms and conditions of each stock appreciation right including (i) whether the SAR is granted independently of a stock option or relates to a stock option, (ii) the grant date, which may not be a date prior to the date the Committee approves the grant, (iii) the number of shares of Common Stock to which the SAR relates, (iv) the grant price, which may never be less than the fair market value of the Common Stock subject to the SAR as determined on the date of grant, (v) the terms and conditions of exercise or maturity, including vesting, (vi) a term that must be no later than ten years after the date of grant, and (vii) whether the SAR will settle in cash, Common Stock or a combination of the two. Participants do not have a right to receive dividend payments or dividend equivalent payments with respect to shares of Common Stock subject to an outstanding SAR award.

Performance and Stock Awards. The Committee has the authority to grant awards of shares of Common Stock, restricted stock, restricted stock units, performance shares or performance units. Restricted stock means shares of Common Stock that are subject to a risk of forfeiture and/or restrictions on transfer, which may lapse upon the achievement or partial achievement of corporate, subsidiary or business unit performance goals established by the Committee and/or upon the completion of a period of service. Restricted stock unit means the right to receive cash and/or shares of Common Stock the value of which is equal to the fair market value of one share, to the extent corporate, subsidiary or business unit performance goals established by the Committee are achieved. Performance shares means the right to receive shares of Common Stock to the extent corporate, subsidiary or business unit performance goals established by the Committee are achieved. Performance units means the right to receive cash and/or shares of Common Stock valued in relation to a unit that has a designated dollar value or the value of which is equal to the fair market value of one or more shares of Common Stock, to the extent corporate, subsidiary or business unit performance goals established by the Committee are achieved.

The Committee determines all terms and conditions of the awards including (i) the number of shares of Common Stock and/or units to which such award relates, (ii) whether performance goals must be achieved for the participant to realize any portion of the benefit provided under the award, (iii) the length of the vesting and/or performance period and, if different, the date that payment of the benefit will be made, (iv) with respect to performance units, whether to measure the value of each unit in relation to a designated dollar value or the fair market value of one or more shares of Common Stock, and (v) with respect to performance units and restricted stock units, whether the awards will settle in cash, in shares of Common Stock, or in a combination of the two. Participants do not have a right to receive dividend payments or dividend equivalent payments with respect to unearned shares of Common Stock under a performance share, performance unit or restricted stock unit award.

Performance Goals. For purposes of the Plan, performance goals mean any goals the Committee establishes that relate to one or more of the following with respect to our company or any one or more of our subsidiaries, affiliates or other business units: revenues; gross margin; expenses; cost reductions; income including net income, operating income, income from continuing operations or margins; earnings or earnings per share, including before taxes, income taxes, interest, other non-operating expense, special charges, and/or depreciation and amortization; cash flow; debt; ratio of debt to equity or other financial measure that appears on our financial statements or is derived from one or

more amounts that appear on our financial statements; return on stockholders equity, capital, assets or other financial measure that appears on our financial statements or is derived from one or more amounts that appear on our financial statements; working capital or any of its components, including accounts receivable or accounts payable; assets; stock price; dividend payments; economic value added; market share; employee engagement; or a combination of any of the foregoing. In addition, in the case of awards that the Committee determines will not be considered “performance-based compensation” under Code Section 162(m), the Committee may establish other performance goals not listed in the Plan.

As to each performance goal, the relevant measurement of performance shall be computed in accordance with generally accepted accounting principles (to the extent applicable, under the Plan as amended and restated), but, unless otherwise determined by the Committee and to the extent consistent with Code Section 162(m), will exclude the effects of (i) gains or losses on the disposition of a business, (ii) changes in tax or accounting principles, regulations or laws, (iii) changes in the value of individual balance sheet items in excess of \$1,000,000 that impact the income statement, and (iv) mergers or acquisitions, that in all of the foregoing we identify in our audited financial statements, including footnotes, or the Management's Discussion and Analysis section of our annual report. Also, the Committee may, to the extent consistent with Code Section 162(m), appropriately adjust any evaluation of performance under a performance goal to exclude any of the following events that occurs during a performance period: (i) litigation, claims, judgments or settlements; (ii) the effects of changes in other laws or regulations affecting reported results; (iii) accruals of any amounts for payment under this Plan or any other compensation arrangements maintained by us; (iv) discontinued operations; (v) charges for reorganizing and restructuring; and (vi) extraordinary, unusual and/or non-recurring items of gain or loss.

