

HUDSON HIGHLAND GROUP INC
Form DEF 14A
March 22, 2004
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SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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- (1) Amount Previously Paid:
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- (3) Filing Party:
- (4) Date Filed:

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HUDSON HIGHLAND GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 30, 2004

TO THE STOCKHOLDERS OF HUDSON HIGHLAND GROUP, INC.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Hudson Highland Group, Inc. will be held on Friday, April 30, 2004, at 8:00 A.M., local time, at the Nasdaq MarketSite, 4 Times Square, Broadway and 43rd Street, New York, New York, 10036, for the following purposes:

1. To elect three directors to hold office until the 2007 annual meeting of stockholders and until their successors are duly elected and qualified;
2. To consider and act upon a proposal to approve an amendment to the Hudson Highland Group, Inc. Long Term Incentive Plan;
3. To consider and act upon a proposal to approve an amendment to the Hudson Highland Group, Inc. Employee Stock Purchase Plan;
and
4. To consider and act upon such other business as may properly come before the meeting or any adjournment or postponement thereof.

The close of business on March 10, 2004 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

A proxy for the meeting and a proxy statement are enclosed herewith.

By Order of the Board of Directors

HUDSON HIGHLAND GROUP, INC.

Latham Williams

Corporate Secretary

New York, New York

March 22, 2004

YOUR VOTE IS IMPORTANT NO MATTER HOW LARGE OR SMALL YOUR HOLDINGS MAY BE. TO ASSURE YOUR REPRESENTATION AT THE MEETING, PLEASE DATE THE ENCLOSED PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS, SIGN EXACTLY AS YOUR NAME APPEARS THEREON AND RETURN IMMEDIATELY.

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HUDSON HIGHLAND GROUP, INC.

622 Third Avenue, 38th Floor

New York, New York 10017

PROXY STATEMENT

For

ANNUAL MEETING OF STOCKHOLDERS

To Be Held April 30, 2004

This proxy statement is being furnished to stockholders by the Board of Directors (the **Board**) of Hudson Highland Group, Inc. (the **Company**) beginning on or about March 22, 2004 in connection with a solicitation of proxies by the Board for use at the annual meeting of stockholders to be held on Friday, April 30, 2004, at 8:00 A.M., local time, at the Nasdaq MarketSite, 4 Times Square, Broadway and 43rd Street, New York, New York, 10036, and all adjournments or postponements thereof (the **Annual Meeting**) for the purposes set forth in the attached Notice of Annual Meeting of Stockholders.

Execution of a proxy given in response to this solicitation will not affect a stockholder's right to attend the Annual Meeting and to vote in person. Presence at the Annual Meeting of a stockholder who has signed a proxy does not in itself revoke a proxy. Any stockholder giving a proxy may revoke it at any time before it is exercised by giving notice thereof to the Company in writing or in open meeting.

A proxy, in the enclosed form, which is properly executed, duly returned to the Company and not revoked will be voted in accordance with the instructions contained therein. The shares represented by executed but unmarked proxies will be voted FOR each proposal set forth in the Notice of Annual Meeting of Stockholders. The Company's 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 enclosed form of proxy will vote the shares represented by each such proxy in accordance with their judgment on such matters.

Only holders of record of the Company's common stock (the **Common Stock**) at the close of business on March 10, 2004 are entitled to vote at the Annual Meeting. On that date, the Company had outstanding and entitled to vote 8,574,705 shares of Common Stock, each of which is entitled to one vote per share.

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The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2004 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.

<u>Name of Beneficial Owner</u>	<u>Shares of Common Stock Beneficially Owned(1)</u>	<u>Percent of Common Stock Beneficially Owned</u>
Jon F. Chait	102,314	1.2%
John J. Haley	15,000	*
Jennifer Laing	10,000	*
Nicholas G. Moore	15,000	*
David G. Offensend	25,000	*
Richard W. Pehlke	25,000	*
René Schuster	15,000	*
Brendan Flood	17,590	*
Richard A. Harris	12,078	*
Margaretta Noonan	18,027	*
All directors, nominees and executive officers as a group (15 persons)	279,008	3.3%

* Denotes less than 1%.

- (1) Includes the following shares subject to stock options which are exercisable within 60 days of March 10, 2004: Jon F. Chait, 40,750 shares; John J. Haley, 15,000 shares; Jennifer Laing, 10,000 shares; Nicholas G. Moore, 15,000 shares; David G. Offensend, 15,000 shares; Richard W. Pehlke, 20,000 shares; René Schuster, 15,000 shares; Brendan Flood, 10,500 shares; Richard A. Harris, 4,500 shares; Margaretta Noonan, 10,500 shares; and all directors, nominees and executive officers as a group, 165,250 shares.

Table of Contents**Other Beneficial Owners**

The following table sets forth certain information regarding beneficial ownership by other persons known to the Company to own more than 5% of the outstanding Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)					Percent of Class
	Voting Power		Investment Power		Aggregate	
	Sole	Shared	Sole	Shared		
Scoggin Capital Management, L.P. II and related persons 660 Madison Ave. New York, NY 10021	20,000	790,000	20,000	790,000	810,000	9.4%
Perry Corp. 599 Lexington Ave. New York, NY 10017	752,500	0	752,500	0	752,500	8.8%
Marsh & McLennan Companies, Inc. and related persons 1166 Avenue of the Americas New York, NY 10036	0	456,050	0	697,650	697,650	8.1%
P&S Capital Partners, LLC and related persons 527 Madison Ave. New York, NY 10022	50,000	519,500	50,000	519,500	569,500	6.6%
Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	560,000	0	560,000	0	560,000	6.5%
Seneca Capital L.P. and related persons 950 Third Ave., 29th floor New York, NY 10022	20,000	532,800	20,000	532,800	552,800	6.5%
Strong Capital Management, Inc. 100 Heritage Reserve Menomonee Falls, WI 53051	0	466,928	0	494,928	494,928	5.8%

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

ELECTION OF DIRECTORS

The Company's Certificate of Incorporation and By-Laws provide that the Company's directors are divided into three classes, with staggered terms of three years each. At the Annual Meeting, the stockholders will elect three directors to hold office until the 2007 annual meeting of stockholders and until their successors are duly elected and qualified. Unless stockholders otherwise specify, the shares represented by the proxies received will be voted in favor of the election as directors of the persons named as nominees herein. The Board has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, in the event that any nominee should be unable to serve or for good cause will not serve, the shares represented by proxies received will be voted for another nominee selected by the Board. 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.

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Listed below are the nominees of the Board of Directors for election at the Annual Meeting and each director of the Company whose term will continue after the Annual Meeting. The following sets forth certain information about each nominee and continuing director as of March 10, 2004.

Nominees for Election at the Annual Meeting

Terms expiring at the 2007 Annual Meeting

Jon F. Chait, 53, has served as President, Chief Executive Officer and Chairman of the Board since the Company was spun off from Monster Worldwide, Inc. (Monster) in March 2003. He joined Monster in October 2002 expressly in contemplation of the spin-off. Prior to joining the Company, Mr. Chait was the Chairman of Spring Group, PLC from May 2000 through June 2002 and Chief Executive Officer from May 2000 to March 2002. From 1998 through 2000, Mr. Chait founded and acted as Chairman and Chief Executive Officer of Magenta Limited, a developer of web-enabled human resources solutions, which was subsequently sold to Spring Group, PLC. Mr. Chait served as the Managing Director International Operations of Manpower Inc. from 1995 to July 1998, Chief Financial Officer from August 1993 to 1998 and Executive Vice President, Secretary and Director from 1991 to 1998, and Executive Vice President from September 1989 to July 1998, Manpower International Inc., provider of temporary employment services. Mr. Chait is also a director of the Marshall and Ilsley Corporation, a bank holding company, and Krueger Inc., a manufacturer of office furniture.

Jennifer Laing, 57, has served as a director since October 2003. Ms. Laing has served as the Associate Dean of External Relations at the London Business School since 2002. Ms. Laing started her career in 1969 with Garland-Compton until she joined Saatchi and Saatchi in 1975. In 1979 she joined Leo Burnett in London. In 1981, she re-joined Saatchi and Saatchi as Deputy Chairman rising to Joint Chairman. From 1988 to 1991, she was Chairman and Chief Executive Officer of Aspect Hill Holiday and from 1991 to 1995, she led her own firm, Laing Henry that was eventually purchased by Saatchi and Saatchi. Ms. Laing became Chairman of Saatchi and Saatchi in 1995 and Chairman and Chief Executive Officer of Saatchi and Saatchi North America in 1997.

