

HUDSON HIGHLAND GROUP INC
Form 424B5
March 18, 2004

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Registration No. 333-110765 and
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Prospectus Supplement
(To prospectus dated December 4, 2003)

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Hudson Highland Group, Inc.

1,273,885 Shares of Common Stock

We are one of the world's largest specialized staffing and executive search agencies. We are selling 1,273,885 shares of our common stock.

Our common stock is listed on the Nasdaq National Market under the symbol HHGP. On March 17, 2004, the last reported sale price of our common stock on the Nasdaq National Market was \$23.65 per share.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ 23.55	\$ 29,999,992
Underwriting discount	\$ 1.41	\$ 1,796,178
Proceeds to us	\$ 22.14	\$ 28,203,814

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the shares of common stock will be made on or about March 23, 2004.

Robert W. Baird & Co.
March 18, 2004

William Blair & Company

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. You should read the entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under "Where You Can Find More Information" in the accompanying prospectus. In the event that the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdictions where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

Our principal executive offices are located at 622 Third Avenue, New York, New York, 10017. Our telephone number is (212) 351-7300.

Unless we otherwise indicate or unless the context requires otherwise, all references in this prospectus supplement to we, our, us or similar references mean Hudson Highland Group, Inc.

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OUR COMPANY

We provide professional staffing services on a permanent, contract and temporary basis, as well as executive search and a range of human capital services to clients operating in a wide variety of businesses. We are organized into two principal businesses, Hudson Global Resources and Highland Partners, which constituted approximately 85% and 15% of our gross margin, respectively, for the year ended December 31, 2003.

Hudson Global Resources. Hudson Global Resources primarily provides mid-level professional temporary personnel and permanent recruitment services to our clients. Mid-level professionals are those who typically earn between \$50,000 and \$150,000 annually, and possess professional skills and/or profile required by our clients. In the case of our temporary recruitment business, we primarily focus on the placement of professionals in temporary assignments that can range from one day to more than twelve months. In the case of our permanent placement business, we search and select mid-level professionals, both on a contingent and retained basis, for permanent employment with our clients. In larger markets, our sales strategy focuses on both clients operating in particular business segments, such as financial services, health care, or technology, and candidates possessing particular professional qualifications, such as accounting and finance, information technology and communications, legal and health care. Hudson Global Resources uses both traditional and interactive methods to select potential candidates for our clients, employing a suite of products, that assess talent and help predict whether a candidate will be successful in a given role.

Hudson Global Resources also provides a variety of other services in the area of Human Capital Solutions, including among others, customized interactive recruiting and HR solutions, career transition, executive assessment and coaching, knowledge management, diversity and inclusion assessment and consulting, and organizational effectiveness. Through our Center for High Performance, we also offer leadership solutions designed to assist senior management in enhancing the operating performance of large organizations.

These services enable us to offer clients a comprehensive set of human capital management services, ranging from providing temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent executives and professionals, to outplacement.

Hudson Global Resources operates on a global basis with our revenues divided approximately evenly among North America, Europe (including the United Kingdom), and the Asia Pacific region (primarily Australia and New Zealand).

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

Highland Partners employs a multilevel process to identify appropriate candidates for our clients. This process begins with an analysis of the vacant position and a thorough understanding of both the tangible skills and experience required, as well as the intangible cultural aspects of the client's workplace. These requirements are then matched against a pool of qualified candidates. We then assist the client with the interview process and help the client structure the compensation package for the best candidate.

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

Highland Partners operates as a global boutique with 16 practice offices in 5 countries. For the year ended December 31, 2003, approximately 68% of revenues in the Highland Partners business were derived in North America.

The company is the combination of 67 acquisitions made prior to our spin-off from Monster Worldwide, Inc. (Monster), formerly TMP Worldwide, Inc. While these acquisitions were made between 1999 and 2002, some of our constituent businesses have operated for more than 20 years. These companies and businesses operated within Monster as the eResourcing and Executive Search divisions since 1998. On March 31, we spun-off from Monster, who distributed 100% of our outstanding common stock to stockholders of Monster as of the close of business on March 14, 2003. Since the spin-off from Monster, we have operated as an independent, publicly held company.