Other Stock-Based Awards. The Committee has the authority to grant other types of awards, which may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, shares of Common Stock, either alone or in addition to or in conjunction with other awards, and payable in shares of Common Stock or cash. Such awards may include shares of unrestricted Common Stock, which may be awarded, without limitation, as a bonus, in payment of director fees, in lieu of cash compensation, in exchange for cancellation of a compensation right, or upon the attainment of performance goals or otherwise, or rights to acquire shares of Common Stock from us. The Committee determines all terms and conditions of the award, including the time or times at which such award will be made and the number of shares of Common Stock to be granted pursuant to such award or to which such award will relate. Any award that provides for purchase rights must be priced at 100% of the fair market value of a share of Common Stock on the date of the award.

Incentive Awards. The Committee has the authority to grant annual and long-term incentive awards. An incentive award is the right to receive a cash payment to the extent performance goals are achieved. The Committee determines all terms and conditions of an annual or long-term incentive award, including the performance goals, performance period, the potential amount payable, the type of payment and the timing of payment. The Committee must require that payment of all or any portion of the amount subject to the incentive award is contingent on the achievement or partial achievement of one or more performance goals during the period the Committee specifies. The Committee may deem that performance goals subject to an award are achieved upon a participant's death, disability or retirement or such other circumstances as the Committee may specify. The performance period for an annual incentive award must relate to a period of at least one of our fiscal years, and the performance period for a long-term incentive award must relate to a period of more than one of our fiscal years, except in each case, if the award is made at the time of commencement of employment with us or on the occasion of a promotion, then the award may relate to a shorter period. Payment of an incentive award will be in cash except to the extent the Committee determines that payment will be in shares of Common Stock or restricted stock, either on a mandatory basis or at the election of the participant receiving the award, having a fair market value at the time of the payment equal to the amount payable according to the terms of the incentive award.

Amendment of Minimum Vesting and Performance Periods. Notwithstanding the requirements for minimum vesting and/or performance period for an award included in the Plan, the Plan provides that the Committee may impose, at the time an award is granted or any later date, a shorter vesting and/or performance period to take into account a participant's hire or promotion, or may accelerate the vesting or deem an award earned, in whole or in part, on a participant's death, disability or retirement or a change in control of our company.

Under the Plan, a change in control of our company is generally deemed to occur upon (i) the consummation of a consolidation, merger, share exchange or reorganization involving us, except for certain transactions that do not result in another person acquiring control of us; (ii) (A) our stockholders approval of a plan of complete liquidation or dissolution of us or (B) the consummation of a sale or disposition by us of substantially all of our assets, other than a sale of substantially all of our assets to an entity at least 75% of combined voting power of the voting securities of which are owned by our stockholders in substantially the same proportions as their ownership immediately prior to such sale; (iii) any person, with certain exceptions, becoming the beneficial owner of our securities representing more than 20% of our outstanding shares of common stock or combined voting power of our outstanding voting securities; or (iv) individuals who were directors as of the date of the agreement and any new director whose appointment or election was approved or recommended by a vote of at least two-thirds of the directors then in office who were either directors on the date of agreement or whose appointment or election was previously so approved or recommended ceasing to constitute a majority of our directors.

Transferability. Awards are not transferable other than by will or the laws of descent and distribution, unless the Committee allows a participant to (i) designate in writing a beneficiary to exercise the award or receive payment under the award after the participant's death, (ii) transfer an award to the former spouse of the participant as required by a domestic relations order incident to a divorce, or (iii) transfer an award; provided that the participant may not receive consideration for such a transfer of an award.

Recoupment of Awards. Under the Plan as amended and restated, any awards granted after the amendment and restatement and any shares of Common Stock issued or cash paid under such an award will be expressly subject to recoupment or clawback if required by any policy that we may adopt from time to time, or any applicable law, regulation or listing standard.