Nicholas G. Moore, 62, has served as a director since April 2003. Mr. Moore retired as global Chairman of PricewaterhouseCoopers, the professional services firm formed in July 1998 by the merger of Coopers & Lybrand International and Price Waterhouse. Mr. Moore most recently served as Chairman of Coopers & Lybrand International as well as Chairman and Chief Executive Officer of Coopers & Lybrand LLP. Following the merger, Mr. Moore served for over two years as Chief Executive Officer of the U.S. firm of PricewaterhouseCoopers, and for three years as global Chairman of PricewaterhouseCoopers. Mr. Moore presently serves on the board of directors of Network Appliance, Inc., Brocade Communications Systems, Inc. and Bechtel Group, Inc. and certain private venture capital backed technology companies. Mr. Moore is Chairman of the Board of Trustees of St. Mary's College of California.

THE BOARD RECOMMENDS THE FOREGOING NOMINEES FOR ELECTION AS DIRECTORS AND URGES EACH STOCKHOLDER TO VOTE FOR SUCH NOMINEES. SHARES OF COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR SUCH NOMINEES.

Directors Continuing in Office

Terms expiring at the 2005 Annual Meeting

Richard W. Pehlke, 50, has served as a director since April 2003 and as Executive Vice President, Chief Financial Officer since he joined the Company in February 2003. Prior to joining the Company, Mr. Pehlke served as an independent consultant for various companies from 2001 to 2003. From 2000 to 2001, Mr. Pehlke served as the Chief Financial Officer of ONE, Inc. Mr. Pehlke served as Vice President, Treasurer for Ameritech Corporation from 1994 to 1999 and as Vice President, Investor Relations from 1986 to 1993.

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René Schuster, 42, has served as a director since April 2003. Mr. Schuster has been the Global Marketing Director for Vodafone Group, PLC since February 2004. Prior to that, Mr. Schuster served since 2002 as Senior Vice President and General Manager of Worldwide Consulting and Integration for Hewlett Packard, a provider of products, technologies, solutions and services to consumers and business. In May 2002, Hewlett Packard merged with Compaq Computer Corporation. Prior to the merger, Mr. Schuster served as Chief Executive Officer, UK and Ireland for Compaq. From 1996 to 2000, Mr. Schuster worked for KPMG Management Consulting as Managing Partner and subsequently Chief Operating Officer and Senior Partner for Europe, Middle East and Africa. Mr. Schuster is a member of the board of directors of SurfControl plc.

Term expiring at the 2006 Annual Meeting

John J. Haley, 54, has served as a director since April 2003. Mr. Haley is the President and Chief Executive Officer of Watson Wyatt & Company, an international human resources benefits consulting firm headquartered in Washington, DC. Mr. Haley joined Watson Wyatt Worldwide in 1977. Mr. Haley was elected a director of the firm in 1992. Mr. Haley is Chairman of the Board, and Chairman of the Management Committee, and formerly managed Watson Wyatt's largest consulting office in Washington, DC. Mr. Haley is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, a member of the American Academy of Actuaries, the International Actuarial Association, and the International Association of Consulting Actuaries. Mr. Haley is a member of the board of directors for Maximus, Inc. and Employee Benefit Research Institute.

David G. Offensend, 50, has served as director since April 2003. Mr. Offensend co-founded Evercore Partners Inc. in 1995 where he is Senior Advisor. 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.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Independent Directors

Of the seven directors currently serving on the Board of Directors, the Board has determined that Ms. Laing and Messrs. Haley, Offensend, Moore and Schuster are independent directors as defined under Nasdaq National Market listing standards.

Board Committees

The Board has standing Audit, Compensation, Nominating and Governance, and Executive Committees. The Board of Directors has adopted, and may amend from time to time, a written charter for each of the Audit Committee, Compensation Committee and Nominating and Governance Committee. The Company maintains a web site at www.hhgroup.com. The Company makes available on its web site, free of charge, copies of each of these charters. The Company is not including the information contained on or available through its web site as a part of, or incorporating such information by reference into, this Proxy Statement.

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The Audit Committee's primary duties and responsibilities are to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the independent auditors' qualifications and independence; (3) the performance of the Company's internal audit function and independent auditors; and (4) the compliance by the Company with legal and regulatory requirements. The purpose of the Audit Committee is to oversee the accounting and financial reporting process of the Company and the audits of the financial statements of the Company. The Audit Committee presently consists of Nicholas G. Moore (Chairperson), David G. Offensend and John J. Haley, each of whom is an independent director under Nasdaq National Market listing standards and Securities and Exchange Commission rules. The Board has determined that Mr. Moore qualifies as an audit committee financial expert, as defined by the Securities and Exchange Commission. The Audit Committee held six meetings in 2003. A copy of the Audit Committee's charter is attached to this proxy statement as Annex A.

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The Compensation Committee's basic responsibility is to assure that the outside members of the Board, the Chief Executive Officer, other executive officers and key management of the Company are compensated effectively in a manner consistent with the stated compensation strategy of the Company, 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 administration of the Company's long-term incentive programs, including the Company's stock option plan. The Compensation Committee presently consists of David G. Offensend (Chairperson), John J. Haley, Jennifer Laing and Nicholas G. Moore, each of whom is an independent director under Nasdaq National Market listing standards. The Compensation Committee held seven meetings in 2003.

The Nominating and Governance Committee provides assistance to the Board in fulfilling its responsibilities by: (1) identifying individuals qualified to become directors and recommending to the Board candidates for all directorships to be filled by the Board or by the stockholders of the Company; (2) 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; (3) developing and recommending to the Board a set of corporate governance principles applicable to the Company, including matters of (i) Board organization, membership and function, (ii) committee structure and membership and (iii) succession planning for the Chief Executive Officer of the Company; and (4) taking a leadership role in shaping the corporate governance of the Company. The Nominating and Governance Committee presently consists of John J. Haley (Chairperson), David G. Offensend and René Schuster, each of whom is an independent director under Nasdaq National Market listing standards. The Nominating and Governance Committee held three meetings in 2003.

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

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

A director must have expertise and experience relevant to the Company's 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 stockholders of the Company and be committed to enhancing long-term stockholder value.

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

The Nominating and Governance Committee will consider persons recommended by stockholders to become nominees for election as directors in accordance with the foregoing and other criteria set forth in the Company's Nominating and Governance Committee Charter. Recommendations for consideration by the

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Nominating and Governance Committee should be sent to the Corporate Secretary of the Company in writing together with appropriate biographical information concerning each proposed nominee. The Company's 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 the Corporate Secretary of the Company in advance of the meeting in compliance with the terms and within the time period specified in the By-Laws. Pursuant to these requirements, a stockholder must give a written notice of intent to the Corporate Secretary of the Company not less than 45 days or more than 75 days prior to the first anniversary of the date on which the Company first mailed its proxy materials for the preceding year's annual meeting of stockholders.

The Executive Committee assists the Board in discharging its responsibilities and may exercise all of the authority of the Board in the management of Company's business affairs, except for changes in the Company's By-Laws, matters specifically designated to other committees and certain other significant corporate matters. Jon F. Chait (Chairperson), David G. Offensend and Richard W. Pehlke are the current members of the Executive Committee. The Executive Committee held no meetings in 2003.

Communications with Board of Directors

Stockholders may communicate with the Board of Directors by writing to the Corporate Secretary of the Company at Hudson Highland Group, Inc., c/o the Board of Directors (or, at the stockholder's option, c/o a specific director), 622 Third Avenue, 38th Floor, New York, New York 10017. The Corporate Secretary will ensure that this communication (assuming it is properly marked c/o the Board of Directors or c/o a specific director) is delivered to the Board of Directors or the specified director, as the case may be.

Meetings and Attendance

The Board held nine meetings in 2003. Each director attended at least 75% of the meetings of the Board held in 2003 and meetings held by all committees of the Board on which such director served during the period that the director so served in 2003.

Directors are expected to attend the Company's annual meeting of stockholders each year. The Annual Meeting will be the Company's first annual meeting of stockholders.

Director Compensation

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

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Equity Compensation. Upon first being elected or appointed as a director of the Company, each non-employee director of the Company is granted an option to purchase 25,000 shares of Common Stock under the terms of the Hudson Highland Group Long Term Incentive Plan. The exercise price for options is the fair market value of a share of Common Stock on the date of grant. Options have a term of ten years and become exercisable as follows: 40% immediately on the date of grant, 60% after the first anniversary of the date of grant, 80% after the second anniversary, and 100% after the third anniversary.

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The following table sets forth certain information concerning the compensation earned in each of the last three fiscal years by the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers whose total cash compensation exceeded \$100,000 in the year ended December 31, 2003. The persons named in the table are sometimes referred to herein as the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	
		Salary(\$)	Bonus(\$)	Other Annual Compensation (\$)(5)	Restricted Stock Awards (\$)(6)	Securities Underlying Stock Options(#)
Jon F. Chait(1), Chairman, President and Chief Executive Officer	2003	\$ 450,000				163,000
	2002	64,808				
	2001					
Richard W. Pehlke(2), Executive Vice President and Chief Financial Officer	2003	298,958				80,000
	2002					
	2001					
Brendan Flood, Senior Vice President, Finance	2003	300,031	30,000		81,960	21,000
	2002	300,000				
	2001	209,250	114,700	33,713		
Richard A. Harris, Senior Vice President and Chief Information Officer(3)	2003	257,277			81,960	9,000
	2002					
	2001					
Margaretta R. Noonan, Executive Vice President, Global Human Resources(4)	2003	250,031	80,000		81,960	21,000
	2002	259,584				
	2001	185,000	46,250			

- (1) Mr. Chait joined the Company in October 2002.
- (2) Mr. Pehlke joined the Company in February 2003.
- (3) Mr. Harris joined the Company in January 2003.
- (4) Amounts shown as Ms. Noonan's bonus were paid in April 2003 in connection with work performed for both Monster and the Company in connection with the spin-off from Monster.
- (5) Certain personal benefits provided by the Company to the named executive officers are not included in the table. The aggregate amount of such personal benefits for each named executive officer in each year reflected in the table did not exceed the lesser of \$50,000 or 10% of the sum of such officer's salary and bonus in each respective year.
- (6) As of December 31, 2003, the only named executive officers of the Company holding unvested restricted stock were Mr. Flood who held 6,000 shares, valued at \$142,200 as of that date; Mr. Harris who held 6,000 shares, valued at \$142,200 as of that date; and Ms. Noonan who held 6,000 shares, valued at \$142,200 as of that date. Dividends are paid on shares of unvested restricted stock. The Company has not declared any dividends since the grants of the restricted stock. Restricted stock vests 50% on the first anniversary of the date of grant and

25% on each of the two succeeding anniversaries of the date of grant.

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The following table sets forth information regarding individual grants of stock options to the named executive officers during 2003.

Option Grants in the Last Fiscal Year

Name	Individual Grants				
	Number of Securities	% of Total Options	Exercise Price (\$/Sh)	Expiration Date	Grant Date Present Value(2)
	Underlying Options Granted(1)	Granted to Employees in Fiscal Year			
Jon F. Chait	163,000	20.6%	\$ 13.66	April 11, 2013	\$ 1,288,678
Richard W. Pehlke	80,000	10.1%	\$ 13.66	April 11, 2013	\$ 632,480
Brendan Flood	21,000	2.7%	\$ 13.66	April 11, 2013	\$ 166,026
Richard A. Harris	9,000	1.1%	\$ 13.66	April 11, 2013	\$ 71,154
Margaretta Noonan	21,000	2.7%	\$ 13.66	April 11, 2013	\$ 166,026

- (1) Consists of non-qualified options to purchase Common Stock granted pursuant to the Company's Long Term incentive Plan. The options were granted on April 11, 2003 and vest at 25% per year on the first four anniversaries of the date of grant for Mr. Chait and Mr. Pehlke's grants and 50% on the first anniversary of the grant date and 25% on each of the two succeeding anniversaries of the grant date for Mr. Flood, Mr. Harris and Ms. Noonan.
- (2) Present value is determined by using the Black-Scholes option-pricing model. The grant date present value is based on an average five-year option life. Other assumptions used for the Black-Scholes option-pricing model include a risk-free rate of return of 4.0%, a volatility factor of 65.0% and a dividend yield of 0% during the option life. These present values have not been adjusted to reflect a lack of marketability and liquidity.

The following table sets forth information regarding the 2003 year-end value of unexercised options held by the named executive officers. None of the named executive officers exercised options during 2003.

2003 Fiscal Year-End Option Values

Name	Number of Securities Underlying Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year End(1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Jon F. Chait	0	163,000	0	\$ 1,636,520
Richard W. Pehlke	0	80,000	0	\$ 803,200
Brendan Flood	0	21,000	0	\$ 210,840

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Richard A. Harris	0	9,000	0	\$ 90,360
Margaretta Noonan	0	21,000	0	\$ 210,840

(1) Based on the closing price per share of Common Stock on December 31, 2003 of \$23.70.

Agreements with Named Executive Officers

In March 2003, the Company entered into an employment agreement with Richard W. Pehlke pursuant to which the Company agreed to employ Mr. Pehlke as Executive Vice President and Chief Financial Officer. Under this agreement, Mr. Pehlke is entitled to (i) a base salary of \$350,000 per year, (ii) medical dental, disability and life insurance coverage and other benefit plan eligibility comparable to other senior management, (iii) four weeks of vacation per year, (iv) an annual bonus of up to \$600,000 based on satisfaction of performance goals and (v) reimbursement of up to \$25,000 for expenses for personal financial planning on or prior to

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February 24, 2006. The agreement may be terminated at any time by the Company. If the Company terminates the agreement other than for cause (as defined in the agreement), then, subject to Mr. Pehlke executing the Company's then current form of separation agreement and general release, Mr. Pehlke will be entitled to (i) severance equal to twelve months of his then applicable base salary plus an assumed bonus equal to the greater of \$150,000 or 50% of the largest single calendar year bonus received by Mr. Pehlke during the five years preceding termination and (ii) have the Company make available medical and dental benefits at no cost for two years after termination and thereafter at Mr. Pehlke's cost until December 31, 2008.

In November 2002, the Company entered into an employment agreement with Richard A. Harris pursuant to which the Company agreed to employ Mr. Harris as Chief Information Officer. Under this agreement, Mr. Harris is entitled to (i) a base salary of \$250,000 per year, subject to automatic annual increases of 2% or more based on increases in the Consumer Price Index, (ii) medical dental, disability and life insurance coverage, 401(k) plan and other benefit plan eligibility comparable to other senior management and (iii) four weeks of vacation per year. The agreement is for a term of three years, but may be terminated at any time by the Company. If the Company terminates the agreement other than for cause (as defined in the agreement), then, subject to Mr. Harris executing the Company's then current form of separation agreement and general release, Mr. Harris will be entitled to severance equal to twenty-four months of his then applicable base salary.

In March 2002, the Company entered into an agreement with Margareta Noonan pursuant to which the Company agreed to employ Ms. Noonan with her compensation and benefits to be mutually agreed to from time to time. Under this agreement, the Company has the right to terminate Ms. Noonan's employment at any time. If the Company terminates Ms. Noonan's employment without cause (as defined in the agreement) or Ms. Noonan terminates her employment within twelve months after a change in control (as defined in the agreement) of the Company, then, subject to Ms. Noonan's executing the Company's then current form of separation agreement and general release, Ms. Noonan will be entitled to receive severance equal to one year of her then current base salary and medical and dental benefits for twelve months after termination. In such case, Ms. Noonan will not be entitled to any payments that would cause any portion of the amount received to constitute an excess parachute payments under Section 280G of the Internal Revenue Code.

Table of Contents**PERFORMANCE INFORMATION**

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

	<u>April 1, 2003</u>	<u>December 31, 2003</u>
HUDSON HIGHLAND GROUP, INC.	\$ 100.00	\$ 181.61
PEER GROUP	\$ 100.00	\$ 173.11
RUSSELL 2000 INDEX	\$ 100.00	\$ 151.05

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REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board is composed solely of non-employee directors who meet the independence requirements of Nasdaq and qualify as outside directors under Section 162(m) of the Internal Revenue Code of 1986. The Compensation Committee is responsible for all aspects of the compensation arrangements for the Company's executive officers, including the named executive officers. The Compensation Committee works with independent compensation consultants it retains, and management, to develop the Company's overall compensation philosophy and the specific program provided for the Company's executive officers.

Compensation Philosophy

The Compensation Committee's compensation philosophy supports the Company's objective of attracting and retaining the talented individuals needed to achieve long-term success, and incents these individuals to achieve financial goals that are expected to enhance long-term stockholder value. In setting competitive compensation arrangements, comparisons are made primarily with those companies with whom the Company competes for talent. This includes executive search and staffing firms for business unit leaders, as well as general industry comparisons for staff positions.

As reflected under the section entitled Executive Compensation, the Company's executive compensation program currently consists of a combination of salary, annual bonus awards, and stock option and restricted stock grants, as well as benefits under the employee benefit plans offered by the Company.

The Compensation Committee's general executive compensation policies are as follows:

- a. Total cash compensation (salary plus bonus) is targeted above median market levels with the understanding that above median performance levels will be required to earn such compensation.
- b. Base salaries, equity grants, and benefit programs are targeted at median market levels thus targeted bonus awards are above market median reflecting expected performance levels above median levels.
- c. Outstanding performance is rewarded through incentive plans that provide significant upside potential for outstanding performance.
- d. The proportion of an executive's total compensation that varies with business unit and company performance should increase as the individual's responsibilities increase. Stock ownership is strongly emphasized for those executives who have an impact on the overall strategic direction of the Company.
- e. Business unit performance (for those with P&L responsibility), overall corporate performance and the Company's ability to pay will have an impact on final awards.
- f. Reward programs should be clearly communicated and understood.

Executive Compensation Program

In establishing 2003 salaries for each individual executive officer, Jon Chait, the Company's Chief Executive Officer, made specific recommendations for salary adjustments (other than his own) to the Compensation Committee based on the foregoing guidance provided by the Committee as well as a review of industry comparables as analyzed by an outside compensation consultant, the level of responsibility delegated to the particular executive officer, the expertise and skills offered by each officer, the officer's individual job performance and the performance of the group over which the individual had responsibility. These various factors were considered on a case-by-case basis and no specific formula was used to give any one factor a relative weight as compared to the others. The Compensation Committee reviewed the foregoing recommendations and then made final decisions on the base salaries to be paid by the Company. Prior to the

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spin-off, the base salary for Mr. Chait was \$300,000 from January 1, 2003 until March 31, 2003. The Compensation Committee reviewed the base salary of Mr. Chait for 2003 based on competitive compensation data and individual job performance expectations and increased Mr. Chait's base salary to \$500,000 on April 1, 2003. Mr. Chait was paid \$450,000 in fiscal 2003.

The Compensation Committee has adopted a senior management bonus program for 2004, which provides an annual incentive for certain employees of the Company, including the named executive officers. Awards under the program are based on the achievement of pre-determined operating targets approved by the Compensation Committee for the Company and, where applicable, a specific business unit. The Committee and Mr. Chait agreed early in the year that it would be inappropriate for the CEO to receive a bonus in a year when the Company was unprofitable. Accordingly, despite his excellent leadership in the Company's first year following the spin-off, Mr. Chait received no bonus for 2003. Mr. Chait did not receive any compensation from the Company or Monster in consideration of completing the spin-off, aside from his previously described regular base compensation.

The base salaries paid to two named executive officers and the bonus paid to one named executive officer are also based on their employment agreements with the Company. See Executive Compensation Agreements with Named Executive Officers. Mr. Chait does not have an employment agreement with the Company.

The Company's executive compensation program also includes stock option and restricted stock grants as governed by the Company's Long Term Incentive Plan. The Compensation Committee has the authority to grant, in addition to stock options, other equity-based awards, including stock appreciation rights, restricted stock and performance shares. To date, however, the Compensation Committee has only granted stock options and restricted shares under the Long Term Incentive Plan. Stock options granted by the Compensation Committee have a per share exercise price of 100% of the fair market value of a share of Common Stock on the date of grant and, accordingly, the value of the options, as well as restricted shares granted by the Compensation Committee, is dependent on the future market value of the Common Stock. It has been the policy of the Compensation Committee that such grants should provide a long-term incentive and align the interests of management with the interests of stockholders. All stock option and restricted stock grants vest over a period of time, typically three to four years.

In determining proposed stock option grants to be made to the Company's executive officers, the Compensation Committee reviewed, in consultation with its independent compensation consultants, aggregate option grants made by a select group of peer companies to all of their employees, as well as to specific officers. Based on this analysis, and an assessment of Mr. Chait's responsibilities relative to other Company executives, Mr. Chait received an option to purchase 163,000 shares of Common Stock at a per share exercise price of \$13.66 on April 11, 2003. By tying a portion of each executive officer's overall compensation to stock price through the grant of options, the Compensation Committee seeks to enhance its objective of providing a further incentive to maximize long-term stockholder value.

In connection with the Long Term Incentive Plan, the Company endorses the policy that stock ownership by management is an important factor in aligning the interests of management and stockholders. The Company has adopted stock ownership guidelines that are intended to encourage stock ownership by management. Under these guidelines, management personnel are expected to own shares of Common Stock with a specified value equal to 100% of their respective base salaries. These share ownership requirements may be met over a period of five years. The Compensation Committee will consider an individual's compliance with the stock ownership guidelines in determining the size of future equity-based grants.

The Company's policy with respect to other employee benefit plans is to provide competitive benefits to the Company's employees, including executive officers, to encourage their continued service with the Company. In the view of the Compensation Committee, a competitive benefits package is an essential component in achieving the Company's goal of being able to attract new key employees from time to time as events warrant.

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Under Section 162(m) of the Internal Revenue Code, the tax deduction by corporate taxpayers, such as the Company, 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, in all appropriate circumstances, to qualify compensation paid to the Company's executive officers for deductibility by the Company under Section 162(m) of the Internal Revenue Code.

Hudson Highland Group, Inc. COMPENSATION COMMITTEE

David G. Offensend, Chairperson

John J. Haley

Nicholas G. Moore

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REPORT OF THE AUDIT COMMITTEE

The primary purpose of the Audit Committee is to oversee the Company's accounting and financial reporting processes and the audits of the financial statements of the Company. The Committee's function is more fully described in its charter, which the Board has adopted and is included as Annex A to this proxy statement. The Committee reviews the charter on an annual basis. The Board annually reviews the standards of independence for audit committee members and under Nasdaq National Market listing standards and Security and Exchange Commission rules and has determined that each member of the Committee meets those standards.

Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, accounting and financial reporting principles, internal controls, and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The Company's independent auditors, BDO Seidman, LLP, are responsible for performing an independent audit of the consolidated financial statements and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles.

The Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2003 with the Company's management and has discussed with BDO Seidman, LLP the matters required to be discussed by Statement on Auditing Standards Board Standard No. 61, as amended, Communication with Audit Committees. In addition, BDO Seidman, LLP has provided the Audit Committee with the written disclosures and the letter required by the Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and the Audit Committee has discussed with BDO Seidman, LLP their independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, for filing with the Securities and Exchange Commission.

Hudson Highland Group, Inc.

AUDIT COMMITTEE

Nicholas G. Moore, Chairperson

John J. Haley

David G. Offensend

René Schuster

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INDEPENDENT AUDITORS

BDO Seidman, LLP audited the financial statements of the Company for the year ended December 31, 2003. The Audit Committee expects to appoint the Company's independent auditors for 2004 later in the year.

Representatives of BDO Seidman, LLP are expected to be present at the Annual Meeting. At the Annual Meeting, representatives of BDO Seidman, LLP will have the opportunity to make a statement about the Company's financial condition, if they desire to do so, and to respond to appropriate questions from stockholders.

Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by BDO Seidman, LLP for the audit of the Company's annual financial statements for the year ended December 31, 2003 and fees billed for other services rendered by BDO Seidman, LLP during that period.

	<u>2003</u>
Audit fees	\$ 2,619,500
Tax fees(1)	253,500
Total fees	\$ 2,873,000

Expenses related to audit and tax fees for the consolidated financial statements of the year ended December 31, 2002 were included in the allocation of corporate expense and were paid for by the Company's former parent, Monster Worldwide, Inc.

- (1) Tax fees consist of the aggregate fees billed for professional services rendered by BDO Seidman, LLP for tax compliance, tax advice and tax planning (domestic and international).

The Audit Committee has concluded the provision of the non-audit services listed above is compatible with maintaining the independence of BDO Seidman, LLP, and all such services were approved by the Audit Committee.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

The Audit Committee is responsible for appointing, setting compensation of, and overseeing the work of the independent auditor. The Audit Committee has established a policy regarding pre-approval of all audit and permissible non-audit services provided by the independent auditor.

The service request must be specific as to the particular services to be provided. If the initial assessment from the Company's local management is favorable, the request is forwarded for review to a group whose members come from one or more of the Company's Finance, Legal, Tax and

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Internal Audit departments. Requests approved by the group are aggregated and submitted to the Audit Committee in one of the following ways:

1. Request for approval of services at a meeting of the Audit Committee; or
2. Request for approval of services by a designated member of the Audit Committee.

The request must be made for specific services, including a description of the services to be rendered, the type of service (audit or other services) and the duration of the services.

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APPROVAL OF AMENDMENT TO HUDSON HIGHLAND GROUP, INC. LONG TERM INCENTIVE PLAN

General

The Hudson Highland Group, Inc. Long Term Incentive Plan (the "Incentive Plan") was originally adopted by the Board and approved by the then sole stockholder of the Company on March 12, 2003. On February 18, 2004, subject to stockholder approval at the Annual Meeting, the Board approved an amendment to the Incentive Plan to increase the aggregate number of shares of Common Stock available for grants under the Incentive Plan from 1,000,000 to 1,500,000 (subject to adjustment to prevent dilution in certain cases described below). As of the record date for the Annual Meeting, stock options covering an aggregate of 893,620 shares of Common Stock were outstanding (including 34,300 options contingent upon the approval by the shareholders of the proposed amendment to the Incentive Plan) and 103,875 restricted shares of Common Stock had been granted under the Incentive Plan, leaving 2,505 shares of Common Stock available for grants of additional awards under the Incentive Plan. Other than grants of stock options and restricted stock, no other awards had been made under the Incentive Plan as of the record date of the Annual Meeting. The Board of Directors approved the amendment to the Incentive Plan to allow for the issuance of additional shares of Common Stock under the Incentive Plan.

The following is a summary of the material provisions of the Incentive Plan, a copy of which is attached to this proxy statement as Annex B and is incorporated by reference. This summary is qualified in its entirety by reference to the full and complete text of the Incentive Plan.

Purpose

The purpose of the Incentive Plan is to establish a flexible vehicle through which the Company can offer equity-based compensation incentives to eligible recipients with a view toward promoting long-term financial success of the Company and enhancing stockholder value.

Administration of the Plan

The Incentive Plan must be administered by a committee of the Board. Unless the Board determines otherwise, the committee must consist of at least two members of the Board, each of whom is both a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and an outside director within the meaning of Section 162(m)(4)(C) of the Internal Revenue Code. The Board serves as the committee with respect to awards made to members of the Board who are not employees of the Company or of its affiliates. The Compensation Committee (the "Committee") administers the Incentive Plan, which, subject to the limitations of the Incentive Plan, has complete authority to:

select the persons to whom awards will be made under the Incentive Plan;

make awards to persons under the Incentive Plan and prescribe the terms and conditions of the awards, including nonsolicitation, confidentiality and mandatory dispute resolution conditions;

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interpret and apply the provisions of the Incentive Plan and of any agreement or other document evidencing an award made under the Incentive Plan;

carry out any responsibility or duty specifically reserved to the Committee under the Incentive Plan; and

make any and all determinations and interpretations and take such other actions as may be necessary or desirable in order to carry out the provisions, intent and purposes of the Incentive Plan.

The determinations, interpretations, or other actions the Committee makes or takes under the provisions of the Incentive Plan will be final and binding and conclusive for all purposes and upon all persons.

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Participation

The Committee may grant awards under the Incentive Plan to any director, officer or other employee of the Company or its affiliates and to any consultant or other independent contractor who performs or will perform services for the Company or its affiliates. Approximately 260 persons are currently eligible to participate in the Incentive Plan. The number of eligible participants may increase over time based upon future growth of the Company.

Awards Under the Incentive Plan; Available Shares

The Incentive Plan authorizes the granting of (a) stock options, which may be either incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code (ISOs) or non-qualified stock options; (b) stock appreciation rights (SARs); (c) awards of restricted stock; (d) performance-based awards; and (e) such other types of equity-based awards as the Committee may deem advisable.

The Incentive Plan, as amended, provides that up to a total of 1,500,000 shares of Common Stock (subject to adjustment as described below) will be available for the granting of awards thereunder. The aggregate maximum number of shares of Common Stock that may be issued in the form of restricted stock, performance-based awards and other equity-based awards (other than stock options) is 500,000 shares.

If (1) an award terminates or is cancelled without having been exercised or earned in full, (2) cash is delivered to the holder of an award in lieu of shares, (3) shares of restricted stock are forfeited or (4) shares are withheld in order to pay the purchase price of an award or to satisfy tax withholding obligations, then those shares will be available for the granting of new awards under the Incentive Plan.

Individual Award Limitations

Subject to adjustment in the event of specified adjustments in the Company's capitalization, during any one calendar year, the Committee may not grant to any participant:

options or stock appreciation rights for more than a total of 250,000 shares of Common Stock; or

awards, other than options or stock appreciation rights, for more than a total of 250,000 shares of Common Stock.

The Committee may not pay any participant more than \$1,000,000 with respect to any single performance-based award that is settled in cash. Multiple performance-based awards to the same individual will be subject to a single \$1,000,000 limit if they are either:

determined by reference to performance periods of one year or less ending with or within the same fiscal year; or

determined by reference to one or more multi-year performance periods ending in the same fiscal year.

Adjustments Upon Changes in Capitalization

If any split-up or consolidation of shares or any like capital adjustment, or the payment of any stock dividend, increases or decreases the number of issued shares of Common Stock, or if a readjustment or recapitalization of the Company's capital stock changes the character or class of shares covered by the Incentive Plan, then the following will be adjusted proportionately: the aggregate number and class of shares that may be issued under the Incentive Plan; the maximum number of shares covered by awards that may be granted to any individual in any calendar year; the number and class of shares covered by each outstanding award; and the exercise price per share.

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Stock Option Awards

The Committee may grant either non-qualified stock options or ISOs to eligible participants on the terms and conditions it prescribes, provided that the Committee may only grant incentive stock options to its employees and employees of its subsidiary corporations within the meaning of Section 424 of the Internal Revenue Code. The Committee will set the term of each option, but no option will be exercisable more than ten years after the date it is granted. All ISOs granted under the Incentive Plan will also be required to comply with all other terms of Section 422 of the Internal Revenue Code.

The Committee will determine the per share exercise price of any option it grants, but the exercise price may not be less than the fair market value of a share of Common Stock on the date the Committee grants the option. The fair market value of a share of Common Stock on any date will be equal to the closing price per share of Common Stock as reported on The Nasdaq National Market on that date. The Committee may establish vesting and other restrictions on the exercise of an option and upon the disposition of the stock acquired upon the participant's exercise of an option. Unless the Committee establishes otherwise, during a participant's employment with the Company or one of its affiliates, each option granted to the participant will be subject to a four-year vesting schedule, with twenty-five percent of the option vesting at the end of each of the first four years following the date of the grant.

A participant may exercise an option by payment in full of the exercise price, either (at the discretion of the Committee) in cash, certified or bank check, shares of previously acquired Common Stock or pursuant to a broker sponsored cashless exercise procedure approved by the Committee and permitted by law.

Unless otherwise approved by the Company's stockholders, the Board or the Committee may not amend the terms of an option to lower its exercise price, take any other action that is treated as a repricing under generally accepted accounting principles or cancel an option at a time when its exercise price is equal to or greater than the fair market value of the underlying shares of Common Stock, in exchange for another option, restricted stock or other equity award.

Stock Appreciation Rights

A SAR granted under the Incentive Plan entitles the holder, upon exercise, to receive an amount, in cash or shares of Common Stock or a combination thereof (at the discretion of the Committee), equal to the product of (a) the number of shares with respect to which the stock appreciation right is being exercised and (b) the difference between the fair market value of a share of Common Stock on the date the participant exercises the stock appreciation right (or any other exercise price as may be specified in the award) and the exercise price per share.

The Committee may grant SARs to participants at any time in tandem with or independently from any stock option granted. The Committee may impose service or performance-based vesting conditions upon the exercise of a stock appreciation right as it deems appropriate. Unless otherwise provided, a participant may exercise a stock appreciation right granted in tandem with a stock option only at the same time and to the same extent and subject to the same conditions as the related option may be exercised. A participant's exercise of a tandem stock appreciation right will cancel the related option for the shares of Common Stock with respect to which the stock appreciation right is exercised, and vice versa. A participant may exercise tandem stock appreciation rights only when the fair market value of the Common Stock to which it relates exceeds the option exercise price. The Committee may at any time defer delivery of any shares or cash the participant is entitled to receive as payment for a stock appreciation right.

Restricted Stock

The Committee may grant shares of restricted stock to participants in the amounts and upon the terms and conditions that it determines. The Committee will determine the purchase price payable for the shares of

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restricted stock under the Incentive Plan. The purchase price may be as low as zero, but will be no less than the par value of the shares covered by the restricted stock award.

Except as otherwise determined by the Committee, a participant will have with respect to his or her restricted stock all of the rights of a holder of shares of Common Stock, including the right to receive dividends, the right to vote the shares and, at the time of vesting, the right to tender the shares. The participant will not be permitted to transfer shares of restricted stock before the applicable vesting conditions are satisfied.

Performance-Based Awards

The Committee may condition the exercise, vesting or settlement of an award made under the Incentive Plan on the achievement of specified performance goals. The Committee may make awards performance-based for the award to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

The Committee will determine the performance period and the performance goal or goals to be achieved during any performance period. The performance goals must be expressed as an attainment of target levels or increases or reductions, as the case may be, in any one or more of the following business criteria:

revenue, income or earnings;

profits;

operational cash flow;

public or private debt;

earnings per share or earnings per share from continuing operations;

return on capital employed or on invested capital;

after-tax return on stockholders' equity;

economic value added targets based on cash flow return;

fair market value of Common Stock; and

growth in the value of an investment in Common Stock.

The Committee will also determine whether the performance goals are achieved and the percentage of each performance-based award that the participant has earned. The Committee may reduce the amount payable for a performance-based award, but the Committee may not increase the amount.

Other Equity-Based Awards

The Committee may also grant other types of equity-based awards under the Incentive Plan, including the grant of phantom stock awards, stock bonus awards, restricted stock unit awards and dividend equivalent awards. In addition, the Committee may also grant or offer for sale unrestricted shares of Common Stock. The Committee may determine the amounts and the terms and conditions of the other equity-based awards. The other equity-based awards may involve the transfer of actual shares of Common Stock to participants, or the payment in cash or otherwise of amounts based on the value of shares of Common Stock.

Limits on Transfer of Awards

Except as otherwise provided by the Committee, no award granted under the Incentive Plan may be transferred by any participant, other than on the participant's death to a beneficiary designated by the participant in a manner acceptable to the Committee, or, if no designated beneficiary survives the participant, pursuant to the participant's will or by the laws of descent and distribution. All stock options and stock appreciation rights will

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be exercisable during the participant's lifetime only by such participant. A participant may transfer tandem stock appreciation rights only with the underlying stock option. A participant may not transfer shares of restricted stock before the shares have vested and are free of any restrictions under the Incentive Plan. Any attempt to transfer any award in violation of the Incentive Plan or law will be void. The Committee may, however, determine that a non-qualified stock option is transferable in whole or in part.

Termination of Employment

The following rules apply with respect to vesting and exercise of awards held by a participant at the time of his or her termination of employment or other service with the Company and its affiliates, unless otherwise determined by the Committee at the grant, or, if the participant's rights are not reduced, after the grant.

Stock Options and Stock Appreciation Rights.

Death. If a participant's employment terminates by reason of his or her death, then any stock option or stock appreciation right held by the participant will become fully exercisable and may be exercised by the participant's beneficiary within one year from the date of death or until the earlier expiration of the award.

Disability. If a participant's employment terminates by reason of his or her disability, then the participant's beneficiary may exercise any stock option or stock appreciation right held by the participant, to the extent exercisable at termination, within one year of the termination or until the earlier expiration of the award. Any stock option or stock appreciation right held by the participant on the date of termination that was not yet exercisable will immediately terminate.

For Cause. If a participant's employment terminates for cause (as defined in the Incentive Plan), then any stock option or stock appreciation right held by the participant shall terminate immediately.

Other Reason. If a participant's employment is terminated other than for death, disability or cause, then a participant may exercise any stock option or stock appreciation right held by the participant, to the extent exercisable on the termination date, within six months from the termination date or the earlier expiration of the award. Any stock option or stock appreciation right held by the participant that was not yet exercisable will immediately terminate.

Restricted Stock. If a participant's employment is terminated for any reason or no reason, then the participant will automatically forfeit all of his or her shares of restricted stock that have not yet become fully vested, unless otherwise determined by the Committee.

Performance-Based Awards. If a participant's employment is terminated for any reason or no reason, then the participant's outstanding performance-based awards will immediately expire, unless otherwise determined by the Committee. The participant will not be entitled to receive any amount in respect of the performance period or cycle during which the participant's employment terminated.

Other Equity-Based Awards. If a participant's employment is terminated for any reason or no reason, then rules similar to those relating to restricted stock will apply in connection with other equity-based awards granted under the Incentive Plan that have not yet vested and/or is contingent upon future performance of services.

Change in Control

If, in connection with a change in control (as defined in the Incentive Plan) of the Company, the Company's stockholders receive capital stock of another corporation (the exchange stock) in exchange for their shares of Common Stock, and if the Board so directs, then all outstanding options and stock appreciation rights will be converted into options to purchase, or stock appreciation rights covering, the shares of the exchange

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stock. The Company will determine the number of shares and the exercise price under the converted options and stock appreciation rights by adjusting the number of shares and exercise price on the same basis as the number of shares of exchange stock that the holders of Common Stock will receive in connection with the change in control. Unless the Board otherwise determines, the vesting conditions for the converted options and stock appreciation rights will be substantially the same as the vesting conditions in the original option or stock appreciation right agreement.

If the Board does not direct the conversion of outstanding options or stock appreciation rights in connection with a change in control, then all participants may exercise their outstanding options and stock appreciation rights prior to the change in control, in whole or in part and whether or not vested or exercisable. Any outstanding options and stock appreciation rights that are not exercised by a participant before the change in control will terminate upon the change in control.

Amendment and Termination of the Plan

The Board may amend, suspend or terminate the Incentive Plan at any time. The Board, however, may not amend the Incentive Plan without stockholder approval if:

the amendment increases the number of shares that may be issued under the Incentive Plan or pursuant to any limitations on individual participants, except in the event of a change in the Company's capitalization;

the amendment expands the class of persons eligible to participate under the Incentive Plan;

stockholder approval is required by the Internal Revenue Code or any rules promulgated thereunder; or

stockholder approval is required by the listing requirements of The Nasdaq National Market or any principal securities exchange or market on which Common Stock is then traded.

Any amendment or termination of the Incentive Plan may not affect the rights of any participant under any award previously granted under the Incentive Plan without the participant's consent.

Term of the Plan

The Incentive Plan will terminate on March 12, 2013. The rights of participants with respect to an unexpired award at the time of the Incentive Plan's termination will not be affected solely by reason of the termination, and will continue after the Incentive Plan terminates in accordance with the terms of the award and the Incentive Plan.

U.S. Federal Income Tax Considerations

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This summary of some of the significant U.S. federal income tax consequences of incentive stock options, non-qualified options, stock appreciation rights, shares of restricted stock and performance-based awards under the Incentive Plan is not a complete discussion of all the federal income tax aspects of the Incentive Plan and does not include any discussion of state, local or foreign income or other tax laws.

Incentive Stock Options. The grant of an incentive stock option under the Incentive Plan will create no income tax consequences to a participant or to the Company. In addition, a participant will not recognize 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, any gain or loss the participant realizes on the disposition of Common Stock acquired pursuant to the exercise of an incentive stock option will be treated as a long-term capital gain or loss, and the Company will not be allowed a deduction with respect to the grant or exercise of the incentive stock option. 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 date of

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exercise, then the disposition of the shares will be a disqualifying disposition and the participant will recognize ordinary income at the time of the disposition equal to the lesser of:

the gain realized on the disposition or

the excess of the fair market value of the shares of Common Stock on the date of exercise over the exercise price.

The Company generally will 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 the participant realizes over the fair market value at the time of exercise will be treated as a capital gain. This capital gain will be a long-term capital gain if the Common Stock has been held for more than one year from the date of exercise, otherwise the capital gain will be short-term capital gain. If the amount realized is less than the exercise price, then the difference will be treated as a short-term or long-term capital loss, depending on the participant's holding period.

Non-Qualified Options. The grant of a non-qualified option under the Incentive Plan will create no income tax consequences to the participant or to the Company. However, the participant will recognize ordinary compensation income, or self-employment income if the participant is a non-employee director, when the option is exercised. The participant will treat as ordinary income the amount by which the fair market value of acquired Common Stock, determined at the time income is recognized, exceeds the exercise price. The Company generally will be entitled to a deduction in the same amount and at the same time as ordinary income is recognized by the participant. If a participant subsequently disposes of Common Stock acquired through exercise of a non-qualified option, then the participant will recognize capital gain or loss to the extent that the amount realized upon disposition differs from the tax basis of the Common Stock. This capital gain or loss will be short-term or long-term gain or loss, depending on the length of time the participant held the shares after the exercise date.

Stock Appreciation Rights. The grant of a stock appreciation right will create no income tax consequences for the participant or the Company. When a participant exercises a stock appreciation right, the participant will recognize ordinary compensation income equal to the amount of any cash and the fair market value of any shares of Common Stock or other property received, except that if the participant receives an option or shares of restricted stock upon exercise of a stock appreciation right, recognition of income may be deferred in accordance with the rules applicable to such other awards. The Company generally will be entitled to a deduction in the same amount and at the same time as income is recognized by the participant.

Restricted Stock. A participant will not recognize income at the time an award of restricted stock is made under the Incentive Plan unless he or she makes the election described below. If a participant does not make this election, then the participant will recognize ordinary compensation income when all applicable restrictions lapse. The amount of income recognized equals the fair market value on the date the restrictions lapse reduced by the amount, if any, paid by the participant for the restricted stock. The Company generally will 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 end of the applicable restriction period will result in capital gain or loss, which will be long-term or short-term, depending on the length of time the shares of restricted stock are held after the end of the applicable restriction period. Dividends paid in cash and received by a participant before the end of the applicable restriction period will constitute ordinary compensation income to the participant. The Company generally will be entitled to a corresponding deduction for these dividends. Any dividends the Company pays in stock will be treated as an award of additional shares of restricted stock subject to the tax treatment described herein.

A participant may, within thirty days after the date of the award of restricted stock, elect to recognize ordinary compensation income on the date of the award in an amount equal to the fair market value of the restricted stock on the date of the award reduced by the amount, if any, the participant pays for the restricted stock. The Company generally will be entitled to a corresponding deduction in the same amount and at the same

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time as the participant recognizes income. If the election is made, then any cash dividends received with respect to the restricted stock will be treated as dividend income to the participant in the year of payment, to the extent of the Company's earnings and profits, and will not be deductible by the Company. Any otherwise taxable disposition of the restricted stock, other than by forfeiture, will result in capital gain or loss, which will be long-term or short-term, depending on the holding period, which starts the day after the grant date. If the participant elects to recognize income at the date of the award and then subsequently forfeits the restricted stock, then the participant will not be entitled to deduct any loss except to the extent of the amount, if any, the participant paid for the restricted stock. However, the Company is required to include as ordinary income the amount of the deduction the Company originally claimed with respect to the forfeited shares.

Performance Shares. The grant of performance shares will create no income tax consequences for the participant or the Company. Upon the receipt of shares of Common Stock at the end of the applicable performance period, the participant will recognize ordinary compensation income equal to the fair market value of the shares of Common Stock received, except that if the participant receives shares of restricted stock in payments of performance shares, recognition of income may be deferred in accordance with the rules applicable to restricted stock. In addition, the participant will recognize ordinary compensation income equal to the dividend equivalents paid on performance shares prior to or at the end of the performance period. The Company will be entitled to a deduction in the same amount and at the same time as income is recognized by the participant.

New Plan Benefits

On February 18, 2004, the Compensation Committee, subject to stockholder approval at the Annual Meeting, granted options to purchase 34,300 shares of Common Stock to employees of the Company who are not executive officers under the Incentive Plan, as amended. Except for those grants, the Company cannot currently determine the number or type of awards that may be granted to eligible participants under the Incentive Plan, as amended, in the future. Such determinations will be made from time to time by the Committee.

During 2003, the Committee approved grants of stock options and restricted stock to executive officers and stock options to non-employee directors that are not subject to stockholder approval of the proposed amendment to the Incentive Plan. See Executive Compensation and Board of Directors and Corporate Governance-Directors Compensation.

On March 10, 2004, the closing price per share of Common Stock on the Nasdaq National Market was \$24.84.

Vote Required

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 for approval of the proposed amendment to the Incentive Plan. Consequently, broker non-votes will have no impact on the approval of the proposed amendment to the Incentive Plan, but abstentions will act as a vote against approval of the proposed amendment. Unless otherwise specified, the proxies solicited hereby will be voted in favor of the above proposal. In the event that the proposed amendment to the Incentive Plan is not approved by the stockholders at the Annual Meeting, the Incentive Plan (except for the proposed amendment) will remain in full force and effect.

THE BOARD RECOMMENDS EACH STOCKHOLDER VOTE FOR THE PROPOSED AMENDMENT TO THE INCENTIVE PLAN. SHARES OF COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR

SUCH AMENDMENT.

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APPROVAL OF AMENDMENT TO HUDSON HIGHLAND GROUP, INC.

EMPLOYEE STOCK PURCHASE PLAN

General

The Hudson Highland Group, Inc. Employee Stock Purchase Plan (the Purchase Plan) was originally adopted by the Board and approved by the then sole stockholder of the Company on March 12, 2003. On February 18, 2004, subject to stockholder approval at the Annual Meeting, the Board approved an amendment to the Purchase Plan to increase the aggregate number of shares of Common Stock available for purchase under the Purchase Plan from 160,000 to 660,000 (subject to adjustment to prevent dilution in certain cases described below). As of the record date for the Annual Meeting, 99,425 shares of Common Stock had been purchased under the Purchase Plan, leaving 60,575 shares of Common Stock available for additional purchases under the Purchase Plan. The Board of Directors approved the amendment to the Purchase Plan to allow for the purchase of additional shares under the Purchase Plan.

The following is a summary of the material provisions of the Purchase Plan, a copy of which is attached to this proxy statement as Annex C and is incorporated by reference. This summary is qualified in its entirety by reference to the full and complete text of the Purchase Plan.

Purpose

The Purchase Plan gives the Company's employees the opportunity to purchase Common Stock at a 15% discount from its fair market value. The purpose of the Purchase Plan is to provide an opportunity for employees of the Company and its participating affiliates to purchase shares of Common Stock and thereby share in the ownership of the Company.

Administration of the Plan

The Purchase Plan must be administered by the Compensation Committee (the Committee). Subject to the provisions of the Purchase Plan, the Committee, among other functions, has the authority to establish the terms and conditions for grants of purchase rights and adopt such rules or regulations that may be necessary or advisable for the operation of the Purchase Plan.

The Committee's determinations as to the interpretation and operation of the Purchase Plan are final and conclusive. In exercising its powers under the Purchase Plan or any other similar employee stock purchase plan the Company may establish for employees located in foreign jurisdictions, the Committee may adopt special or different rules, procedures or sub-plans with respect to the Purchase Plan including rules which allow employees of any foreign participating affiliate to participate in the Purchase Plan.

Stock Subject to the Plan

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The Purchase Plan, as amended, provides that the Company may issue up to 660,000 shares of Common Stock pursuant to options granted under the Purchase Plan or any other similar employee stock purchase plan that the Company establishes for employees located in foreign jurisdictions (subject to adjustment as described below). If any option granted under the Purchase Plan terminates, then the shares not purchased under the option will again be available for issuance under the Purchase Plan.

Adjustments in Capitalization

If any change in corporate capitalization such as a stock split or corporate transaction such as a merger, consolidation, separation (including a spin-off), other distribution of the Company's stock or property or any reorganization or any partial or complete liquidation of the Company affects the shares of Common Stock such that an adjustment is appropriate, then the Committee will generally have the authority to adjust:

the number and class of shares subject to the Purchase Plan;

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the number, class and price of shares available for purchase under the Purchase Plan; and

the number of shares subject to individual participant limitations.

Eligibility

Any active employee of the Company or of a participating affiliate is eligible to participate in the Purchase Plan, subject to administrative rules that the Committee may establish. The employee's employment must also meet requirements for length of employment as required by Section 423 of the Internal Revenue Code.

For purposes of offering periods, which will begin on January 1 and end on December 31 of each year, an employee must be employed by the Company or a participating affiliate for at least 90 days before the first day of the offering period and regularly work at least 20 hours per week to be eligible to participate in the Purchase Plan (although employees working less than 20 hours per week will be eligible to participate in the Purchase Plan if they reside in a foreign jurisdiction where such eligibility is legally required). Employee participation in the Purchase Plan is entirely voluntary.

Unless an employee's participation is required as a matter of local law or regulation, the Purchase Plan provides that no employee may be granted options to purchase shares of Common Stock under the Purchase Plan that could result in the employee (1) owning, and/or holding options to purchase, 5% or more of the total combined voting power or value of all classes of stock of the Company, or any parent or subsidiary, or (2) having rights to purchase stock under all employee stock purchase plans of the Company that accrue at a rate that exceeds \$25,000 in fair market value of the Common Stock (determined at the time of grant of an option) for each calendar year in which such purchase rights are outstanding.

Grant of Options

At the time that an eligible employee enrolls in the Purchase Plan, he or she becomes a Purchase Plan participant. An employee's enrollment in the Purchase Plan constitutes a grant by the Company to the participant of an option to purchase shares of Common Stock pursuant to the Purchase Plan. The option gives the participant the right to purchase shares of Common Stock on the purchase date, which is defined as the last day within a purchase period that the Nasdaq National Market is open for trading. The Committee may designate the length and timing of the purchase period, so long as each period does not end later than five years from the date an option is granted, if the purchase price is to be at least 85% of the fair market value of the shares on the purchase date, or, otherwise, twenty-seven months from the grant date.

The Committee has determined that there will be two purchase periods per offering period, with the first purchase period beginning January 1 and ending June 30 of any offering period, and the second purchase period beginning July 1 and ending December 31 of any offering period. However, the Committee may designate, for certain participants outside the U.S., a different purchase period or offering period as designated by the Committee to accommodate local laws and regulations.

The number of shares of Common Stock that a participant can purchase under the option equals the number of shares that the funds accumulated in the participant's account as of the purchase date will purchase at a price equal to 85% of the stock's fair market value on the option's grant date or on the purchase date, whichever is lower unless otherwise determined (this will be the purchase price). For purposes of determining the number of shares purchased, the stock's fair market value is generally the closing sale price of a share of Common Stock on the Nasdaq National

Market on the applicable date.

The Committee may, however, limit the number of shares that a participant may purchase in any purchase period. In addition, the Committee will not grant any participant an option under the Purchase Plan that would

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permit the participant to purchase shares under the Purchase Plan in any calendar year with a fair market value in excess of \$25,000 (determined at the time of grant of an option).

As of the purchase date, any outstanding option granted to a participant under the Purchase Plan will be deemed to have been exercised on the purchase date for the number of whole and fractional shares that the funds accumulated in the participant's account as of the purchase date will purchase at the applicable purchase price.

Limits on Transfer of Awards

Each option granted under the Purchase Plan will be exercisable during a participant's lifetime only by the participant. A participant may not assign, transfer, pledge or otherwise dispose of any amounts credited to a participant's account or any rights with respect to the exercise of an option or to receive shares under the Purchase Plan, other than by will, by designation of a beneficiary, or by the laws of descent and distribution.

Termination of Employment

A participant's participation in the Purchase Plan terminates immediately if the participant ceases to be actively employed by the Company or a participating affiliate for any reason whatsoever, or if the participant ceases to be an eligible employee pursuant to the terms of the Purchase Plan. The participant's outstanding options will terminate at the time of his or her termination of participation.

Change in Control

In the event of a change in control (as defined in the Purchase Plan) of the Company, the acquiring or surviving corporation may, without the consent of the participants, assume the Company's rights and obligations under the Purchase Plan. If the acquiring or surviving corporation chooses not to assume the Company's rights and obligations under the Purchase Plan, then the purchase date of the then current purchase period will be accelerated to a date before the date of the change in control. The number of shares of stock subject to outstanding options will not be adjusted. All options which are not assumed by the acquiring or surviving corporation or exercised as of the date of the change in control will terminate and cease to be outstanding.

Amendment and Termination of the Plan

The Board may amend, suspend or terminate the Purchase Plan at any time. However, the Purchase Plan may not be amended in a way that will cause the Code Section 423 portion of the Purchase Plan to fail to meet the requirements of Section 423 of the Internal Revenue Code. In addition, the Board may not amend the Purchase Plan without stockholder approval if:

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stockholder approval is required by the Internal Revenue Code, any rules promulgated thereunder or any securities laws; or

stockholder approval is required by the listing requirements of the Nasdaq National Market or any principal securities exchange or market on which Common Stock is then traded.

Duration of Plan

The Purchase Plan will remain in effect until all shares of Common Stock subject to the Purchase Plan have been purchased or acquired, unless the Board terminates the Purchase Plan prior to that time.

U.S. Federal Income Tax Considerations

This summary of some of the significant U.S. federal income tax consequences of the Purchase Plan is not a complete discussion of all the federal income tax aspects of the Purchase Plan and does not include any discussion of state, local, or foreign income or other tax laws in this section.

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The Purchase Plan is intended, in part, to be an employee stock purchase plan within the meaning of Internal Revenue Code Section 423, or a Section 423 plan. The following discussion of U.S. federal tax consequences presumes the participant is purchasing shares under the Section 423 portion of the Purchase Plan. If the participant is subject to U.S. federal income tax and is purchasing shares under the non-Code Section 423 portion of the Purchase Plan, then he or she may be taxed at the ordinary income tax rates on the discount at the time of purchase. As a Section 423 plan, a participant does not report taxable income either when his or her participation in the Purchase Plan begins or when he or she purchases shares of Common Stock on any purchase date. A participant may, however, have taxable income in the year in which he or she sells the shares purchased under the Purchase Plan.

In general, upon a sale of the stock, participants in the Purchase Plan will recognize ordinary income for some or all of the purchase price discount, and will recognize a capital gain or loss for the difference between their basis in the stock and the proceeds from the sale. The specific tax consequences to a participant will depend on whether the participant satisfies the holding period requirement. A participant satisfies the holding period requirement if the sale of stock is (i) at least two years after the date the option to purchase the shares was granted and (ii) more than one year after the purchase date. The Company is permitted to take a deduction for the amount reported to the participant as ordinary income.

The Company will deduct or withhold, or require a participant to remit to us, an amount sufficient to satisfy any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to any taxable event arising as a result of the Purchase Plan.

New Plan Benefits

The Company cannot currently determine the number of shares of Common Stock that eligible participants under the Purchase Plan may purchase in the future.

On March 10, 2004, the closing price per share of Common Stock on the Nasdaq National Market was \$24.84.

Vote Required

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 for approval of the proposed amendment to the Purchase Plan. Consequently, broker non-votes will have no impact on the approval of the proposed amendment to the Purchase Plan, but abstentions will act as a vote against approval of the proposed amendment. Unless otherwise specified, the proxies solicited hereby will be voted in favor of the above proposal. In the event that the proposed amendment to the Purchase Plan is not approved by the stockholders at the Annual Meeting, the Purchase Plan (except for the proposed amendment) will remain in full force and effect.

THE BOARD RECOMMENDS EACH STOCKHOLDER VOTE FOR THE PROPOSED AMENDMENT TO THE PURCHASE PLAN. SHARES OF COMMON STOCK REPRESENTED BY EXECUTED BUT UNMARKED PROXIES WILL BE VOTED FOR SUCH AMENDMENT.

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The following table presents information on the Company's existing equity incentive plans as of December 31, 2003.

	Number of shares to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in Column A)
	A	B	C
Equity Compensation Plans approved by stockholders:			
Long Term Incentive Plan	887,300	\$ 14.72	20,325
Employee Stock Purchase Plan			