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THE OFFERING

Common stock offered	1,273,885 shares
Approximate number of shares of common stock outstanding after the offering	9,848,590 shares
Listing	The Nasdaq National Market
Symbol	HHGP

The number of shares outstanding after the offering is based on our shares outstanding as of March 17, 2004. The number of shares of common stock offered and to be outstanding after this offering does not include shares issuable upon the exercise of outstanding stock options held by our employees, executive officers and directors.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$27.9 million, after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We will use the proceeds from this offering to fund working capital needs and future growth of staffing operations worldwide, to fund operational efficiency improvements, to fund new growth opportunities and for other general corporate purposes.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated March 17, 2004, we have agreed to sell to the underwriters named below the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Robert W. Baird & Co. Incorporated	828,025
William Blair & Company, L.L.C	445,860

UNDERWRITING

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Underwriter	Number of Shares
Total	1,273,885

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of \$0.84 per share. The underwriters and selling group members may allow a discount of \$0.10 per share on sales to other broker/dealers. After the offering, the representative may change the public offering price and concession and discount to broker/dealers.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share	Total
Underwriting discounts and commissions paid by us	\$1.41	\$1,796,178
Expenses payable by us	\$0.27	\$ 350,000

We have agreed to pay all of the expenses in connection with this offering. The principal components of the offering expenses payable by us will include the fees and expenses of our accountants and attorneys, the fees of our registrar and transfer agent, the cost of printing this prospectus supplement and the Nasdaq National Market listing fees.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Robert W. Baird & Co. Incorporated for a period of 180 days after the date of this prospectus; except issuances of our common stock pursuant to the exercise of employee stock options outstanding on the date hereof. These restrictions will not apply to:

filing a registration statement increasing the number of shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock available for grant or issuance under the terms of a plan in effect on the date we execute the underwriting agreement;

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issuances of shares of our common stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options outstanding on the date we execute the underwriting agreement;

grants of employee stock options pursuant to the terms of a plan in effect on the date we execute the underwriting agreement and issuances of common stock pursuant to the exercise of those options;

issuances of shares of our common stock to our employees pursuant to the terms of a plan in effect on the date we execute the underwriting agreement;

filing a registration statement to register shares of our common stock that we may use to make acquisitions; or

issuances of shares of our common stock in connection with acquisitions and filing a registration statement to permit the resale of those shares.

Certain of our officers have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a

transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Robert W. Baird & Co. Incorporated for a period of 180 days after the date of this prospectus. These restrictions will not apply to transfers by officers by gift, will or intestacy so long as the transferee agrees not to make further transfers of the shares during the 180-day period.

We have agreed to indemnify the underwriters against liabilities under the Securities Act of 1933, as amended, or contribute to payments that the underwriters may be required to make in that respect.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids, and passive market making in accordance with Regulation M under the Securities Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. If the underwriters sell more shares than the underwriters are obligated to purchase, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

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Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on The Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

LEGAL MATTERS

The validity of the shares of our common stock offered by this prospectus supplement will be passed upon for us by Foley & Lardner LLP. Some legal matters will be passed upon for the underwriters by McDermott, Will & Emery, Chicago, Illinois.

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Prospectus

[GRAPHIC OMITTED][HH LOGO]

\$25,000,000 Aggregate Amount

Hudson Highland Group, Inc.

**Debt Securities
Common Stock**

By this prospectus, we may offer from time to time, separately or together, in one series or more series, up to an aggregate of \$25,000,000 of our securities. We will provide specific terms of the securities, including the offering prices, in supplements to this prospectus. The supplements may also add, update or change information contained in this prospectus. You should read this prospectus and the prospectus supplement relating to the specific issue of securities carefully before you invest.

Our common stock is listed on The Nasdaq National Market under the symbol HHGP.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 4, 2003.

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ABOUT THIS PROSPECTUS

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to our company, we, our, us or similar references mean Hudson Highland Group, Inc.