Adjustments. If (i) we are involved in a merger or other transaction in which shares of Common Stock are changed or exchanged, (ii) we subdivide or combine shares of Common Stock or declare a dividend payable in shares of Common Stock, other securities or other property, (iii) we effect a cash dividend that exceeds 10% of the trading price of the shares of Common Stock or any other dividend or distribution in the form of cash or a repurchase of shares of Common Stock that the Board determines is special or extraordinary or that is in connection with a recapitalization or reorganization, or (iv) any other event shall occur that, in the case of this clause (iv), in the judgment of the Committee requires an adjustment to prevent dilution or enlargement of the benefits intended to be made available under the Plan, then the Committee will, in a manner it deems equitable, adjust any or all of (A) the number and type of shares of Common Stock subject to the Plan and which may, after the event, be made the subject of awards; (B) the number and type of shares of Common Stock subject to outstanding awards; (C) the grant, purchase or exercise price with respect to any award; and (D) to the extent such discretion does not cause an award that is intended to qualify as performance-based compensation under Code Section 162(m) to lose its status as such, the performance goals of an award. In any such case, the Committee may also provide for a cash payment to the holder of an outstanding award in exchange for the cancellation of all or a portion of the award.

The Committee may, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, and without affecting the number of shares of Common Stock otherwise reserved or available under the Plan, authorize the issuance or assumption of awards upon terms it deems appropriate.

Term of Plan. Unless earlier terminated by the Board of Directors (or the Committee under the Plan as amended and restated), the Plan will remain in effect until the earlier of (i) May 12, 2019, which is the tenth anniversary of stockholder approval of the Plan, or (ii) the date all shares reserved for issuance have been issued.

Termination and Amendment. The Board of Directors or the Committee may amend, alter, suspend, discontinue or terminate the Plan at any time, subject to the following limitations:

- the Board must approve any amendment to the Plan if we determine such approval is required by prior action of the Board, applicable corporate law or any other applicable law;

stockholders must approve any amendment to the Plan if we determine that such approval is required by Section 16 of the Securities Exchange Act of 1934, the Code, the listing requirements of any principal securities exchange or market on which the shares are then traded or any other applicable law; and

stockholders must approve any amendment to the Plan that materially increases the number of shares of Common Stock reserved under the Plan or the limitations stated in the Plan on the number of shares of Common Stock that participants may receive through an award or that amends the provisions relating to the prohibition on re-pricing of outstanding options and SARs.

The Committee may modify or amend any award, or waive any restrictions or conditions applicable to any award or the exercise of the award, or amend, modify or cancel any terms and conditions applicable to any award, in each case by mutual agreement of the Committee and the award holder, so long as any such action does not increase the number of shares of Common Stock issuable under the Plan. The Committee need not obtain the award holder's consent for any such action that is permitted by the adjustment provisions of the Plan or for any such action: (i) to the extent the Committee deems such action necessary to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Common Stock is then traded; (ii) to the extent the Committee deems such action is necessary to preserve favorable accounting or tax treatment of any award for us; or (iii) to the extent the Committee determines that such action does not materially and adversely affect the value of an award or that such action is in the best interest of the award holder. The Plan also provides that the Committee shall have the authority to modify or amend any award granted under the Long Term Incentive Plan to waive restrictions or conditions applicable to any such award or to include award terms consistent with the permitted terms of awards granted under the Plan, except that the Committee is prohibited from repricing awards as discussed below.

The authority of the Board and the Committee to terminate or modify the Plan or awards will extend beyond the termination date of the Plan. In addition, termination of the Plan will not affect the rights of participants with respect to awards previously granted to them, and all unexpired awards will continue in force and effect after termination of the Plan except as they may lapse or be terminated by their own terms and conditions.

Repricing Prohibited. Except for the adjustments provided for in the Plan, neither the Committee nor any other person may decrease the exercise price for any outstanding stock option or SAR after the date of grant, cancel an outstanding stock option or SAR in exchange for cash or other securities (other than cash or other securities with a fair market value equal to the excess of the fair market value of the shares subject to such stock option or SAR at the time of cancellation over the exercise or grant price for such shares), or allow a participant to surrender an outstanding stock option or SAR to us as consideration for the grant of a new stock option or SAR with a lower exercise price.

