

Hudson Global, Inc.  
Form 10-Q  
May 11, 2015

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

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FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-50129

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HUDSON GLOBAL, INC.  
(Exact name of registrant as specified in its charter)

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DELAWARE  
(State or other jurisdiction of incorporation or organization)

59-3547281  
(IRS Employer Identification No.)

1325 Avenue of the Americas, New York, NY 10019  
(Address of principal executive offices) (Zip Code)  
(212) 351-7300  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer", and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

Class	Outstanding on April 30, 2015
Common Stock - \$0.001 par value	34,064,052

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## HUDSON GLOBAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND OTHER COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,	
	2015	2014
Revenue	\$124,317	\$144,167
Direct costs	76,413	90,138
Gross margin	47,904	54,029
Operating expenses:		
Selling, general and administrative expenses	52,166	55,919
Depreciation and amortization	1,111	1,371
Business reorganization expenses	1,343	114
Operating income (loss)	(6,716)	(3,375)
Non-operating income (expense):		
Interest income (expense), net	(80)	(139)
Other income (expense), net	13	(196)
Income (loss) from continuing operation before provision for income taxes	(6,783)	(3,710)
Provision for (benefit from) income taxes from continuing operations	(129)	402
Income (loss) from continuing operations	(6,654)	(4,112)
Income (loss) from discontinued operations, net of income taxes	(184)	(432)
Net income (loss)	\$(6,838)	\$(4,544)
Basic and diluted earnings (loss) per share:		
Basic and diluted earnings (loss) per share from continuing operations	\$(0.20)	\$(0.13)
Basic and diluted earnings (loss) per share from discontinued operations	\$(0.01)	\$(0.01)
Basic and diluted earnings (loss) per share	\$(0.21)	\$(0.14)
Weighted-average shares outstanding:		
Basic	33,053	32,641
Diluted	33,053	32,641
Comprehensive income (loss):		
Net income (loss)	\$(6,838)	\$(4,544)
Other comprehensive income (loss):		
Foreign currency translation adjustment, net of income taxes	(2,763)	1,029
Pension liability adjustment	(17)	(25)
Total other comprehensive income (loss), net of income taxes	(2,780)	1,004
Comprehensive income (loss)	\$(9,618)	\$(3,540)

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (in thousands, except per share amounts)  
 (unaudited)

	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,894	\$ 33,989
Accounts receivable, less allowance for doubtful accounts of \$944 and \$986 respectively	79,509	74,079
Prepaid and other	7,805	9,604
Current assets of discontinued operations	476	1,249
Total current assets	101,684	118,921
Property and equipment, net	8,895	9,840
Deferred tax assets, non-current	6,033	5,648
Other assets, non-current	4,559	5,263
Total assets	\$ 121,171	\$ 139,672
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,529	\$ 6,371
Accrued expenses and other current liabilities	46,025	54,065
Accrued business reorganization expenses	3,440	3,169
Current liabilities of discontinued operations	2,928	3,512
Total current liabilities	58,922	67,117
Deferred rent and tenant improvement contributions	5,240	5,899
Income tax payable, non-current	2,292	2,397
Other non-current liabilities	4,265	5,002
Total liabilities	70,719	80,415
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 10,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value, 100,000 shares authorized; issued 34,089 and 33,671 shares, respectively	34	34
Additional paid-in capital	477,118	476,689
Accumulated deficit	(437,454)	(430,616)
Accumulated other comprehensive income, net of applicable tax	10,833	13,613
Treasury stock, 25 and 129 shares, respectively, at cost	(79)	(463)
Total stockholders' equity	50,452	59,257
Total liabilities and stockholders' equity	\$ 121,171	\$ 139,672