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf process, we may, from time to time, sell the securities or combinations of the securities described in this prospectus in one or more offerings with a maximum aggregate offering price of up to \$25,000,000. This prospectus provides you with a general description of the securities that we may offer. Each time we offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the

heading Where You Can Find More Information.

We may use this prospectus to offer from time to time the following securities:

debt securities, in one or more series, consisting of notes, debentures or other evidence of indebtedness, and
common stock.

In this prospectus, we sometimes refer to the debt securities and common stock collectively as the securities.

You should rely only on the information contained or incorporated by reference in this prospectus and in any supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this prospectus and the accompanying prospectus supplement is accurate as of the date on their respective covers, regardless of time of delivery of this prospectus or any supplement or any sale of securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the securities or possession or distribution of this prospectus or any supplement to this prospectus in that jurisdiction. Persons who come into possession of this prospectus or any supplement to this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus or any supplement to this prospectus applicable to that jurisdiction.

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HUDSON HIGHLAND GROUP, INC.

We are one of the world's largest specialized staffing and executive search agencies. We help our clients (employees and professional recruiters) find the right employee, from mid-level candidates to senior executives. We provide professional staffing services on a permanent, contract and temporary basis, as well as executive search and career management services to clients operating in a wide range of businesses. We focus on mid-level executives in specialized professional areas and at the senior executive level. We currently employ approximately 4,000 employees in 24 countries. We are organized into two principal business divisions, Hudson Global Resources and Highland Partners.

Hudson Global Resources. Our Hudson Global Resources division primarily focuses on providing professional temporary and contract personnel and business solutions to our clients and mid-level executive recruitment or placement services. Mid-level executives and professionals are those who typically earn between \$50,000 and \$150,000 annually, and possess the set of executive or professional skills and/or profile required by our clients. In the case of the temporary and contracting business, Hudson Global Resources primarily focuses on the placement of professionals or executives in temporary assignments that can range from one day to more than twelve months. Hudson Global Resources' sales strategy focuses on clients operating in particular sectors, such as health care, financial services, and technology and communications. Hudson Global Resources supplies candidates in a variety of specialist fields such as law, accounting, banking and finance, health care, engineering, technology and science. Hudson Global Resources uses both traditional and interactive methods to select potential candidates for our clients, employing a suite of products, which assess talent and help predict whether a candidate will be successful in a given role.

Hudson Global Resources also provides a variety of other services, including career management, executive assessment and coaching, and human resources consulting. Our management believes these service offerings, which are growing at a higher rate than other services, will help balance the cyclical nature of our core offerings.

These services allow us to offer clients a comprehensive set of human capital management services, ranging from temporary workers, to assessment or coaching of permanent staff, to recruitment or search for permanent workers, to outplacement. These services are marketed under the name Hudson Human Resource Consulting in certain markets around the world.

Hudson Global Resources operates on a global basis with our revenues divided approximately evenly among North America, Europe, primarily the United Kingdom, and the Asia/Pacific region, primarily Australia and New Zealand.

Highland Partners. Highland Partners offers a comprehensive range of executive search services aimed at finding the senior level executive or professional for a wide range of clients operating in sectors such as health care, technology, financial services, retail and consumer, and industrial. Highland Partners also has an active practice in assisting clients who desire to augment their boards of directors. Highland Partners concentrates on searches for positions with annual compensation of \$150,000 or more and operates exclusively on a retained basis.

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Highland Partners operates on a global basis with its revenues primarily derived in North America and the remainder primarily in Europe.

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Some of our constituent businesses have operated for more than 20 years, and we were founded in 1987. We had been operated as divisions of Monster Worldwide, Inc., or Monster, formerly TMP Worldwide, Inc., since 1998. On March 31, 2003, Monster spun-off our company by distributing 100% of our outstanding common stock to stockholders of Monster as of the close of business on March 14, 2003. Since the spin-off, we have operated as an independent, publicly held company.