Foreign Participation. To assure the viability of awards granted to participants employed or residing, under the Plan as amended and restated, in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, the Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using the Plan in a foreign country will not affect the terms of the Plan for any

other country.

Certain U.S. Federal Income Tax Consequences. The following summarizes certain U.S. federal income tax consequences relating to the Plan under current tax law.

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Tax Consequences of Stock Options. The grant of a stock option will create no income tax consequences to the Company or the recipient. A participant who is granted a non-qualified stock option will generally recognize ordinary compensation income at the time of exercise in an amount equal to the excess of the fair market value of the Common Stock at such time over the exercise price. The Company will generally be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. Upon the participant's subsequent disposition of the shares of Common Stock received with respect to such stock option, the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of the Common Stock on the exercise date.

In general, a participant will recognize no income or gain as a result of exercise of an incentive stock option (except that the alternative minimum tax may apply). Except as described below, the participant will recognize a long-term capital gain or loss on the disposition of the Common Stock acquired pursuant to the exercise of an incentive stock option and the Company will not be allowed a deduction. If the participant fails to hold the shares of Common Stock acquired pursuant to the exercise of an incentive stock option for at least two years from the grant date of the incentive stock option and one year from the exercise date, then the participant will recognize ordinary compensation income at the time of the disposition equal to the lesser of (a) the gain realized on the disposition, or (b) the excess of the fair market value of the shares of Common Stock on the exercise date over the exercise price. The Company will generally be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. Any additional gain realized by the participant over the fair market value at the time of exercise will be treated as a capital gain.

Stock Appreciation Rights. The grant of a stock appreciation right will create no income tax consequences to the Company or the recipient. Upon the exercise or maturity of a stock appreciation right, the participant will recognize ordinary income equal to the amount of cash and the fair market value of any shares received. The Company will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If shares are delivered under the stock appreciation right, upon the participant's subsequent disposition of the shares, the participant will recognize capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the disposition differs from the shares' tax basis, i.e., the fair market value of the shares on the date the participant received the shares.

Restricted Stock. Generally, a participant will not recognize income and the Company will not be entitled to a deduction at the time an award of restricted stock is made, unless the participant makes the election described below. A participant who has not made such an election will recognize ordinary income at the time the restrictions on the stock lapse in an amount equal to the fair market value of the restricted stock at such time (less the amount, if any, the participant paid for such restricted stock). The Company will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. Any otherwise taxable disposition of the restricted stock after the time the restrictions lapse will result in a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the sale differs from the tax basis, i.e., the fair market value of the Common Stock on the date the restrictions lapse. Dividends paid in cash and received by a participant prior to the time the restrictions lapse will constitute ordinary income to the participant in the year paid and the Company will generally be entitled to a corresponding deduction for such dividends. Any dividends paid in stock will be treated as an award of additional restricted stock subject to the tax treatment described herein.

A participant may, within 30 days after the date of the award of restricted stock, elect to recognize ordinary income as of the date of the award in an amount equal to the fair market value of such restricted stock on the date of the award (less the amount, if any, the participant paid for such restricted stock). If the participant makes such an election, then the Company will generally be entitled to a corresponding deduction in the same amount and at the same time as the participant recognizes income. If the participant makes the election, then any cash dividends the participant receives with respect to the restricted stock will be treated as dividend income to the participant in the year of payment and will not be deductible by the Company. Any otherwise taxable disposition of the restricted stock (other than by forfeiture) will result in a capital gain or loss. If the participant who has made an election subsequently forfeits the restricted stock, then the participant will not be entitled to deduct any loss. In addition, the Company would then be required to include as ordinary income the amount of any deduction the Company originally claimed with respect to such shares.

Performance Shares. The grant of performance shares will create no income tax consequences for the Company or the participant. Upon the participant's receipt of shares at the end of the applicable performance period, the participant will recognize ordinary income equal to the fair market value of the shares received, except that if the participant receives shares of restricted stock in payment of performance shares, recognition of income may be deferred in accordance with the rules applicable to restricted stock as described previously. The Company will generally be entitled to a deduction in the same amount and at the same time as income is recognized by the participant. Upon the participant's subsequent disposition of the shares, the participant will recognize capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized from the disposition differs from the shares' tax basis, i.e., the fair market value of the shares on the date the participant received the shares.

Performance Units and Restricted Stock Units. The grant of a performance unit or restricted stock unit will create no income tax consequences to the Company or the participant. Upon the participant's receipt of cash and/or shares at the end of the applicable performance or vesting period, the participant will recognize ordinary income equal to the amount of cash and/or the fair market value of the shares received, and the Company will be entitled to a corresponding deduction in the same amount and at the same time. If performance units are settled in whole or in part in shares, upon the participant's subsequent disposition of the shares the participant will recognize a capital gain or loss (long-term or short-term, depending on the holding period) to the extent the amount realized upon disposition differs from the shares' tax basis, i.e., the fair market value of the shares on the date the employee received the shares.

Incentive Awards. A participant who is paid an incentive award will recognize ordinary income equal to the amount of cash paid, and the Company will be entitled to a corresponding deduction in the same amount and at the same time.

Withholding. In the event the Company is required to withhold any federal, state or local taxes or other amounts in respect of any income recognized by a participant as a result of the grant, vesting, payment or settlement of an award or disposition of any shares of Common Stock acquired under an award, the Company may deduct from any payments of any kind otherwise due the participant cash, or with the consent of the Committee, shares of Common Stock otherwise deliverable or vesting under an award, to satisfy such tax obligations. Alternatively, the Company may require such participant to pay to the Company or make other arrangements satisfactory to the Company regarding the payment to the Company of the aggregate amount of any such taxes and other amounts. If shares of Common Stock are deliverable on exercise or payment of an award, then the Committee may permit a participant to satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with such award by electing to (i) have the Company withhold shares otherwise issuable under the award, (ii) tender back shares received in connection with such award, or (iii) deliver other previously owned shares, in each case having a fair market value equal to the amount to be withheld. However, the amount to be withheld may not exceed the total minimum tax withholding obligations associated with the transaction to the extent needed for the Company to avoid an accounting charge.

Additional Taxes Under Section 409A. If an award under the Plan is considered non-qualified deferred compensation and such award is neither exempt from nor compliant with the requirements of Code Section 409A, then the participant will be subject to an additional 20% income tax on the value of the award when it is no longer subject to a

substantial risk of forfeiture, as well as interest on the income taxes that were owed from the date of vesting to the date such taxes are paid.

No Guarantee of Tax Treatment. Notwithstanding any provision of the Plan, the Company does not guarantee that (i) any award intended to be exempt from Code Section 409A is so exempt, (ii) any award intended to comply with Code Section 409A or Section 422 does so comply, or (iii) any award will otherwise receive a specific tax treatment under any other applicable tax law, nor in any such case will the Company or any of its affiliates indemnify, defend or hold harmless any individual with respect to the tax consequences of any award.

Section 162(m) Limit on Deductibility of Compensation. Code Section 162(m) limits the deduction the Company can take for compensation it pays to its Chief Executive Officer and the three other highest paid officers other than the Chief Financial Officer (determined as of the end of each year) to \$1 million per year per individual. However, certain performance-based compensation that meets the requirements of Code Section 162(m) does not have to be included when determining whether the \$1 million limit has been met. The Plan is designed so that awards granted to the covered individuals may meet the Code Section 162(m) requirements for performance-based compensation.

New Plan Benefits. The table below sets forth restricted stock awards that we have granted under the Plan as amended and restated to each of our named executive officers, to our executive officers as a group, to our non-employee directors as a group and to all of our employees as a group, in each case contingent on stockholder approval of the amendment and restatement of the Plan.

New Plan Benefits

Name and Position	Dollar Value (\$)	Number of Shares
Manuel Marquez, Chairman and Chief Executive Officer	-	-
Mary Jane Raymond, Executive Vice President and Chief Financial Officer	-	-
Frank P. Lanuto, Senior Vice President, Controller and Chief Accounting Officer	-	-