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	\$(6,838	) \$(4,544
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,111	1,488
Provision for (recovery of) doubtful accounts	75	—
Provision for (benefit from) deferred income taxes	(346	) 276
Stock-based compensation	533	496
Other, net	36	96
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(9,760	) (12,431
Decrease (increase) in prepaid and other assets	1,781	(2,267
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(4,718	) 4,435
Increase (decrease) in accrued business reorganization expenses	(241	) (1,181
Net cash (used in) operating activities	(18,367	) (13,632
Cash flows from investing activities:		
Capital expenditures	(695	) (1,498
Net cash (used in) investing activities	(695	) (1,498
Cash flows from financing activities:		
Borrowings under credit agreements	18,625	4,119
Repayments under credit agreements	(18,555	) (4,050
Repayment of capital lease obligations	(5	) (122
Purchase of restricted stock from employees	(34	) (106
Net cash provided by (used in) financing activities	31	(159
Effect of exchange rates on cash and cash equivalents	(1,064	) 21
Net decrease in cash and cash equivalents	(20,095	) (15,268
Cash and cash equivalents, beginning of the period	33,989	37,378
Cash and cash equivalents, end of the period	\$ 13,894	\$ 22,110
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 64	\$ 67
Cash payments during the period for income taxes, net of refunds	\$(167	) \$ 375

See accompanying notes to condensed consolidated financial statements.

HUDSON GLOBAL, INC.  
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
 (in thousands)  
 (unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Treasury stock	Total
	Shares	Value					
Balance at December 31, 2014	33,542	\$34	\$476,689	\$(430,616 )	\$ 13,613	\$(463 )	\$59,257
Net income (loss)	—	—	—	(6,838 )	—	—	(6,838 )
Other comprehensive income (loss), currency translation adjustments, net of applicable tax	—	—	—	—	(2,763 )	—	(2,763 )
Other comprehensive income (loss), pension liability adjustment	—	—	—	—	(17 )	—	(17 )
Purchase of restricted stock from employees	(12 )	—	—	—	—	(34 )	(34 )
Issuance of shares for 401(k) plan contribution	116	—	(104 )	—	—	418	314
Stock-based compensation	418	—	533	—	—	—	533
Balance at March 31, 2015	34,064	\$34	\$477,118	\$(437,454 )	\$ 10,833	\$(79 )	\$50,452

See accompanying notes to condensed consolidated financial statements.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

NOTE 1 – BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with United States of America (“U.S.”) generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and related notes of Hudson Global, Inc. and its subsidiaries (the “Company”) filed in its Annual Report on Form 10-K for the year ended December 31, 2014.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of operating revenues and expenses. These estimates are based on management’s knowledge and judgments. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows at the dates and for the periods presented have been included. The results of operations for interim periods are not necessarily indicative of the results of operations for the full year. The Condensed Consolidated Financial Statements include the accounts of the Company and all of its wholly-owned and majority-owned subsidiaries. All significant intra-entity balances and transactions between and among the Company and its subsidiaries have been eliminated in consolidation.

Certain prior year amounts have been reclassified to conform to the current year presentation for discontinued operations. See Note 4 for further details regarding the discontinued operations reclassification.

NOTE 2 – DESCRIPTION OF BUSINESS

The Company is comprised of the operations, assets and liabilities of the three Hudson regional businesses of Hudson Americas, Hudson Asia Pacific, and Hudson Europe (“Hudson regional businesses” or “Hudson”). The Company provides specialized professional-level recruitment and related talent solutions. The Company’s core service offerings include Permanent Recruitment, Temporary Contracting, Recruitment Process Outsourcing (“RPO”) and Talent Management Solutions.

The Company operates in 18 countries with three reportable geographic business segments: Hudson Americas, Hudson Asia Pacific, and Hudson Europe. See Note 16 for further details regarding the reportable segments. Corporate expenses are reported separately from the reportable segments and pertain to certain functions, such as executive management, corporate governance, human resources, accounting, tax, marketing, information technology and treasury. A portion of these expenses are attributed to the reportable segments for providing the above services to them and have been allocated to the segments as management service fees and are included in the segments’ non-operating other income (expense).

The Company’s core service offerings include those services described below.