Our principal executive offices are located at 622 Third Avenue, New York, New York, 10017. Our telephone number is (212) 351-7300.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, we expect to use the net proceeds from the sale of any securities offered by this prospectus for some or all of the following purposes:

repayment or refinancing of a portion of our existing short-term and long-term debt;

capital expenditures;

additional working capital;

acquisitions; and

other general corporate purposes.

Pending such uses, we anticipate that we will invest the net proceeds in interest-bearing instruments or other investment-grade securities or use the net proceeds to reduce our short-term indebtedness.

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our historical ratio of earnings to fixed charges for the periods indicated:

Year Ended December 31,						Nine Months Ended September 30, 2003
1998	1999	2000	2001	2002		
(unaudited)					(unaudited)	
2.5	--	0.6	--	--	--	

The earnings for the years ended December 31, 1999, 2000, 2001 and 2002 and for the nine months ended September 30, 2003 were inadequate to cover total fixed charges. The coverage deficiencies for the years ended December 31, 1999, 2000, 2001 and 2002 were (in thousands): \$26,368, \$7,315, \$30,448 and \$120,268, respectively. The coverage deficiency for the nine months ended September 30, 2003 was \$279,458.

For purposes of calculating the ratios of earnings to fixed charges, earnings (losses) represent income (loss) before provision for (benefit of) income taxes, cumulative effect of accounting changes and fixed charges; and fixed charges represent interest expenses and estimated interest portions of operating leases.

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DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock summarizes general terms and provisions that apply to the capital stock. Since this is only a summary it does not contain all of the information that may be important to you. The summary is subject to and qualified in its entirety by reference to our certificate of incorporation and by-laws, which are filed as exhibits to the registration statement of which this prospectus is a part and incorporated by reference into this prospectus. See [Where You Can Find More Information](#).

General

Our certificate of incorporation provides us with the authority to issue 100,000,000 shares of common stock, \$.001 par value per share, and 10,000,000 shares of preferred stock, \$.001 par value per share. We will disclose in an applicable prospectus supplement the number of shares of our common stock then outstanding. As of the date of this prospectus, no shares of our preferred stock were outstanding.

Our Common Stock

Dividends. Each share of our common stock is entitled to dividends if, as and when dividends are declared by our board of directors and paid. Under Delaware corporate law, we may declare and pay dividends only out of our surplus, or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding year. We may not declare dividends, however, if our capital has been diminished by depreciation, losses or otherwise to an amount less than the aggregate amount of capital represented by any issued and outstanding stock having a preference on distribution. We will pay any dividend so declared and payable in cash, capital stock or other property equally, share for share, on our common stock.

Voting Rights. Each share of our common stock is entitled to one vote on all matters.

Liquidation Rights. In the event of our liquidation, dissolution or winding up, holders of the shares of our common stock are entitled to share equally, share for share, in the assets available for distribution, subject to any liquidation preference on any outstanding shares of our preferred stock.

Other. No stockholder of our common stock has preemptive or other rights to subscribe for additional shares of our common stock.

Our Preferred Stock

We will issue our preferred stock from time to time in one or more series as determined by our board of directors. Our board of directors is authorized to issue the shares of our preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series, without further vote or action by the stockholders. The issuance of our preferred stock may have the effect of delaying, deferring or preventing a change in control of Hudson without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock, including the loss of voting control to others.

Delaware Anti-Takeover Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a *business combination* with an *interested stockholder* for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination or the transaction by which the person became an interested stockholder is approved by the corporation's board of directors and/or stockholders in a prescribed manner or the person owns at least 85% of the corporation's outstanding voting stock after giving effect to the transaction in which the person became an interested stockholder. The term *business combination* includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an *interested stockholder* is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's voting stock. A Delaware corporation may opt out from the application of Section 203 through a provision in its certificate of incorporation or by-laws. We have not opted out from the application of Section 203. The foregoing provisions of Section 203 of the Delaware General Corporation Law could have the effect of delaying, deferring or preventing a change of control of our company.

DESCRIPTION OF THE DEBT SECURITIES

The following description of the terms of the debt securities sets forth general terms that may apply to the debt securities and provisions of the indentures that will govern the debt securities, and is not complete. We will describe the particular terms of any debt securities in the prospectus supplement relating to those debt securities.

The debt securities will be either our senior debt securities or our subordinated debt securities. The senior debt securities will be issued under an indenture dated as of November 25, 2003, between us and The Bank of New York, as trustee. We refer to this indenture as the senior indenture. The subordinated debt securities will be issued under an indenture dated as of November 25, 2003 between us and The Bank of New York, as trustee. We refer to this indenture as the subordinated indenture and the senior indenture and the subordinated indenture together as the indentures.

The following is a summary of some provisions of the indentures. The indentures are incorporated by reference into this prospectus. See Where You Can Find More Information. The following summary does not purport to be complete, and is subject to, and qualified in its entirety by reference to, all of the provisions of each indenture. Copies of the entire indentures are exhibits to the registration statement of which this prospectus is a part. We encourage you to read our indentures because the applicable indenture, and not this description, sets forth your rights as a holder of our debt securities. We will describe the particular terms of any debt securities in the prospectus supplement relating to those debt securities. Parenthetical section references under this heading are references to sections to each of the indentures unless we indicate otherwise.

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General Terms

Neither indenture limits the amount of debt securities that we may issue. (Section 301). Each indenture provides that debt securities may be issued up to the principal amount authorized by us from time to time. The senior debt securities will be unsecured and will have the same rank as all of our other unsecured and unsubordinated debt. The subordinated debt securities will be unsecured and will be subordinated to all senior indebtedness as set forth below. None of our subsidiaries will have any obligations with respect to the debt securities. Therefore, our rights and the rights of our creditors, including holders of senior debt securities and subordinated debt securities, to participate in the assets of any subsidiary will be subject to the prior claims of the creditors of our subsidiaries.

We may issue the debt securities in one or more separate series of senior debt securities and/or subordinated debt securities. (Section 301). The prospectus supplement relating to the particular series of debt securities being offered will specify the particular amounts, prices and terms of those debt securities. These terms may include:

the title of the debt securities and the series in which the debt securities will be included;

the authorized denominations and aggregate principal amount of the debt securities;

the date or dates on which the principal and premium, if any, are payable;

the rate or rates per annum at which the debt securities will bear interest, if there is any interest, or the method or methods of calculating interest and the date from which interest will accrue;

the place or places where the principal of and any premium and interest on the debt securities will be payable;

the dates on which the interest will be payable and the corresponding record dates;

the period or periods within which, the price or prices at which, and the terms and conditions on which, the debt securities may be redeemed, in whole or in part, at our option;

any obligation to redeem, repay or purchase debt securities pursuant to any sinking fund or analogous provisions or at the option of a holder;

the portion of the principal amount of the debt securities payable upon declaration of the acceleration of the maturity of the debt securities;

the person to whom any interest on any debt security will be payable if other than the person in whose name the debt security is registered on the applicable record date;

any events of default, covenants or warranties applicable to the debt securities;

if applicable, provisions related to the issuance of debt securities in book-entry form;

the currency, currencies or composite currency of denomination of the debt securities;

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the currency, currencies or composite currencies in which payments on the debt securities will be payable and whether the holder may elect payment to be made in a different currency;

whether and under what conditions we will pay additional amounts to holders of the debt securities;

the terms and conditions of any conversion or exchange provisions in respect of the debt securities;

the terms pursuant to which our obligation under the indenture may be terminated through the deposit of money or government obligations;

whether the debt securities will be subordinated in right of payment to senior indebtedness and the terms of any such subordination; and

any other specific terms of the debt securities not inconsistent with the applicable indenture. (Section 301).

Unless otherwise specified in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange.

Unless the applicable prospectus supplement specifies otherwise, we will issue the debt securities in fully registered form without coupons. If we issue debt securities of any series in bearer form, the applicable prospectus supplement will describe the special restrictions and considerations, including special offering restrictions and special federal income tax considerations, applicable to those debt securities and to payment on and transfer and exchange of those debt securities.