**Permanent Recruitment:** Offered on both a retained and contingent basis, Hudson’s Permanent Recruitment services leverage its consultants, psychologists and other professionals in the development and delivery of its proprietary methods to identify, select and engage the best-fit talent for critical client roles.

**Temporary Contracting:** In Temporary Contracting, Hudson provides a range of project management, interim management and professional contract staffing services. These services draw upon a combination of specialized recruiting and project management competencies to deliver a wide range of solutions. Hudson-employed professionals - either individually or as a team - are placed with client organizations for a defined period of time based on a client’s specific business need.





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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

RPO: Hudson RPO delivers both permanent recruitment and temporary contracting outsourced recruitment solutions tailored to the individual needs of primarily mid-to-large-cap multinational companies. Hudson RPO's delivery teams utilize state-of-the-art recruitment process methodologies and project management expertise in their flexible, turnkey solutions to meet clients' ongoing business needs. Hudson RPO services include complete recruitment outsourcing, project-based outsourcing, contingent workforce solutions and recruitment consulting.

Talent Management Solutions: Featuring embedded proprietary talent assessment and selection methodologies, Hudson's Talent Management capability encompasses services such as talent assessment (utilizing a variety of competency, attitude and experiential testing), interview training, executive coaching, employee development and outplacement.

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2015, the FASB issued Accounting Standards Update ("ASU") No. ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," ("ASU 2015-03") which amends the current presentation of debt issuance costs in the financial statements. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, instead of as an asset. The amendments are to be applied retrospectively and are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, but early adoption is permitted. The Company does not believe the impact of its pending adoption of ASU 2015-03 on the Company's consolidated financial statements will be material.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), to provide guidance on management's responsibility to evaluate whether there is substantial doubt about a company's ability to continue as a going concern within one year after the date that the financial statements are issued. ASU 2014-15 also provides guidance for related footnote disclosures. ASU 2014-15 is effective for the Company beginning on January 1, 2016 with early adoption permitted. The Company does not believe the impact of its pending adoption of ASU 2014-15 on the Company's consolidated financial statements will be material.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Accounting Standards Codification ("ASC") 718, "Compensation - Stock Compensation," as it relates to such awards. ASU 2014-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with early adoption permitted using either of two methods: (i) prospective to all awards granted or modified after the effective date or (ii) retrospective to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter, with the cumulative effect of applying ASU 2014-12 as an adjustment to the opening retained earnings balance as of the beginning of the earliest annual period presented in the financial statements. Accordingly, the standard is effective for the Company beginning on January 1, 2016. The Company does not believe the impact of its pending adoption of ASU 2014-12 on the Company's consolidated financial statements will be material.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is not permitted. Accordingly, ASU

2014-09 is effective for the Company beginning on January 1, 2017. The Company is currently evaluating the impact that adopting ASU 2014-09 will have on the Company's financial condition, results of operations, and disclosures. In April 2014, the FASB issued ASU No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" ("ASU 2014-08"). ASU No. 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2014. Accordingly, the standard was effective for the Company beginning on January 1, 2015. The Company has adopted ASU 2014-08. In the current quarter the Company divested and exited certain business. Under the new guidance, the exited businesses did not reach the thresholds required to qualify as discontinued operations and as a result the operations remain within the Company's continuing operations for all periods presented.

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HUDSON GLOBAL, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

There are no other recently issued accounting pronouncements that have had, or that the Company believes will have, a material impact on the Company's consolidated financial statements.

## NOTE 4 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

## Assets Held for Sale

In March 2015, the Company's management approved a plan to divest the U.S. information technology business ("US IT") within its Hudson Americas segment. The Company concluded the US IT business qualified for assets held for sale ("AHFS") in accordance with ASC No. 205 "Reporting Discontinued Operations" ("ASC 205") as of March 31, 2015. On May 8, 2015, the Company entered into an Asset Purchase Agreement (the "US IT Agreement"), with Mastech, Inc. to sell its US IT business for \$17,000 in cash less the amount of deferred revenues relating to the US IT business at closing. The US IT Agreement provides that the Company will retain all working capital of the US IT business. As such, based on the terms of the US IT Agreement there were no relevant assets and liabilities of the US IT business to reclass as AHFS in accordance with ASC 205 as of March 31, 2015. See Note 17 for further discussion. Pre-tax loss of US IT in accordance with ASC 205 for the three months ended March 31, 2015 was \$163 compared to a pre-tax profit of \$473 for the same period in 2014.