U.S. Federal Income Tax Considerations

We may issue the debt securities as original issue discount securities, bearing no interest or bearing interest at a rate, which, at the time of issuance, is below market rates, to be sold at a substantial discount below their principal amount. We will describe some special U.S. federal income tax and other considerations applicable to any debt securities that are issued as original issue discount securities in the applicable prospectus supplement. We encourage you to consult with your own competent tax and financial advisors on these important matters.

Payment, Registration, Transfer and Exchange

Subject to any applicable laws or regulations, we will make payments on the debt securities at a designated office or agency, unless the applicable prospectus supplement otherwise sets forth. At our option, however, we may also make interest payments on the debt securities in registered form:

by checks mailed to the persons entitled to interest payments at their registered addresses; or

by wire transfer to an account maintained by the person entitled to interest payments as specified in the security register.

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Unless the applicable prospectus supplement otherwise indicates, we will pay any installment of interest on debt securities in registered form to the person in whose name the debt security is registered at the close of business on the regular record date for that installment of interest. (Section 307). If a holder wishes to receive a payment by wire transfer, the holder should provide the paying agent with written wire transfer instructions at least 15 days prior to the payment date.

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Unless the applicable prospectus supplement otherwise sets forth, debt securities issued in registered form will be transferable or exchangeable at the agency we may designate from time to time. Debt securities may be transferred or exchanged without service charge, other than any tax or other governmental charge imposed in connection with the transfer or exchange. (Section 305).

Book-Entry Procedures

The applicable prospectus supplement for each series of debt securities will state whether those debt securities will be subject to the following provisions.

Unless debt securities in physical form are issued, the debt securities will be represented by one or more fully-registered global certificates, in denominations of \$1,000 or any integral multiple of \$1,000. Each global certificate will be deposited with, or on behalf of, The Depository Trust Company (DTC), and registered in its name or in the name of Cede & Co. or other nominee of DTC. No holder of debt securities initially issued as a global certificate will be entitled to receive a certificate in physical form, except as set forth below.

DTC has advised us that:

DTC is:

- a "banking organization" within the meaning of the New York banking law;
- a limited purpose trust company organized under the New York banking law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered pursuant to Section 17A of the Exchange Act.

DTC holds securities for DTC participants and facilitates the settlement of securities transactions between DTC participants through electronic book-entry transfers, thereby eliminating the need for physical movement of certificates.

DTC participants include securities brokers and dealers, banks, trust companies and clearing corporations.

Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Holders that are not DTC participants but desire to purchase, sell or otherwise transfer ownership of, or other interests in, the debt securities may do so only through DTC participants. In addition, holders of the debt securities will receive all distributions of principal and interest from the trustee through DTC participants. Under the rules, regulations and procedures creating and affecting DTC and its operation, DTC is required to make book-entry transfers of debt securities among DTC participants on whose behalf it acts and to receive and transmit distributions of principal of, and interest on, the debt securities. Under the book-entry system, holders of debt securities may experience some delay in receipt of payments, since the trustee will forward such payments to Cede & Co., as nominee for DTC, and DTC, in turn, will forward the payments to the appropriate DTC participants.

DTC participants will be responsible for distributions to holders of debt securities, which distributions will be made in accordance with customary industry practices. Although holders of debt securities will not have possession of the debt securities, the DTC rules provide a mechanism by which those holders will receive payments and will be able to transfer their interests. Although the DTC participants are expected to convey the rights represented by their interests in any global security to the related holders, because DTC can act only on behalf of DTC participants, the ability of holders of debt securities to pledge the debt securities to persons or entities that are not DTC participants or to otherwise act with respect to the debt securities may be limited due to the lack of physical certificates for the debt securities.

Neither we nor the trustee under the applicable indenture nor any agent of either of them will be responsible or liable for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the debt securities or for supervising or reviewing any records relating to such beneficial ownership interests. Since the only holder of debt securities, for purposes of the indenture, will be DTC or its nominee, the trustee will not recognize beneficial holders of debt securities as holders of debt securities, and beneficial holders of debt securities

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will be permitted to exercise the rights of holders only indirectly through DTC and DTC participants. DTC has advised us that it will take any action permitted to be taken by a holder of debt securities under the indenture only at the direction of one or more DTC participants to whose accounts with DTC the related debt securities are credited.

All payments we make to the trustee will be in immediately available funds and will be passed through to DTC in immediately available funds.

Physical certificates will be issued to holders of a global security, or their nominees, if:

DTC advises the trustee in writing that DTC is no longer willing, able or eligible to discharge properly its responsibilities as depository and we are unable to locate a qualified successor; or

we decide in our sole discretion to terminate the book-entry system through DTC. (Section 305).

In such event, the trustee under the applicable indenture will notify all holders of debt securities through DTC participants of the availability of such physical debt securities. Upon surrender by DTC of a definitive global note representing the debt securities and receipt of instructions for reregistration, the trustee will reissue the debt securities in physical form to holders or their nominees. (Section 305).

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Debt securities in physical form will be freely transferable and exchangeable at the office of the trustee upon compliance with the requirements set forth in the applicable indenture.

No service charge will be imposed for any registration of transfer or exchange, but payment of a sum sufficient to cover any tax or other governmental charge may be required. (Section 305).

Consolidation, Merger or Sale by the Company

Each indenture generally permits a consolidation or merger between us and another U.S. corporation. It also permits the sale or transfer by us of all or substantially all of our property and assets and the purchase by us of all or substantially all of the property and assets of another corporation. These transactions are permitted if:

the resulting or acquiring corporation, if other than us, assumes all of our responsibilities and liabilities under the indenture, including the payment of all amounts due on the debt securities and performance of the covenants in the indenture; and

immediately after the transaction, no event of default exists. (Section 801).

Even though each indenture contains the provisions described above, we are not required by either indenture to comply with those provisions if we sell all of our property and assets to another U.S. corporation if, immediately after the sale, that corporation is one of our wholly-owned subsidiaries. (Section 801).

If we consolidate or merge with or into any other corporation or sell all or substantially all of our assets according to the terms and conditions of each indenture, the resulting or acquiring corporation will be substituted for us in the indentures with the same effect as if it had been an original party to the indentures. As a result, the successor corporation may exercise our rights and powers under each indenture, in our name or in its own name and we will be released from all our liabilities and obligations under each indenture and under the debt securities. (Section 801).

Events of Default, Notice and Certain Rights on Default

Unless otherwise stated in the applicable prospectus supplement, an event of default, when used with respect to any series of debt securities, means any of the following:

failure to pay interest on any debt security of that series for 30 days after the payment is due;

failure to pay the principal of or any premium on any debt security of that series when due;

failure to deposit any sinking fund payment on debt securities of that series when due;

failure to perform any other covenant in the applicable indenture that applies to debt securities of that series for 90 days after we have received written notice of the failure to perform in the manner specified in the indenture;

default under any debt, including other series of debt securities, or under any mortgage, lien or other similar encumbrance, indenture or instrument, including the indentures, which secures any debt, and which results in acceleration of the maturity of an outstanding principal amount of debt greater than \$50 million, unless the acceleration is rescinded, or the debt is discharged, within 10 days after we have received written notice of the default in the manner specified in the indenture;

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certain events in bankruptcy, insolvency or reorganization; or

any other event of default that may be specified for the debt securities of that series when that series is created. (Section 502).

If an event of default for any series of debt securities occurs and continues, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series may declare the entire principal of all the debt securities of that series to be due and payable immediately. If a declaration occurs, the holders of a majority of the aggregate principal amount of the outstanding debt securities of that series can, subject to certain conditions, rescind the declaration. (Section 502).

The prospectus supplement relating to each series of debt securities which are original issue discount securities will describe the particular provisions that relate to the acceleration of maturity of a portion of the principal amount of that series when an event of default occurs and continues.

An event of default for a particular series of debt securities does not necessarily constitute an event of default for any other series of debt securities issued under either indenture.