## Discontinued Operations

Effective November 9, 2014, the Company completed the sale of substantially all of the assets and certain liabilities of its Legal eDiscovery business in the U.S and U.K. to Document Technologies, LLC and DTI of London Limited. In addition in 2014, the Company ceased operations in Sweden, which was included within the Hudson Europe segment. The Company concluded that the divestiture of the Legal eDiscovery business and the cessation of operations in Sweden meet the criteria for discontinued operations set forth in ASC 205"(prior to ASU 2014-08)." The Company reclassified its discontinued operations for all periods presented and has excluded the results of its discontinued operations from continuing operations and from segment results for all periods presented.

The carrying amounts of the classes of assets and liabilities from the Legal eDiscovery business and Sweden operations included in discontinued operations were as follows:

	March 31, 2015			December 31, 2014		
	eDiscovery	Sweden	Total	eDiscovery	Sweden	Total
Total assets	\$392	\$84	\$476	\$1,156	\$93	\$1,249
Total liabilities	\$2,779	\$149	\$2,928	\$3,297	\$215	\$3,512

Reported results for the discontinued operations by period were as follows:

	Three Months Ended March 31, 2015		
	eDiscovery	Sweden	Total
Revenue	\$ (1)	\$ —	\$ (1)
Gross margin	89	—	89
Reorganization expenses	363	(6)	357
Impairment charges	—	—	—
Operating income (loss), excluding gain (loss) from sale of business	(267)	(28)	(295)

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Other non-operating income (loss), including interest	(8	)	—	(8	)	
Gain (loss) from sale of discontinued operations	82		—	82		
Income (loss) from discontinued operations before income taxes	(193	)	(28	)	(221	)
Provision (benefit) for income taxes	(37	)	—	(37	)	
Income (loss) from discontinued operations	\$(156	)	\$(28	)	\$(184	)

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HUDSON GLOBAL, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

	Three Months Ended March 31, 2014		
	eDiscovery	Sweden	Total
Revenue	\$17,010	\$684	\$17,694
Gross margin	3,043	457	3,500
Reorganization expenses	—	—	—
Impairment charges	—	—	—
Operating income (loss), excluding gain (loss) from sale of business	(125	) (176	) (301
Other non-operating income (loss), including interest	(5	) (4	) (9
Gain (loss) from sale of discontinued operations	—	—	—
Income (loss) from discontinued operations before income taxes	(130	) (180	) (310
Provision (benefit) for income taxes	122	—	122
Income (loss) from discontinued operations	\$(252	) \$(180	) \$(432

## NOTE 5 – REVENUE, DIRECT COSTS AND GROSS MARGIN

The Company's revenue, direct costs and gross margin were as follows:

	Three Months Ended March 31, 2015			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$86,580	\$28,106	\$9,631	\$124,317
Direct costs (1)	73,616	485	2,312	76,413
Gross margin	\$12,964	\$27,621	\$7,319	\$47,904

  

	Three Months Ended March 31, 2014			
	Temporary Contracting	Permanent Recruitment	Other	Total
Revenue	\$102,169	\$29,697	\$12,301	\$144,167
Direct costs (1)	86,795	486	2,857	90,138
Gross margin	\$15,374	\$29,211	\$9,444	\$54,029

Direct costs in Temporary Contracting include the direct staffing costs of salaries, payroll taxes, employee benefits, travel expenses, rent and insurance costs for the Company's contractors and reimbursed out-of-pocket expenses and other direct costs. Other than reimbursed out-of-pocket expenses, there are no other direct costs associated with the Permanent Recruitment and Other category. Gross margin represents revenue less direct costs. The region where services are provided, the mix of contracting and permanent recruitment, and the functional nature of the staffing services provided can affect gross margin. The salaries, commissions, payroll taxes and employee benefits related to recruitment professionals are included under the caption "Selling, general and administrative expenses" in the Condensed Consolidated Statements of Operations and Other Comprehensive Income (Loss).

## NOTE 6 – STOCK-BASED COMPENSATION

## Incentive Compensation Plan

The Company maintains the Hudson Global, Inc. 2009 Incentive Stock and Awards Plan, as amended and restated April 26, 2012 (the "ISAP"), pursuant to which it can issue equity-based compensation incentives to eligible participants. The ISAP permits the granting of stock options, restricted stock, restricted stock units, and other types of equity-based awards. The Compensation Committee of the Company's Board of Directors (the "Compensation

Committee”) will establish such conditions as it deems appropriate on the granting or vesting of stock options, restricted stock, restricted stock units and other types of equity-based awards. The Company grants primarily restricted stock to its employees, although the Company has recently also granted restricted stock units to certain of its employees. A restricted stock unit is equivalent to one share of the Company’s common stock and is payable only in common stock of the Company issued under the ISAP.

The Compensation Committee administers the ISAP and may designate any of the following as a participant under the ISAP: any officer or other employee of the Company or its affiliates or individuals engaged to become an officer or employee; consultants or other independent contractors who provide services to the Company or its affiliates; and non-employee directors of the Company. As of March 31, 2015, there were 1,694,613 shares of the Company’s common stock available for future issuance under the ISAP.

A summary of the quantity and vesting conditions for stock-based awards granted to the Company’s employees for the three months ended March 31, 2015 was as follows:

Vesting conditions	Number of Shares of Restricted Stock Granted	Number of Restricted Stock Units Granted	Total
Performance and service conditions (1) (2)	590,100	105,400	695,500

(1) The performance conditions with respect to restricted stock may be satisfied as follows:

For employees from North America 50% of the shares of restricted stock may be earned on the basis of (a) performance as measured by a “EBITDA Ratio,” and 50% of the shares of restricted stock may be earned on the basis of performance as measured by a “Gross Margin Ratio”;

For employees from APAC and Europe 80% of the shares of restricted stock may be earned on the basis of (b) performance as measured by a “EBITDA Ratio,” and 20% of the shares of restricted stock may be earned on the basis of performance as measured by a “Gross Margin Ratio”; and

For employees from Corporate office 80% of the shares of restricted stock may be earned on the basis of (c) performance as measured by a “EBITDA Ratio,” and 20% of the shares of restricted stock may be earned on the basis of performance as measured by a “Corporate Costs Ratio.”

(2) To the extent shares are earned on the basis of performance, such shares will vest on the basis of service as follows:

(a) One-third of the shares vest on first anniversary;

(b) One-third of the shares vest on second anniversary; and

(c) One-third of the shares vest on third anniversary; provided that, in each case, the employee remains employed by the Company from the grant date through the applicable service vesting date.

The Company also maintains the Director Deferred Share Plan (the “Director Plan”) pursuant to which it can issue restricted stock units to its non-employee directors. A restricted stock unit is equivalent to one share of the Company’s common stock and is payable only in common stock issued under the ISAP upon a director ceasing service as a member of the Board of Directors of the Company. The restricted stock units vest immediately upon grant and are credited to each of the non-employee director’s retirement accounts under the Director Plan. During the three months ended March 31, 2015, the Company granted 39,264 restricted stock units to its non-employee directors pursuant to the Director Plan.

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HUDSON GLOBAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share amounts)

(unaudited)

For the three months ended March 31, 2015 and 2014, the Company's stock-based compensation expense related to stock options, restricted stock and restricted stock units was as follows:

	Three Months Ended March 31,	
	2015	2014
Stock options	\$—	\$57
Restricted stock	385	409
Restricted stock units	148	30
Total	\$533	\$496