Each indenture requires us to file an officers' certificate with the trustee each year that states that certain defaults do not exist under the terms of the indenture. The trustee will transmit by mail to the holders of debt securities of a series notice of any default.

Other than its duties in the case of a default, a trustee is not obligated to exercise any of its rights or powers under an indenture at the request, order or direction of any holders, unless the holders offer the trustee indemnification satisfactory to the trustee. (Section 603). If indemnification satisfactory to the trustee is provided, then, subject to certain other rights of the trustee, the holders of a majority in principal amount of the outstanding debt securities of any series may, with respect to the debt securities of that series, direct the time, method and place of:

conducting any proceeding for any remedy available to the trustee; or

exercising any trust or power conferred upon the trustee. (Section 512).

The holder of a debt security of any series will have the right to begin any proceeding with respect to the applicable indenture or for any remedy only if:

the holder has previously given the trustee written notice of a continuing event of default with respect to that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made a written request of, and offered reasonable indemnification to, the trustee to begin the proceeding;

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the trustee has not started the proceeding within 60 days after receiving the request; and

the trustee has not received directions inconsistent with the request from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series during those 60 days. (Section 507).

The holders of not less than a majority in aggregate principal amount of any series of debt securities, by notice to the trustee for that series, may waive, on behalf of the holders of all debt securities of that series, any past default or event of default with respect to that series and its consequences. (Section 513). A default or event of default in the payment of the principal of, or premium or interest on, any debt security and certain other defaults may not, however, be waived. (Sections 508 and 513).

Modification of the Indentures

We, as well as the trustee for a series of debt securities, may enter into one or more supplemental indentures, without the consent of the holders of any of the debt securities, in order to:

evidence the succession of another corporation to us and the assumption of our covenants by a successor;

add to our covenants or surrender any of our rights or powers;

add additional events of default for any series;

add, change or eliminate any provision affecting debt securities that are not yet issued;

secure the debt securities;

establish the form or terms of debt securities not yet issued;

evidence and provide for successor trustees;

add, change or eliminate any provision affecting registration as to principal of debt securities;

permit the exchange of debt securities;

change or eliminate restrictions on payment in respect of debt securities;

change or eliminate provisions or add any other provisions that are required or desirable in accordance with any amendments to the Trust Indenture Act, on the condition that this action does not adversely affect the interests of any holder of debt securities of any series issued under the indenture in any material respect; or

cure any ambiguity or correct any mistake. (Section 901).

In addition, with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of all series affected by the supplemental indenture, we and the trustee may execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the applicable indenture or any supplemental indenture or modifying the rights of the holders of debt securities of that series. No such supplemental indenture may, however, without the consent of the holder of each debt security that is affected:

change the time for payment of principal or interest on any debt security;

reduce the principal of, or any installment of principal of, or interest on, any debt security;

reduce the amount of premium, if any, payable upon the redemption of any debt security;

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reduce the amount of principal payable upon acceleration of the maturity of an original issue discount debt security;

impair the right to institute suit for the enforcement of any payment on or for any debt security;

reduce the percentage in principal amount of the outstanding debt securities of any series the consent of whose holders is required for modification or amendment of the indenture or for waiver of compliance with certain provisions of the indenture or for waiver of certain defaults;

modify the provisions relating to waiver of some defaults or any of the foregoing provisions;

change the currency of payment;

adversely affect the right to repayment of debt securities of any series at the option of the holders of those debt securities; or

change the place of payment. (Section 902).

Any supplemental indenture will be filed with the SEC as an exhibit to:

a post-effective amendment to the registration statement of which this prospectus is a part;

an annual report on Form 10-K;

a quarterly report on Form 10-Q; or

a current report on Form 8-K.

Defeasance and Covenant Defeasance

When we use the term defeasance, we mean discharge from some or all of our obligations under an indenture. If we deposit with the trustee sufficient cash or government obligations to pay the principal, interest, any premium and any mandatory sinking fund or analogous payments due to the stated maturity or a redemption date of the debt securities of a particular series, then at our option: