HILL INTERNATIONAL, INC.

FORM 10-K
(Annual Report)

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Telephone	(856) 810-6200
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Symbol	HIL
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016

Commission file number 001-33961

HILL INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	**20-0953973** (I.R.S. Employer Identification No.)
One Commerce Square **2005 Market Street, 17th Floor** **Philadelphia, PA** (Address of principal executive offices)	**19103** (Zip Code)

Registrant's telephone number, including area code: **(215) 309-7700**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.0001 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by a check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate website, 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 a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ☐	Accelerated Filer ☒	Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The aggregate market value of shares of common stock held by non-affiliates on June 30, 2016 was approximately $171,669,000. As of March 17, 2017, there were 51,859,479 shares of the Registrant's Common Stock outstanding.

Documents Incorporated by Reference

Portions of the proxy statement for the 2017 Annual Meeting of Shareholders of Hill International, Inc. are incorporated by reference into Part III of this Form 10-K.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). We may also make forward-looking statements in other reports filed with the United States Securities and Exchange Commission (the "SEC"), in materials delivered to stockholders and in press releases. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Although we believe that the expectations, estimates and assumptions reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. You can identify forward-looking statements by the use of terminology such as "may," "will," "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," "could," "should," "potential" or "continue" or the negative or other variations thereof, as well as other statements regarding matters that are not historical fact.

Those forward-looking statements may concern, among other things:

- The markets for our services;
- Statements concerning the closing of the sale of the Construction Claims Group;
- Projections of revenues and earnings, anticipated contractual obligations, funding requirements or other financial items;
- Statements concerning our plans, strategies and objectives for future operations; and
- Statements regarding future economic conditions or performance.

Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in our forward-looking statements include:

- Modifications and termination of client contracts;
- Control and operational issues pertaining to business activities that we conduct pursuant to joint ventures with other parties;
- Difficulties we may incur in implementing our acquisition strategy;
- Unfavorable global economic conditions
- Our expenses may be higher than anticipated
- The closing of the sale of our Construction Claims Group may be delayed or cancelled;
- The need to retain and recruit key technical and management personnel; and
- Unexpected adjustments and cancellations related to our backlog.

Other factors that may affect our business, financial position or results of operations include:

- Special risks of our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Special risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and

- Special risks of contracts with governmental entities, including the failure of applicable governing authorities to take necessary actions to secure or maintain funding for particular projects with us, the unilateral termination of contracts by the government and reimbursement obligations to the government for funds previously received.

We assume no obligation to update or revise any forward-looking statements. In accordance with the Reform Act, Item 1A of this Report entitled "Risk Factors" contains cautionary statements that accompany those forward-looking statements. You should carefully review such cautionary statements as they identify certain important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Form 10-K, in our other filings with the SEC or in materials incorporated therein by reference.

Item 1. Business.

General

Hill International, Inc., with 4,300 professionals in 100 offices worldwide, provides program management, project management, construction management and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets. According to *Engineering News-Record* magazine Hill was recently ranked as the eighth largest construction management firm in the United States. The terms "Hill", the "Company", "we", "us" and "our" refer to Hill International, Inc.

We compete for business based on a variety of factors such as technical capability, global resources, price, reputation and past experience, including client requirements for substantial experience in similar projects. We have developed significant long-standing relationships, which bring us repeat business and would be very difficult to replicate. We believe we have an excellent reputation for attracting and retaining professionals. In addition, we believe there are high barriers to entry for new competitors especially in the project management market.

Our Strategy

Our strategy emphasizes the following key elements:

- *Increase Revenues from Our Existing Clients.* We have long-standing relationships with a number of public and private sector entities. Meeting our clients' diverse needs in managing construction risk and generating repeat business from our clients to expand our project base is one of our key growth strategies. We accomplish this objective by providing a broad range of project management consulting services in a wide range of geographic areas that support our clients during every phase of a project, from concept through completion. We believe that nurturing our existing client relationships expands our project base through repeat busin*ess.*

- *Capitalize Upon the Continued Spend in the Markets We Serve.* We believe that the demand for project management services will grow with increasing construction and infrastructure spending in the markets we serve. We believe that our reputation and experience combined with our broad platform of service offerings will enable us to capitalize on increases in demand for our services. In addition, we strategically open new offices to expand into new geographic areas and we aggressively hire individuals with significant contacts to accelerate growth of these new offices and to strengthen our presence in existing markets.

- *Strengthen Professional Resources.* Our biggest asset is the people that work for Hill. We intend to continue spending significant time recruiting and retaining the best and the brightest to improve our competitive position. Our independent status has attracted top project management talent with varied industry experience. We believe maintaining and bolstering our team will enable us to continue to grow our business.

- *Pursue Acquisitions Selectively.* We operate in a highly fragmented industry with many smaller, regional competitors. Our acquisition strategy has allowed us to manage risk by diversifying our markets, which has enabled us to compete better by integrating capabilities and obtaining new relationships. We have pursued acquisitions primarily for three reasons: to expand into new geographic markets, to improve capabilities, resources and critical mass in existing geographic markets, and to enhance our capabilities and resources in certain strategic market sectors. Selectively, we intend to focus primarily on U.S. acquisitions to expand our domestic presence and enhance capabilities in specific areas and secondarily on foreign acquisitions that bring new relationships as well as expand our geographic base.

Reporting Segments

On December 20, 2016, we entered into a Stock Purchase Agreement to sell our Construction Claims Group, which is reported herein as discontinued operations. This transaction will permit us to strengthen our balance sheet and better focus on our Project Management business. See Note 2 to our consolidated financial statements for a description of the transaction.

Our Project Management Group provides fee-based or "agency" construction management services to our clients, leveraging our construction expertise to identify potential trouble, difficulties and sources of delay on a construction project before they develop into costly problems. Our experienced professionals are capable of managing all phases of the construction process from concept through completion, including cost and budget controls, scheduling, estimating, expediting, inspection, contract administration and management of contractors, subcontractors and suppliers.

Our clients are typically billed a negotiated multiple of the actual direct cost of each professional assigned to a project and we are reimbursed for our out-of-pocket expenses. We believe our fee-based consulting has significant advantages over traditional general contractors. Specifically, because we do not assume project completion risk, our fee-based model eliminates many of the risks typically associated with providing "at risk" construction services.

Our total revenue consists of two components: consulting fee revenue ("CFR") and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these revenue/costs may be subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of CFR, as we believe that this is a better and more consistent measure of operating performance than total revenue. Throughout this report we have used CFR as the denominator in many of our ratios.

Global Business

We operate worldwide and currently have over 100 offices in over 40 countries. The following table sets forth the amount and percentage of our CFR by geographic region for each of the past three fiscal years (dollars in thousands):

Consulting Fee Revenue by Geographic Region

	2016		2015		2014	
United States	**$ 137,528**	**31.7%**	$ 122,423	26.2%	$ 102,095	23.8%
Latin America	**18,708**	**4.3**	26,304	5.6	36,925	8.6
Europe	**38,455**	**8.8**	39,519	8.4	34,943	8.2
Middle East	**204,780**	**47.2**	245,985	52.6	222,754	51.9
Africa	**20,815**	**4.8**	20,461	4.4	18,402	4.3
Asia/Pacific	**13,861**	**3.2**	13,185	2.8	13,708	3.2
Total	**$ 434,147**	**100.0%**	$ 467,877	100.0%	$ 428,827	100.0%

Grow Organically and Through Selective Acquisitions

Over the years, our business has expanded through organic growth and the acquisition of a number of project management businesses. Over the past 18 years, we have completed 14 acquisitions of project management businesses.

We believe that our industry includes a number of small regional companies in a highly fragmented market. We believe that we have significant experience and expertise in identifying, negotiating, completing and integrating acquisitions and view the acquisition of these smaller competitors as a key part of our growth strategy. Through our acquisitions, we gained entry into Spain, Mexico, Poland, Brazil and Turkey and expanded our presence in the United States. These transactions have enabled us to strengthen our geographic diversity and compete more effectively.

Clients

Our clients consist primarily of the United States and other national governments, state and local governments, and the private sector. The following table sets forth our breakdown of CFR attributable to these categories of clients for each of the past three fiscal years (dollars in thousands):

Consulting Fee Revenue By Client Type

	2016		2015		2014	
U.S. federal government	**$ 9,600**	**2.2%**	$ 8,569	1.8%	$ 9,792	2.3%
U.S. state, regional and local governments	**94,459**	**21.8**	82,181	17.6	70,036	16.3
Foreign governments	**153,445**	**35.3**	195,383	41.8	193,283	45.1
Private sector	**176,643**	**40.7**	181,744	38.8	155,716	36.3
Total	**$ 434,147**	**100.0%**	$ 467,877	100.0%	$ 428,827	100.0%

The following table sets forth the percentage of our consulting fee revenue contributed by each of our five largest clients for the years ended December 31, 2016, 2015 and 2014:

	For the Years Ended December 31,		
	2016	**2015**	**2014**
Largest client	**7.9%**	10.8%	14.6%
2nd largest client	**6.5%**	6.7%	4.6%
3rd largest client	**5.6%**	5.7%	3.5%
4th largest client	**4.9%**	4.3%	3.4%
5th largest client	**4.8%**	3.7%	3.4%
Top 5 largest clients	**29.7%**	31.2%	29.5%

Business Development

The process for acquiring business from each of our categories of clients is principally the same, by participating in a competitive request-for-proposal ("RFP") process, with the primary difference among clients being that the process for public sector clients is significantly more formal and complex than for private sector clients as a result of government procurement rules and regulations that govern the public-sector process.

Although a significant factor in our business development consists of our standing in our industry, including existing relationships and reputation based on performance on completed projects, our marketing department undertakes a variety of activities in order to expand our exposure to potential new clients. These activities include media relations, advertising, promotions, market sector initiatives and maintaining our website and related web marketing. Media relations include placing articles that feature us and our personnel in trade publications and other media outlets. Our promotions include arranging speaking engagements for our personnel, participation in trade shows and other promotional activities. Market sector initiatives are designed to broaden our exposure to specific sectors of the construction industry, such as, for example, participating in or organizing industry seminars.

Doing business with governments is complex and requires the ability to comply with intricate regulations and satisfy periodic audits. We believe that the ability to understand these requirements and to successfully conduct business with government agencies is a barrier to entry for smaller, less experienced competitors. Most government contracts, including those with foreign governments, are subject to termination by the government, to government audits and to continued appropriations. For the year ended December 31, 2016, CFR from U.S. and foreign government contracts represented approximately 59.3% of our total CFR.

We are required from time to time to obtain various permits, licenses and approvals in order to conduct our business in many of the jurisdictions where we operate. Our business of providing project management services is not subject to significant regulation by state, federal or foreign governments.

Contracts

The price provisions of our Project Management related contracts can be grouped into three broad categories: cost-plus, time and materials, and fixed-price. Cost-plus contracts provide for reimbursement of our costs and overhead plus a predetermined fee. Under some cost-plus contracts, our fee may be based partially on quality, schedule and other performance factors. We also enter into contracts whereby we bill our clients monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as salary costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rate can be taken from a standard fee schedule by staff classification or it can be at a discount from this schedule. In some cases, primarily for foreign work, a monthly rate is negotiated rather than an hourly rate. This monthly rate is a build-up of staffing costs plus overhead and profit. We account for these contracts on a time-and-materials method, recognizing revenue as costs are incurred. Fixed-price contracts are accounted for using the "percentage-of-completion" method, wherein revenue is recognized as costs are incurred.

Backlog

We believe a strong indicator of our future performance is our backlog of uncompleted projects under contract or awarded. Our backlog represents management's estimate of the amount of contracts and awards in hand that we expect to result in future consulting fees. Our backlog is evaluated by management on a project-by-project basis and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or cancelled.

Our backlog is important to us in anticipating and planning for our operational needs. Backlog is not a measure defined in U.S. generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

At December 31, 2016, our Project Management backlog was $831,000,000, compared to approximately $807,000,000 at December 31, 2015. Our net bookings during 2016 of $ 458,147,000, which equates to a book-to-bill ratio of 106% compared to our goal of at least 110%. While this is short of our expectations, it is consistent with the slowdown of project activity in the Middle East due to the economic impact caused by the drop in oil prices and political upheaval and civil unrest in certain parts of the region. This will continue to be a major area of focus for 2017. We estimate that approximately $334,000,000, or 40.2% of the backlog at December 31, 2016, will be recognized during our 2017 fiscal year.

Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, substantially all of our contracts with our clients may be terminated at will, in which case the client would only be obligated to us for services provided through the termination date. Historically, the impact of terminations and modifications on our realization of revenue from our backlog has not been significant, however, in December 2016, the Company had two contracts, one in the Middle East and one in Africa, cancelled. As a result, approximately $73,000,000 was excluded from our backlog at December 31, 2016. Furthermore, reductions of our backlog as a result of contract terminations and modifications may be offset by additions to the backlog.

We adjust backlog to reflect project cancellations, deferrals and revisions in scope and cost (both upward and downward) known at the reporting date. Future contract modifications or cancellations, however, may increase or reduce backlog and future revenue. The following tables show our backlog by geographic region (in thousands):

	Total Backlog		12-Month Backlog	
As of December 31, 2016:				
United States	**$ 459,000**	**55.2%**	**141,000**	**42.2%**
Latin America	**10,000**	**1.2**	**8,000**	**2.4**
Europe	**38,000**	**4.6**	**26,000**	**7.8**
Middle East	**274,000**	**33.0**	**129,000**	**38.6**
Africa	**42,000**	**5.0**	**22,000**	**6.6**
Asia/Pacific	**8,000**	**1.0**	**8,000**	**2.4**
Total	**$ 831,000**	**100.0%**	**$ 334,000**	**100.0%**
As of September 30, 2016:				
United States	$ 421,000	47.4%	142,000	39.7%
Latin America	11,000	1.2	9,000	2.5
Europe	43,000	4.8	24,000	6.7
Middle East	358,000	40.3	153,000	42.7
Africa	44,000	5.0	21,000	5.9
Asia/Pacific	11,000	1.3	9,000	2.5
Total	$ 888,000	100.0%	$ 358,000	100.0%
As of December 31, 2015:				
United States	$ 372,000	46.1%	112,000	32.9%
Latin America	23,000	2.9	16,000	4.7
Europe	44,000	5.5	25,000	7.4
Middle East	300,000	37.2	155,000	45.6
Africa	52,000	6.3	23,000	6.8
Asia/Pacific	16,000	2.0	9,000	2.6
Total	$ 807,000	100.0%	$ 340,000	100.0%

Competition

The project management industry is highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including design or engineering firms, general contractors, other "pure" construction management companies, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. During 2016, some of our largest project management competitors included: AECOM, ARCADIS N.V., Jacobs Engineering Group, Inc., WSP Parsons Brinckerhoff, Inc., Parsons Corp. and Turner Construction Co.

Insurance

We maintain insurance covering general and professional liability, involving bodily injury and property damage. We have historically enjoyed a favorable loss ratio in all lines of insurance and our management considers our present limits of liability, deductibles and reserves to be adequate. We endeavor to reduce or eliminate risk through the use of quality assurance/control, risk management, workplace safety and similar methods to eliminate or reduce the risk of losses on a project. Although our actual rates have decreased, we have experienced and expect to continue to experience increases in the dollar amount of our insurance premiums because of the increase in our revenue.

Management

We are led by an experienced management team with significant experience in the construction industry. Additional information about our executive officers follows.

Executive Officers

Name	Age	Position
David L. Richter	50	Chief Executive Officer
Raouf S. Ghali	55	President and Chief Operating Officer
Mohammed Al Rais	63	Regional President (Middle East), Project Management Group
John Fanelli III	62	Executive Vice President and Chief Financial Officer
William H. Dengler, Jr.	50	Executive Vice President and General Counsel
Catherine H. Emma	57	Senior Vice President and Chief Administrative Officer
Michael J. Petrisko	52	Senior Vice President and Chief Information Officer

DAVID L. RICHTER has been our Chief Executive Officer since December 2014 and he has been a member of our Board of Directors since 1998. Prior to his current position, he was our President and Chief Operating Officer from March 2004 to December 2014. Before that, Mr. Richter was President of our Project Management Group from 2001 to 2004, Senior Vice President and General Counsel from 1999 to 2001 and Vice President and General Counsel from 1995 to 1999. Prior to joining us, he was an attorney with the New York City law firm of Weil, Gotshal & Manges LLP from 1992 to 1995. Mr. Richter is a Fellow of both the Construction Management Association of America (CMAA) and the Chartered Institute of Building. He is a member of the Young Presidents' Organization, the Construction Industry Round Table and the American Society of Civil Engineers. He is a member of the Board of Directors of the Chamber of Commerce for Greater Philadelphia and the Board of Trustees of Princeton Day School. He is a former member of the Board of Directors of the CMAA and the Board of Trustees of the Southern New Jersey Development Council. Mr. Richter is also Chairman of the Oxford Alumni Society of Philadelphia. He earned his B.S. in management, his B.S.E. in civil engineering and his J.D. from the University of Pennsylvania and his M.Sc. in major program management from the University of Oxford.

RAOUF S. GHALI has been our President and a member of our Board of Directors since August 2016 and our Chief Operating Officer since January 2015. Prior to that, he was President of our Project Management Group (International) from January 2005 to January 2015, Senior Vice President in charge of project management operations in Europe, North Africa and the Middle East from 2001 to 2004, and Vice President from 1993 to 2001. Prior to joining us, he worked for Walt Disney Imagineering from 1988 to 1993. Mr. Ghali earned both a B.S. in business administration and economics and an M.S. in business organizational management from the University of LaVerne.

MOHAMMED AL RAIS has been Regional President (Middle East) with Hill's Project Management Group since January 2015. Prior to that, he was Senior Vice President and Managing Director (Middle East) of our Project Management Group from April 2010 to January 2015 and Vice President from 2006 to 2010. Mr. Al Rais has over 39 years of experience in the management of construction projects throughout the Middle East, North Africa, the United Kingdom and Canada. He earned his B.Sc. in city and regional planning from the University of Engineering and Technology in Pakistan and his M.Sc. in project management from the University of Reading in the United Kingdom. Mr. Al Rais is a member of the Association for Project Management in the U.K., the Canadian Business Council, the Society of Engineers in the U.A.E., the Chartered Management Institute, the Project Management Institute and the Chartered Institute of Building.

JOHN FANELLI III has been our Executive Vice President and Chief Financial Officer since August 2016. Mr. Fanelli was previously Senior Vice President from 2006 to 2016. Before that, Mr. Fanelli was Vice President and Chief Accounting Officer of CDI Corp. from 2005 to 2006, and he was Vice President and Corporate Controller of CDI Corporation (a subsidiary of CDI Corp.) from 2003 to 2006. CDI Corp. is a New York Stock Exchange-traded professional services and outsourcing firm based in Philadelphia with expertise in engineering, technical services and information technology. During 2003, Mr. Fanelli was a financial consultant to Berwind Corporation, an investment management company based in Philadelphia which owns a diversified portfolio of manufacturing and service businesses and real estate. Before that, Mr. Fanelli was employed for 18 years by Hunt Corporation, then a New York Stock Exchange-traded manufacturer and marketer of office products. At Hunt, he served as Vice President and Chief Accounting Officer from 1995 until 2003, and before that as Director of Budgeting, Financial Analysis and Control, from 1985 to 1995. Before that, Mr. Fanelli was employed with Coopers & Lybrand for eight years in various accounting and auditing positions. Mr. Fanelli earned his B.S. in accounting from LaSalle University and he is a Certified Public Accountant in Pennsylvania.

WILLIAM H. DENGLER, JR. has been our Executive Vice President and General Counsel since August 2016. Mr. Dengler was previously Senior Vice President from 2007 to 2016, Vice President and General Counsel from 2002 to 2007, and Corporate Counsel from 2001 to 2002. Mr. Dengler also serves as corporate secretary to Hill and its subsidiaries. Prior to joining Hill, Mr. Dengler served as Assistant Counsel to former New Jersey Governors Donald DiFrancesco and Christine Todd Whitman from 1999 to 2001. Mr. Dengler earned his B.A. in political science from McDaniel College and his J.D. from Rutgers University School of Law at Camden. He is licensed to practice law in New Jersey, as well as before the U.S. Court of Appeals for the Third Circuit and the U.S. Supreme Court.

CATHERINE H. EMMA has been our Senior Vice President and Chief Administrative Officer since January 2007. Ms. Emma had been Vice President and Chief Administrative Officer from 2005 to 2007. Before that, she served as Vice President of Human Resources and Administration. Ms. Emma has been with Hill since 1982. She is certified by the HR Certification Institute (HRCI) as a Professional in Human Resources (PHR) and certified by Society of Human Resource Management (SHRM) as a Certified Professional (SHRM- CP) and holds professional memberships with Tri-State Human Resources, the Society for Human Resource Management and Risk and Insurance Management Society, Inc. Ms. Emma previously participated in BNA's Human Resources Personnel Policies Forum.

MICHAEL J. PETRISKO has been our Senior Vice President and Chief Information Officer since June 2014. Prior to that, Mr. Petrisko was Vice President and Chief Information Officer for STV Group, an architecture, engineering and construction management firm, from June 2012 through June 2014. Before that, Mr. Petrisko was Hill's Senior Vice President and Chief Information Officer from January 2009 through June 2012, and Vice President and Chief Information Officer from 2007 to 2008. Before that, Mr. Petrisko was Director of Global IT Operations for AECOM Technology Corp. from 2005 to 2007 and Vice President and Chief Information Officer for DMJM Harris, Inc., a subsidiary of AECOM, a global architecture, engineering and construction management firm, from 2002 to 2005. From 1999 to 2002, he was Director of Technical Services for Foster Wheeler Corp., an engineering and construction services firm. Mr. Petrisko studied management information technology at Thomas Edison State College and he is a member of the New Jersey Society of Information Management and a member of the CMAA.

Employees

At March 17, 2017, we had 3,330 professionals. Of these professionals, 3,202 worked in our Project Management Group and 128 worked in our Corporate office. Our personnel included 2,898 full-time employees, 102 part-time employees and 330 independent contractors. We are not a party to any collective bargaining agreements and we have not experienced any strikes or work stoppages. We consider our relationship with our employees to be satisfactory. In addition, we have 970 professionals working in our Construction Claims Group.

Access to Company Information

We electronically file our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports with the United States Securities and Exchange Commission (the "SEC"). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. The SEC maintains an Internet site at *www.sec.gov* that contains periodic reports, proxy statements, information statements and other information regarding issuers that file electronically.

We make available, free of charge, through our website or by responding to requests addressed to our Legal Department, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed by us with the SEC pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act, as amended. These reports are available as soon as practicable after such material is filed with or furnished to the SEC. Our primary website is *www.hillintl.com* . We post the charters for our audit, compensation and governance and nominating committees, corporate governance principles and code of ethics in the "Investors" section of our website. The information contained on our website, or on other websites linked to our website, is not part of this document.

Item 1A. Risk Factors.

Our business involves a number of risks, some of which are beyond our control. The risks and uncertainties described below could individually or collectively have a material adverse effect on our business, financial condition, results of operations and cash flows. While these are not the only risks and uncertainties we face, we believe that the more significant risks and uncertainties are as follows:

Risks Affecting the Business

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel.

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel, and may affect timing and collectability of our accounts receivable. Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas in which we operate. In addition, any possible reprisals as a consequence of the wars and ongoing military action in the Middle East and Africa, such as acts of terrorism in the United States or elsewhere, could have a material adverse effect on our business, results of operations and financial position.

If our clients delay in paying or fail to pay amounts owed to us, it could have a material adverse effect on our liquidity, results of operations and financial condition.

Accounts receivable represent the largest asset on our balance sheet. While we take steps to evaluate and manage the credit risks relating to our clients, economic downturns or other events can adversely affect the markets we serve and our clients ability to pay, which could reduce our ability to collect all amounts due from clients. In addition, political unrest in countries in which we operate and the effect of the decline of oil prices have impacted and may in the future impact our collections on accounts receivable. If our clients delay in paying or fail to pay us a significant amount of our outstanding receivables, it could have a material adverse effect on our liquidity, results of operations, and financial condition.

Our business is sensitive to oil and gas prices, and fluctuations in oil and gas prices may negatively affect our business.

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Consulting fee revenue derived from our operations in major oil and gas producing countries in the Middle East and Africa is approximately 52.0% of CFR. Significant drops in oil or gas prices have led, and could lead to further slowdowns, in construction in these regions, which has had and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Unfavorable global economic conditions could adversely affect our business, liquidity and financial results.

The markets that we serve are cyclical and subject to fluctuation based on general global economic conditions and other factors. Unfavorable global economic conditions, including disruption of financial markets in the United States, Europe, Brazil and elsewhere, could adversely affect our business and results of operations, primarily by limiting our access to credit and disrupting our clients' businesses. The reduction in financial institutions' willingness or ability to lend has increased the cost of capital and reduced the availability of credit. Although we currently believe that the financial institutions with which we do business will be able to fulfill their commitments to us, there is no assurance that those institutions will be able or willing to continue to do so, which could have a material adverse impact on our business. The current European debt crisis and Brazil economic crisis may cause the value of European and Brazilian currencies, including the Euro, British pound sterling and Brazilian real, to deteriorate, thus reducing the purchasing power of European and Brazilian clients and reducing the translated amounts of U.S. dollar revenues. For the year ended December 31, 2016, 8.8% and 4.3% of our consulting fee revenue was attributable to European and Brazilian clients, respectively. In addition, any negative change in general market conditions in the United States, Europe or other national economies important to our businesses may adversely affect our clients' level of spending, ability to obtain financing, and ability to make timely payments to us for our services, which could require us to increase our allowance for doubtful accounts, negatively impact our days sales outstanding and adversely affect our results of operations and liquidity.

The sale of our Construction Claims Group is contingent upon the satisfaction of a number of conditions, may require significant time and attention of our management, and may have a material adverse effect on us whether or not the transaction is completed.

On December 20, 2016, we announced the entrance into a Stock Purchase Agreement which would sell our Construction Claims Group. This transaction is subject to customary conditions. In addition, unanticipated developments or changes in our ability to satisfy closing conditions, in the buyer's willingness to waive unsatisfied closing conditions, or in certain litigation matters, as well as other developments, conditions, or changes may affect the closing of the sale. For these and other reasons, we may not complete the sale as expected or at all.

Our ongoing businesses may be adversely affected and we may be subject to certain risks and consequences as a result of pursuing the transaction, including, among others, the following:

- Execution of the proposed transaction will continue to require significant time and attention from management, which may distract them from the operation of our business and the execution of other initiatives that may have been beneficial to us;
- Our employees may be distracted due to uncertainty about their future roles with the Company or the Construction Claims Group pending the completion of the transaction;
- We will be required to pay significant costs and expenses relating to the transaction, such as legal, accounting and other professional fees, whether or not the transaction is completed; and
- We may experience negative reactions from the financial markets if we fail to complete the transaction.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows or the price of our common stock.

We may be unable to win new contract awards if we cannot provide clients with letters of credit, bonds or other forms of guarantees.

In certain international regions, primarily the Middle East, it is industry practice for clients to require letters of credit, bonds, bank guarantees or other forms of guarantees. These letters of credit, bonds or guarantees indemnify our clients if we fail to perform our obligations under our contracts. We currently have relationships with various domestic and international banking institutions to assist us in providing clients with letters of credit or guarantees. In the event there are limitations in worldwide banking capacity, we may find it difficult to find sufficient bonding capacity to meet our future bonding needs. Failure to provide credit enhancements on terms required by a client may result in our inability to compete or win a project.

International operations and doing business with foreign governments expose us to legal, political, operational and economic risks in different countries and currency exchange rate fluctuations could adversely affect our financial results.

Our international operations contributed 68.3%, 73.8% and 76.2% of our consulting fee revenue for the years ended December 31, 2016, 2015 and 2014, respectively. There are risks inherent in doing business internationally, including:

- Lack of developed legal systems to enforce contractual rights;
- Foreign governments may assert sovereign or other immunity if we seek to assert our contractual rights thus depriving us of any ability to seek redress against them;
- Greater difficulties in managing and staffing foreign operations;
- Differences in employment laws and practices which could expose us to liabilities for payroll taxes, pensions and other expenses;
- Inadequate or failed internal controls, processes, people, and systems associated with foreign operations;
- Increased logistical complexity;
- Increased selling, general and administrative expenses associated with managing a larger and more global business;
- Greater risk of uncollectible accounts and longer collection cycles;

- Currency exchange rate fluctuations;
- Restrictions on the transfer of cash from certain foreign countries;
- Imposition of governmental controls;
- Political and economic instability;
- Changes in U.S. and other national government policies affecting the markets for our services and our ability to do business with certain foreign governments or their political leaders;
- Conflict between U.S. and non-U.S. law;
- Changes in regulatory practices, tariffs and taxes;
- Less well established bankruptcy and insolvency procedures;
- Potential non-compliance with a wide variety of non-U.S. laws and regulations; and
- General economic, political and civil conditions in these foreign markets.

Any of these factors could have a material adverse effect on our business, results of operations, financial condition or cash flows.

We operate in many different jurisdictions and we could be adversely affected by any violations of the U.S. Foreign Corrupt Practices Act or similar worldwide and local anti-corruption laws.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar worldwide and local anti-corruption laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. The policies also are applicable to agents through which we do business in certain non-U.S. jurisdictions. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from improper or criminal acts committed by our employees or agents. Our continued expansion outside the U.S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business, subject us to fines, penalties and restrictions and otherwise result in a material adverse effect on our results of operations or financial condition. All of our recently acquired businesses are subject to our internal policies. However, because our internal policies are more restrictive than some local laws or customs where we operate, we may be at an increased risk for violations while we train our new employees to comply with our internal policies and procedures.

Our business sometimes requires our employees to travel to and work in high security risk countries, which may result in employee injury, repatriation costs or other unforeseen costs.

Many of our employees often travel to and work in high security risk countries around the world that are undergoing or that may undergo political, social and economic upheavals resulting in war, civil unrest, criminal activity or acts of terrorism. For example, we have had and expect to have significant projects in the Middle East and Africa, including in Afghanistan, Iraq, Libya, Egypt, Saudi Arabia, Qatar and Oman. As a result, we may be subject to costs related to employee injury, repatriation or other unforeseen circumstances. Further, circumstances in these countries could make it difficult or impossible to attract and retain qualified employees. Our inability to attract and retain qualified employees to work in these countries could have a material adverse effect on our operations.

We depend on government contracts for a significant portion of our consulting fee revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings.

In 2016, U.S. federal government contracts and U.S. state, regional and local government contracts contributed approximately 2.2% and 21.8%, respectively, of our consulting fee revenue, and foreign government contracts contributed approximately 35.3% of our consulting fee revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings. Government contracts are typically awarded through a heavily regulated procurement process. Some government contracts are awarded to multiple competitors, causing increases in overall competition and pricing pressure. In turn, the competition and pricing pressure may require us to make sustained post-award efforts to reduce costs under these contracts. If we are not successful in reducing the amount of costs, our profitability on these contracts may be negatively impacted. Also, some of our federal government contracts require U.S. government security clearances. If we or certain of our personnel were to lose these security clearances, our ability to continue performance of these contracts or to win new contracts requiring such clearances may be negatively impacted.

We depend on long-term government contracts, many of which are funded on an annual basis. If appropriations are not made in subsequent years of a multiple-year contract, we will not realize all of our potential revenue and profit from that project.

During the years ended December 31, 2016, 2015 and 2014, approximately 59.3%, 61.2% and 63.7%, respectively, of our consulting fee revenue was derived from contracts with federal, state, regional, local and foreign governments.

Most government contracts are subject to the continuing availability of legislative appropriation. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent fiscal year. These appropriations and the timing of payment of appropriated amounts may be influenced by, among other things, the state of the economy, budgetary and other political issues affecting the particular government and its appropriations process, competing priorities for appropriation, the timing and amount of tax receipts and the overall level of government expenditures. If appropriations are not made in subsequent years on government contracts, then we will not realize all of our potential revenue and profit from those contracts.

We depend on contracts that may be terminated by our clients on short notice, which may adversely impact our ability to recognize all of our potential revenue and profit from the projects.

Substantially all of our contracts are subject to termination by the client either at its convenience or upon our default. If one of our clients terminates a contract at its convenience, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profit from that contract. If one of our clients terminates the contract due to our default, we could be liable for excess costs incurred by the client in re-procuring services from another source, as well as other costs.

Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.

Our books and records are subject to audit by the various governmental agencies we serve and by their representatives. These audits can result in adjustments to reimbursable contract costs and allocated overhead. In addition, if as a result of an audit, we or one of our subsidiaries is charged with wrongdoing or the government agency determines that we or one of our subsidiaries is otherwise no longer eligible for federal contracts, then we or, as applicable, that subsidiary, could be temporarily suspended or, in the event of convictions or civil judgments, could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a U.S. government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities, the results of which could have a material adverse effect on our operations.

We submit change orders to our clients for work we perform beyond the scope of some of our contracts. If our clients do not approve these change orders, our net earnings could be adversely impacted.

We typically submit change orders under some of our contracts for payment for work performed beyond the initial contractual requirements. The clients may not approve or may contest these change orders and we cannot assure you that these claims will be approved in whole, in part or at all. If these claims are not approved, our net earnings could be adversely impacted.

Because our backlog of uncompleted projects under contract or awarded is subject to unexpected adjustments and cancellations, including the amount, if any, of future appropriations by the applicable contracting governmental agency, it may not be indicative of our future revenue and profits.

At December 31, 2016, our backlog of uncompleted projects under contract or awarded was approximately $831 million. The inability to obtain financing or governmental approvals, changes in economic or market conditions or other unforeseen events, such as terrorist acts or natural disasters, could lead to us not realizing any revenue under some or all of these contracts. We cannot assure you that the backlog attributed to any of our uncompleted projects under contract will be realized as revenue or, if realized, will result in profits.

Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time projects are scaled back or cancelled. These types of backlog reductions adversely affect the revenue and profit that we ultimately receive. Included in our backlog is the maximum amount of all indefinite delivery/indefinite quantity ("ID/IQ"), or task order, contracts, or a lesser amount if we do not reasonably expect to be issued task orders for the maximum amount of such contracts. A significant amount of our backlog is derived from ID/IQ contracts and we cannot provide any assurance that we will in fact be awarded the maximum amount of such contracts.

Our dependence on subcontractors, partners and specialists could adversely affect our business.

We rely on third-party subcontractors as well as third-party strategic partners and specialists to complete our projects. To the extent that we cannot engage such subcontractors, partners or specialists or cannot engage them on a competitive basis, our ability to complete a project in a timely fashion or at a profit may be impaired. If we are unable to engage appropriate strategic partners or specialists in some instances, we could lose the ability to win some contracts. In addition, if a subcontractor or specialist is unable to deliver its services according to the negotiated terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services were needed.

If our partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation or reduced profits.

We sometimes enter into joint venture agreements and other contractual arrangements with outside partners to jointly bid on and execute a particular project. The success of these joint projects depends on the satisfactory performance of the contractual obligations of our partners. If any of our partners fails to satisfactorily perform its contractual obligations, we may be required to make additional investments and provide additional services to complete the project. If we are unable to adequately address our partner's performance issues, then our client could terminate the joint project, exposing us to legal liability, loss of reputation or reduced profits.

The project management business is highly competitive and if we fail to compete effectively, we may miss new business opportunities or lose existing clients and our revenues may decline.

The project management industry is highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including design or engineering firms, general contractors, other "pure" construction management companies, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. If we cannot compete effectively with our competitors, or if the costs of competing, including the costs of retaining and hiring professionals, become too expensive, our revenue growth and financial results may differ materially from our expectations.

We have acquired and may continue to acquire businesses as strategic opportunities arise and may be unable to realize the anticipated benefits of those acquisitions, or if we are unable to take advantage of strategic acquisition situations, our ability to expand our business may be slowed or curtailed.

Over the past 18 years, we have acquired 14 companies related to the Project Management business and our strategy is to continue to expand and diversify our operations with additional acquisitions as strategic opportunities arise. If the competition for acquisitions increases, or if the cost of acquiring businesses or assets becomes too expensive, the number of suitable acquisition opportunities may decline, the cost of making an acquisition may increase or we may be forced to agree to less advantageous acquisition terms for the companies that we are able to acquire. Alternatively, at the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, borrowing capacity under our credit facilities or the availability of alternative financing), may cause us to be unable to pursue or complete an acquisition. Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity or debt securities or obtaining additional debt financing. There can be no assurance that we will be able to obtain financing when we need it or on terms acceptable to us.

In addition, managing the growth of our operations will require us to continually increase and improve our operational, financial and human resources management and our internal systems and controls. If we are unable to manage growth effectively or to successfully integrate acquisitions or if we are unable to grow organically, that could have a material adverse effect on our business.

Systems and information technology interruption and breaches in data security could adversely impact our ability to operate and our operating results.

As a global company, we are heavily reliant on computer, information and communications technology and related systems in order to properly operate. From time to time, we experience system interruptions and delays. In the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency and effectiveness of our systems, the operation of such systems could be interrupted or delayed, or our data security could be breached. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, power loss, telecommunications failures, acts of war or terrorism, acts of God, computer viruses, physical or electronic security breaches. Any of these or other events could cause system interruptions, delays, and loss of critical data including private data. While we have taken steps to address these concerns by implementing sophisticated network security, training and internal control measures, there can be no assurance that a system failure or loss or data security breach will not materially adversely affect our business, financial condition and operating results.

Risks Related to Ownership of Our Common Stock

We have identified material weaknesses in our internal control over financial reporting and determined that our disclosure controls and procedures were not effective which could, if not remediated, result in additional material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over our financial reporting, as defined in Rules 13a-15(e) and 13a-15(f), respectively, under the Securities Exchange Act of 1934, as amended. As disclosed in Item 9A of this Form 10-K, management identified material weaknesses in our internal control over financial reporting and determined our disclosure controls and procedures were not effective based upon our identification of certain errors related to the estimation of potential losses on our accounts receivable and ineffective procedures related to the accounting close process, accounting estimates, and non-routine transactions in addition to a newly identified material weakness related to certain tax controls. A material weakness is defined as a deficiency, or combination of significant deficiencies, in internal control over financial reporting, such that there is a more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, our management concluded that the Company did not maintain effective disclosure controls and procedures and internal control over financial reporting as of December 31, 2016.

We have developed and implemented a remediation plan designed to address these material weaknesses in internal control over financial reporting and ineffective disclosure controls and procedures. If our remedial measures are insufficient, or if additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, our consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weaknesses or deficiencies, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

Future sales of our common and preferred stock may depress the price of our common stock.

As of March 17, 2017, there were 51,859,479 shares of our common stock outstanding. An additional 6,627,473 shares of our common stock may be issued upon the exercise of options held by employees, management and directors. We also have the authority to issue up to 1,000,000 shares of preferred stock upon terms that are determined by our Board of Directors and additional options to purchase 2,077,459 shares of our common stock without stockholder approval. In addition, we have a registration statement on file with the SEC for an aggregate issuance of 20,000,000 common shares (of which 10,453,371 shares remain available for issuance), which may be used for working capital and general corporate purposes, subject to the restrictions of our Secured Credit Facilities and another registration statement on file with the SEC for an aggregate issuance of 20,000,000 common shares, (of which 18,926,804 shares remain available for issuance), which may be used in future acquisitions. Sales of a substantial number of these shares in the public market, or factors relating to the terms we may determine for our preferred stock, options or warrants, could decrease the market price of our common stock. In addition, the perception that such sales might occur may cause the market price of our common stock to decline. Future issuances or sales of our common stock could have an adverse effect on the market price of our common stock.

Because we have no current plans to pay cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our Secured Credit Facilities and may be limited by future indebtedness incurred by us or our subsidiaries. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

We are able to issue shares of preferred stock with greater rights than our common stock.

Our Board of Directors is authorized to issue one or more series of preferred stock from time to time without any action on the part of our stockholders. Our Board of Directors also has the power, without stockholder approval, to set the terms of any such series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends and other terms. If we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or other terms, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock.

Provisions in our organizational documents and Delaware law could discourage potential acquisition proposals, could delay or prevent a change in control of the Company that our stockholders may consider favorable and could adversely affect the market value of our common stock. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- Our Board of Directors is expressly authorized to make, alter or repeal our bylaws;
- Our Board of Directors is divided into three classes of service with staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;
- Our Board of Directors is authorized to issue preferred stock without stockholder approval;
- Only our Board of Directors, our Chairman of the Board, our Chief Executive Officer or the holders of not less than 25% of our outstanding common stock and entitled to vote may call a special meeting of stockholders;
- Our bylaws require advance notice for stockholder proposals and director nominations;
- Our bylaws limit the removal of directors and the filling of director vacancies; and
- We will indemnify officers and directors against losses that may incur in connection with investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures.

These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of the Company.

In addition, Section 203 of the Delaware General Corporation Law imposes certain restrictions on mergers and other business combinations between the Company and any holder of 15% or more of our outstanding common stock. This provision is applicable to Hill and may have an anti-takeover effect that may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in the stockholder's best interest. In general, Section 203 could delay for three years and impose conditions upon "business combinations" between an "interested shareholder" and Hill, unless prior approval by our Board of Directors is given. The term "business combination" is defined broadly to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. An "interested shareholder," in general, would be a person who, together with affiliates and associates, owns or within three years did own, 15% or more of a corporation's voting stock.

A small group of stockholders own a large quantity of our common stock, thereby potentially exerting significant influence over the Company.

As of December 31, 2016, Irvin E. Richter, David L. Richter and other members of the Richter family beneficially owned approximately 20.5% of our common stock. This concentration of ownership could significantly influence matters requiring stockholder approval and could delay, deter or prevent a change in control of the Company or other business combinations that might otherwise be beneficial to our other stockholders. Accordingly, this concentration of ownership may impact the market price of our common stock. In addition, the interest of our significant stockholders may not always coincide with the interest of the Company's other stockholders. In deciding how to vote on such matters, they may be influenced by interests that conflict with our other stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive and certain operating offices are currently located at One Commerce Square, 2005 Market Street, 17th Floor, Philadelphia, Pennsylvania 19103. We lease all of our office space and do not own any real property. The telephone number at our executive office is (215) 309-7700. In addition to our executive offices, we have approximately 100 operating leases for office facilities throughout the world. Due to acquisition and growth we may have more than one operating lease in the cities in which we are located. Additional space may be required as our business expands geographically, but we believe we will be able to obtain suitable space as needed.

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As of March 17, 2017, our principal worldwide office locations and the geographic regions in which we reflect their operations are:

U.S./Canada

Albuquerque, NM
Atlanta, GA
Austin, TX
Baltimore, MD
Bensalem, PA
Boston, MA
Broadview Heights, OH
Columbus, OH
East Hartford, CT
Fresno, CA
Granite Bay, CA
Houston, TX
Irvine, CA
Irving, TX
Jacksonville, FL
Las Vegas, NV
Lemont Furnace, PA
Los Angeles, CA
Miami, FL
Mission Viejo, CA
New York, NY
Ontario, CA
Orlando, FL
Perrysburg, OH
Philadelphia, PA (Headquarters)
Phoenix, AZ
Pittsburgh, PA
Providence, RI
San Diego, CA
San Francisco, CA
Seattle, WA
Spokane, WA
Tampa, FL
Toronto, Canada
Woodbridge, NJ
Washington, DC

Europe

Amsterdam, Netherlands
Athens, Greece
Baku, Azerbaijan
Barcelona, Spain
Belgrade, Serbia
Birmingham, UK
Bucharest, Romania
Cumbria, UK
Daresbury, UK
Dundee, UK
Dusseldorf, Germany
Edinburgh, UK
Frankfurt, Germany
Geneva, Switzerland
Glasgow, UK
Hamburge, Germany
Istanbul, Turkey
Lisbon, Portugal
London, UK
Luxembourg
Madrid, Spain
Manchester, UK
Munich, Germany
Pristina, Kosovo
Riga, Latvia
Teesdale, UK
Warsaw, Poland

Latin America/ the Caribbean

Bogota, Colombia
Mexico City, Mexico
Rio de Janeiro, Brazil
Sao Paulo, Brazil
Trinidad and Tobago

Middle East

Abu Dhabi, UAE
Amman, Jordan
Aqaba, Jordan
Baghdad, Iraq
Doha, Qatar
Dubai, UAE
Jeddah, Saudi Arabia
Kuwait City, Kuwait
Manama, Bahrain
Muscat, Oman
Riyadh, Saudi Arabia

Africa

Algiers, Algeria
Cairo, Egypt
Cape Town, South Africa
Casablanca, Morocco
Johannesburg, South Africa
Tripoli, Libya

Asia/Pacific

Almaty, Kazakhstan
Astana City, Kazakhstan
Beijing, China
Brisbane, Australia
Danang City, Vietnam
Gurgaon, India
Hong Kong, China
Jakarta, Indonesia
Kabul, Afghanistan
Kuala Lumpur, Malaysia
Manila, Philippines
Melbourne, Australia
Perth, Australia
Shanghai, China
Singapore
Sydney, Australia

Item 3. Legal Proceedings .

General Litigation

Knowles Limited ("Knowles"), a subsidiary of the Company's Construction Claims Group, is a party to an arbitration proceeding instituted on July 8, 2014 in which Knowles claimed that it was entitled to payment for services rendered to Celtic Bioenergy Limited ("Celtic"). The arbitrator decided in favor of Knowles. The arbitrator's award was appealed by Celtic to the U.K. High Court of Justice, Queen's Bench Division, Technology and Construction Court ("Court"). On March 16, 2017, the Court (1) determined that certain relevant facts had been deliberately withheld from the arbitrator by an employee of Knowles and (2) remitted the challenged parts of the arbitrator's award back to the arbitrator to consider the award in possession of the full facts. The Company is evaluating the impact of the judgment of the Court.

From time to time, the Company is a defendant or plaintiff in various legal actions which arise in the normal course of business. As such the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company's earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the New York Stock Exchange ("NYSE") under the trading symbol "HIL." The following table includes the range of high and low trading prices for our common stock as reported on the NYSE for the periods presented.

	Price Range	
	High	**Low**
2016		
Fourth Quarter	**$ 4.62**	**$ 1.95**
Third Quarter	**4.64**	**3.96**
Second Quarter	**4.68**	**3.20**
First Quarter	**4.07**	**2.62**
2015		
Fourth Quarter	$ 4.02	$ 3.11
Third Quarter	5.38	3.20
Second Quarter	5.50	3.49
First Quarter	4.38	3.26

Stockholders

As of December 31, 2016, there were 90 holders of record of our common stock. However, a single record stockholder account may represent multiple beneficial owners, including owners of shares in street name accounts. We believe there are approximately 5,000 beneficial owners of our common stock.

Dividends

We have not paid any dividends on our common stock. The payment of dividends in the future will be contingent upon our earnings, if any, capital requirements and general financial condition of our business. Our Secured Credit Facilities currently limit the payment of dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The table setting forth this information is included in Part III—Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

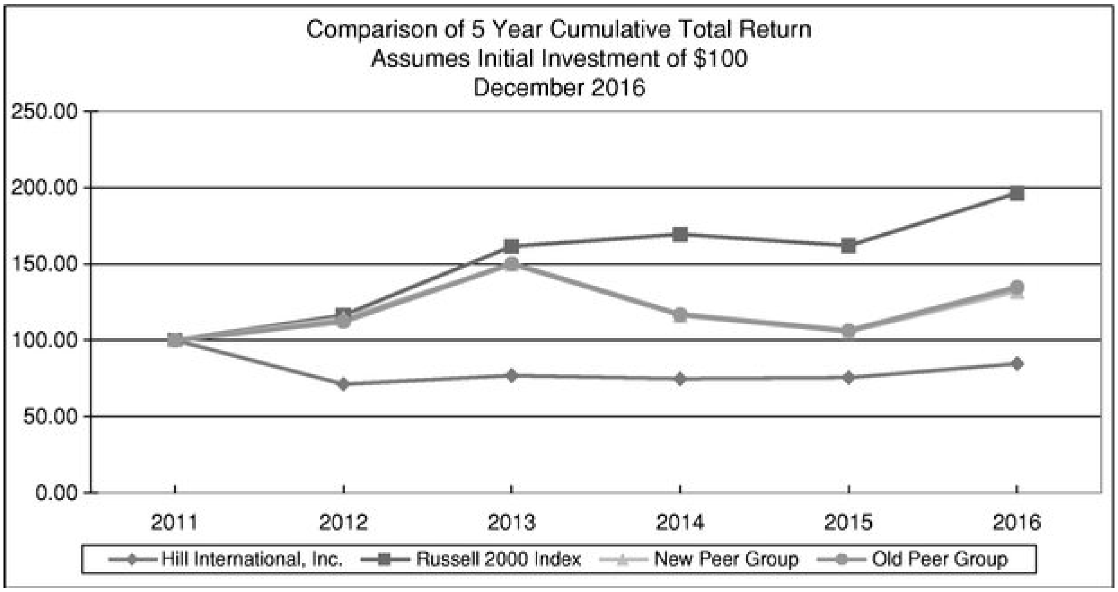
Recent Sales of Unregistered Securities

None.

Performance Graph

The performance graph and table below compare the cumulative total return of our common stock for the period from December 31, 2011 to December 31, 2016 with the comparable cumulative total returns of the Russell 2000 Index (of which the Company is a component stock) and a peer group which consists of the following ten companies: AECOM (ACM), CDI Corp. (CDI), Fluor Corporation (FLR), Granite Construction Incorporated (GVA), Jacobs Engineering Group Inc. (JEC), KBR, Inc. (KBR), NV5 Global, Inc. (NVEE), TRC Companies Inc. (TRR), Tutor Perini Corporation (TPC), and

Tetra Tech, Inc. (TTEK). For 2016, we changed our peer group to consist of only construction companies. In prior years, the peer group consisted of a blend of construction companies and consulting companies.



	2011	2012	2013	2014	2015	2016
Hill International, Inc.	$ 100.00	$ 71.21	$ 76.85	$ 74.71	$ 75.49	$ 84.63
Russell 2000 Index	100.00	116.35	161.52	169.42	161.95	196.45
Peer Group	100.00	114.46	149.81	116.27	105.39	132.04
Old Peer Group	100.00	112.30	150.15	116.81	106.25	134.70

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Item 6. Selected Financial Data.

The following is selected financial data from our audited consolidated financial statements for each of the last five years. This data should be read in conjunction with our consolidated financial statements (and related notes) appearing in Item 8 of this report and with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." On December 20, 2016, we entered into a definitive Stock Purchase Agreement to sell our Construction Claims Group, which is reported as discontinued operations for each year presented. See Note 3 to our consolidated financial statements for additional information. The data presented below is in thousands, except for (loss) earnings per share data.

	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Income Statement Data:					
Consulting fee revenue	**$ 434,147**	$ 467,877	$ 428,827	$ 392,602	$ 312,232
Reimbursable expenses	**86,700**	84,699	58,927	59,915	60,049
Total revenue	**520,847**	552,576	487,754	452,517	372,281
Cost of services	**272,243**	288,845	263,806	244,003	192,592
Reimbursable expenses	**86,700**	84,699	58,927	59,915	60,049
Total direct expenses	**358,943**	373,544	322,733	303,918	252,641
Gross profit	**161,904**	179,032	165,021	148,599	119,640
Selling, general and administrative expenses	**162,721**	159,691	142,079	126,072	171,013
Share of loss of equity method affiliates	**37**	237	—	—	—
Operating (loss) profit	**(854)**	19,104	22,942	22,527	(51,373)
Interest and related financing fees, net	**694**	2,026	1,564	1,841	2,353
(Loss) earnings before income taxes	**(1,548)**	17,078	21,378	20,686	(53,726)
Income tax expense	**6,068**	6,465	7,512	4,558	12,388
(Loss) earnings from continuing operations	**(7,616)**	10,613	13,866	16,128	(66,114)
Loss from discontinued operations	**(11,076)**	(2,874)	(18,713)	(10,644)	(8,780)
Net (loss) earnings	**(18,692)**	7,739	(4,847)	5,484	(74,894)
Less: net earnings—noncontrolling interests	**136**	808	1,301	1,922	1,872
Net (loss) earnings attributable to Hill International, Inc.	**$ (18,828)**	$ 6,931	$ (6,148)	$ 3,562	$ (76,766)
Basic (loss) earnings per common share from continuing operations	**$ (0.15)**	$ 0.20	$ 0.28	$ 0.36	$ (1.76)
Basic (loss) per common share from discontinued operations	**(0.21)**	(0.06)	(0.42)	(0.27)	(0.23)
Basic (loss) earnings per common share—Hill International, Inc.	**$ (0.36)**	$ 0.14	$ (0.14)	$ 0.09	$ (1.99)
Basic weighted average common shares outstanding	**51,724**	50,874	44,370	39,098	38,500
Diluted (loss) earnings per common share from continuing operations	**$ (0.15)**	$ 0.20	$ 0.28	$ 0.36	$ (1.76)
Diluted (loss) per common share from discontinued operations	**(0.21)**	(0.06)	(0.42)	(0.27)	(0.23)
Diluted (loss) earnings per common share—Hill International, Inc.	**$ (0.36)**	$ 0.14	$ (0.14)	$ 0.09	$ (1.99)
Diluted weighted average common shares outstanding	**51,724**	51,311	44,370	39,322	38,500

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Discontinued Operations Data(1):					
Consulting fee revenue	**$ 164,478**	$ 163,074	$ 148,290	$ 119,483	$ 105,366
Operating profit	**6,517(2)**	11,740	10,996	12,171	8,071
Interest and related financing fees, net	**12,932**	12,637	28,921	21,023	15,797
(Loss) before income taxes	**(6,415)**	(897)	(17,925)	(8,852)	(7,726)
Loss from discontinued operations	**(11,076)**	(2,874)	(18,713)	(10,644)	(8,780)

(1) See Note 3 to our consolidated financial statements for further information regarding this statement.

(2) There were significant expenses totaling $5,150,000 that adversly affected discontinued operations for 2016. The expenses consisted of $3,044,000 of legal and other professional fees related to the pending sale and $2,106,000 related to certain tax matters in foreign jurisdictions.

	As of December 31,				
	2016	2015	2014	2013	2012
Selected Balance Sheet Data:					
Cash and cash equivalents	**$ 25,637**	$ 24,089	$ 30,124	$ 30,381	$ 16,716
Accounts receivable, net	**164,554**	187,553	145,330	128,241	109,440
Current assets held for sale	**54,144**	60,092	53,393	51,071	45,557
Current assets	**266,171**	291,591	256,589	238,298	194,582
Noncurrent assets held for sale	**33,298**	36,608	39,126	38,588	39,427
Total assets	**401,208**	428,746	412,897	393,476	363,905
Current liabilities held for sale	**27,703**	27,497	28,779	22,258	17,550
Current liabilities	**140,104**	143,048	139,244	139,124	138,082
Noncurrent liabilities held for sale	**4,679**	6,403	4,326	4,043	4,551
Total debt	**144,103**	144,983	121,524	131,235	106,704
Stockholders' equity:					
Hill International, Inc. share of equity	**$ 88,370**	$ 113,969	$ 113,288	$ 84,969	$ 78,997
Noncontrolling interests	**2,016**	4,070	8,712	11,887	13,557
Total equity	**$ 90,386**	$ 118,039	$ 122,000	$ 96,856	$ 92,554

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

On December 20, 2016, we entered into a definitive Stock Purchase Agreement to sell our Construction Claims Group, which is reported herein as discontinued operations. This transaction will permit us to better focus on our Project Management business. See Note 3 to our consolidated financial statements for a description of the transaction.

Our revenue consists of two components: consulting fee revenue ("CFR") and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these pass-through revenue/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of CFR, as we believe that this is a better and more consistent measure of operating performance than total revenue.

Over the years, the amount of CFR attributable to operations in the Middle East and Africa has grown to approximately 52.0% of total consolidated CFR in 2016. There has been significant political upheaval and civil unrest in certain parts of this region, most notably in Libya and Iraq where we previously had substantial operations. In 2012, we reserved a $59,937,000 receivable from the Libyan Organization for Development of Administrative Centres ("ODAC"). Subsequently, we have received payments totaling approximately $9,511,000, but this situation with ODAC put a considerable strain on our liquidity. In 2016, we established reserves of $5,100,000 against accounts receivable from various projects in Iraq. As a result, we have had to rely heavily on debt and equity transactions to fund our operations.

We have recently seen further slowing of collections from our clients in the Middle East, primarily in Oman. In 2012, we commenced operations on the Muscat International Airport (the "Oman Airport") project with the Ministry of Transport and Communications ("MOTC"). The original contract term was to expire in November 2014. In October 2014, we applied for a twelve-month extension of time ("first extension") (which was subsequently approved in March 2016) and we continued to work on the Oman Airport projects. The Company began to experience delays in payment during 2015. In December 2015, the Company began discussions with MOTC on a second extension of time amendment ("second extension") and has since commenced additional work. When MOTC resumed payments in 2016, the Company received approximately $42,000,000 during the year. At December 31, 2016, accounts receivable from Oman totaled approximately $27,132,000 and approximately $16,500,000 was past due based on contractual terms. We acknowledge that this client is a slow payer, however the MOTC intends to meet its obligations to us as Oman is a wealthy, stable and solvent country. In connection with the work performed there, our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 reflected the following (in thousands):

	2016	2015	2014
Consulting fee revenue	**$ 34,245**	$ 50,740	$ 62,585
Accounts receivable, net	**$ 27,132**(1)	$ 28,711	$ 11,571
Collections received during the year	**$ 42,000**	$ 29,958	$ 53,277

(1) We received payments of approximately $6,153,000 against this receivable in the first quarter of 2017.

Going forward, we will continue to closely monitor this receivable as well as any other receivables where collections are not received in a timely manner. This may result in increases in the allowance for doubtful accounts which may have a significant negative impact on our financial position and results of operations.

2016 Business Overview

Consolidated Results
(In thousands)

	Years Ended December 31,		Change	
	2016	2015	$	%
Income Statement Data:				
Consulting fee revenue	$ 434,147	$ 467,877	(33,730)	(7.2)%
Reimbursable expenses	86,700	84,699	2,001	2.4%
Total revenue	520,847	552,576	(31,729)	(5.7)%
Cost of services	272,243	288,845	(16,602)	(5.7)%
Reimbursable expenses	86,700	84,699	2,001	2.4%
Total direct expenses	358,943	373,544	(14,601)	(3.9)%
Gross profit	161,904	179,032	(17,128)	(9.6)%
Selling, general and administrative expenses	162,721	159,691	3,030	1.9%
Equity in loss of affiliates	37	237	(200)	
Operating (loss) profit	(854)	19,104	(19,958)	(104.5)%
Interest and related financing fees, net	694	2,026	(1,332)	(65.7)%
(Loss) earnings before income taxes	(1,548)	17,078	(18,626)	(109.1)%
Income tax expense	6,068	6,465	(397)	(6.1)%
(Loss) earnings from continuing operations	(7,616)	10,613	(18,229)	(171.8)%
(Loss) from discontinued operations	(11,076)	(2,874)	(8,202)	285.4%
Net (loss) earnings	(18,692)	7,739	(26,431)	(341.5)%
Less: net earnings—noncontrolling interests	136	808	(672)	(83.2)%
Net (loss) earnings attributable to Hill International, Inc.	$ (18,828)	$ 6,931	(25,759)	(371.6)%

CFR decreased $33,730,000, or 7.2%, to $434,147,000 in 2016. The primary decrease in CFR occurred in the Middle East as economic conditions caused a decrease in project activity and a decrease in Oman as a major project began to wind down.

Cost of services decreased $16,602,000, or 5.7%, to $272,243,000 in 2016 primarily due to decreases in the Middle East partially offset by increases in the United States.

Gross profit decreased $17,128,000, or 9.6%, to $161,904,000 in 2016 due to lower margins, in both dollars and percentages, primarily in the Middle East.

Selling, general and administrative ("SG&A") expenses increased $3,030,000, or 1.9%, primarily due to increased bad debt expense of $8,193,000, partially offset by a decrease in unapplied and indirect labor cost in Brazil and Spain.

Operating loss was ($854,000) in 2016 compared to an operating profit of $19,104,000 in 2015. The decrease in operating profit was primarily due to the decrease in CFR and the increase in bad debt expense in the Middle East, partially offset by an increase in operating profit in the United States.

Income tax expense was $6,068,000 for 2016 compared to $6,465,000 for 2015. The increase in expense results from increased pretax profits from foreign operations, the mix of tax rates in those jurisdictions and no offsetting tax benefits arising from the Company's U.S. net operating losses which management believes the Company will not be able to utilize.

Net loss attributable to Hill was ($18,828,000) in 2016 compared to net earnings of $6,931,000 in 2015. Diluted loss per common share was ($0.36) in 2016 based upon 51,724,000 diluted common shares outstanding compared to net earnings per diluted common share of $0.13 in 2015 based upon 51,311,000 diluted common shares outstanding. Diluted loss per common share from continuing operations in 2016 was ($0.15) compared to diluted earnings per share from continuing operations in 2015 of $0.19.

Despite the drop in global oil prices and its negative impact on the construction industry, particularly in the Middle East, we remain optimistic about maintaining our current growth strategy to pursue new business development opportunities, continue to take advantage of organic growth opportunities, continue to pursue selective acquisitions and strengthen our professional resources. In addition, in the latter part of 2016, we initiated a review of our corporate and operational overhead cost structure. The areas that will be most affected will be overhead personnel and related benefits and expenses. We believe these efforts combined with the sale of the pending sale of the Construction Claims Group and deleveraging of our balance sheet should significantly improve profitability and shareholder value.

Critical Accounting Policies and Estimates

Our consolidated financial statements contained in this Annual Report on Form 10-K were prepared in accordance with U.S. generally accepted accounting principles. While there are a number of accounting policies, methods and estimates that affect the consolidated financial statements as described in Note 4 to the consolidated financial statements, areas that are particularly significant are discussed below. We believe our assumptions are reasonable and appropriate, however actual results may be materially different than estimated.

Revenue Recognition

We generate revenue primarily from providing professional services to our clients. Revenue is generally recognized upon the performance of services. In providing these services, we may incur reimbursable expenses, which consist of amounts paid to subcontractors and other third parties as well as travel and other job related expenses that are contractually reimbursable from clients. We will include reimbursable expenses in computing and reporting our total contract revenue as long as we remain responsible to the client for the fulfillment of the contract and for the overall acceptability of all services provided.

We earn our revenue from cost-plus, fixed-price and time-and-materials contracts. If estimated total costs on any contract indicate a loss, we charge the entire estimated loss to operations in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses, and other effects are recorded in the accounting period in which the events indicating a loss are known and the loss can be reasonably estimated. Such revisions could occur at any time and the effects may be material. The majority of our contracts are for work where we bill the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as either (i) a negotiated multiplier of our direct labor costs or (ii) as direct labor costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rates are generally taken from a standard fee schedule by staff classification or they can be at a negotiated discount from this schedule. In some cases, primarily for foreign work, a fixed monthly staff rate is negotiated rather than an hourly rate. This monthly rate is determined based upon a buildup of direct labor costs plus overhead and profit. We account for these contracts on a time-and-expenses method, recognizing revenue as costs are incurred.

We account for fixed-price contracts on the "percentage-of-completion" method, wherein revenue is recognized as costs are incurred. Under the percentage-of-completion method for revenue recognition, we estimate the progress towards completion to determine the amount of revenue and profit to be recognized. We generally utilize a cost-to-cost approach in applying the percentage-of-completion method, where revenue is earned in proportion to total costs incurred divided by total costs expected to be incurred.

Under the percentage-of-completion method, recognition of profit is dependent upon the accuracy of estimates. We have a history of making reasonably dependable estimates of contract revenue, the extent of progress towards completion and contract completion costs on our long-term construction management contracts. However, due to uncertainties inherent in the estimation process, it is possible that actual completion costs may vary from estimates.

Allowance for Doubtful Accounts

We make ongoing estimates relating to the collectability of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our clients to make required payments. Estimates used in determining accounts receivable allowances are based on our evaluation of specific client accounts and contracts involved and the financial condition of our clients. The factors we consider in our evaluations include, but are not limited to, client type (U.S. federal and other national governments, state and local governments or private sector), historical contract performance, historical collection and delinquency trends, client credit worthiness, and general economic and political conditions. At December 31, 2016 and 2015, the allowance for doubtful accounts was $71,081,700 and $60,535,000, respectively.

Goodwill and Acquired Intangible Assets

Goodwill is tested annually for impairment in our third fiscal quarter or more frequently if events or circumstances indicate that there may be impairment. We have determined that, with the pending sale of our Construction Claims Group, we now operate one reporting unit, the Project Management unit. We made that determination based on the similarity of the services provided, the methodologies in delivering our services and the similarity of the client base. To determine the fair value of our reporting unit, we use the market approach and the income approach, weighting the results of each approach.

Under the market approach, we determine fair value using the public company method and the quoted price method. We utilized a control premium of 30% to arrive at the preliminary fair value, and we applied a weighting of 20% to the preliminary fair value determined by using the public company method. The quoted price method is based upon the market value of the transactions of minority interests in the publicly-traded shares of the Company. We utilized a control premium of 30% to arrive at the preliminary fair value, and we applied a weighting of 50% to the preliminary fair value determined using the quoted price method.

Our calculation under the income approach utilizes our internal forecasts. In the income approach (that is, the discounted cash flow method), the projected cash flows reflect the cash flows subsequent to the sale of the reporting unit pursuant to the guidance in ASC 350 and ASC 820. Consistent with applicable literature, we include in projected cash flows any expected improvements in cash flows or other changes that, in our view, a market participant would consider and be willing to pay for (but we exclude any buyer- or entity-specific synergies). The projections are developed by us and are based upon cash flows that maximize reporting unit value by taking into account improvements that controlling-interest holders can make, but minority interest holders cannot make. These improvements include: increasing revenues, reducing operating costs, or reducing non-operating costs such as taxes. The owners of the enterprise may also increase enterprise value by reducing risk; for example, by diversifying the business, improving access to capital, increasing the certainty of cash flows, or optimizing the capital structure.

We considered the factors listed above when developing the cash flows to support the income approach. Recognizing that due to elements of control incorporated into our reporting unit's forecast, we applied no control premium to our conclusion of value indicated by the discounted cash flows. In determining fair value, we applied a weighting of 30% to the preliminary fair value determined using the income approach.

With regard to weighting the conclusions rendered by the approaches utilized, we believe that the quoted price method provides the most reliable indication of value (that is, a Level 1 input); therefore, we placed the greatest emphasis upon this method assigning a 50% weighting. We also determined that the value using the discounted cash flow method (to which we assigned a 30% weighting) provided a more reliable indication of value than the public company method (to which we assigned a 20% weighting) with the relative levels of reliability contributing to the weighting accorded to each approach.

Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the period over which cash flows will occur, and determination of the weighted average cost of capital, among other things. Based on the valuation as of July 1, 2016, the fair value of the Project Management unit substantially exceeded its carrying value. Changes in these estimates and assumptions could materially affect our determination of fair value and/or goodwill impairment. Changes in future market conditions, our business strategy, or other factors could impact upon the future value of our Project Management operations, which could result in future impairment charges.

At the time of the annual impairment test, the Construction Claims unit was still part of our continuing operations. Based on the valuation as of July 1, 2016, which utilized the same processes noted above, the fair value of the Construction Claims unit substantially exceeded its carrying value.

We amortize acquired intangible assets over their estimated useful lives and review the long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. We use internal discounted cash flow estimates, quoted market prices when available and independent appraisals, as appropriate, to determine fair value. We derive the required cash flow estimates from our historical experience and our internal business plans and apply an appropriate discount rate.

Income Taxes

We make judgments and interpretations based on enacted tax laws, published tax guidance, as well as estimates of future earnings. These judgments and interpretations affect the provision for income taxes, deferred tax assets and liabilities and the valuation allowance. We evaluate the deferred tax assets to determine on the basis of objective factors whether the net assets will be realized through future years' taxable income. In the event that actual results differ from these estimates and assessments, additional valuation allowances may be required.

We will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

Stock Options

We recognize compensation expense for all stock-based awards. These awards have included awards of common stock, deferred stock units and stock options. While fair value may be readily determinable for awards of stock and deferred stock units, market quotes are not available for long-term, nontransferable stock options because these instruments are not traded. We currently use the Black-Scholes option pricing model to estimate the fair value of options. Option valuation models require the input of highly subjective assumptions, including but not limited to stock price volatility, expected life and stock option exercise behavior.

Contingencies

Estimates are inherent in the assessment of our exposure to insurance claims that fall below policy deductibles and to litigation and other legal claims and contingencies, as well as in determining our liabilities for incurred but not reported insurance claims. Significant judgments by us and reliance on third-party experts are utilized in determining probable and/or reasonably estimable amounts to be recorded or disclosed in our financial statements. The results of any changes in accounting estimates are reflected in the financial statements of the period in which the changes are determined. We do not believe that material changes to these estimates are reasonably likely to occur.

Results of Operations

Year Ended December 31, 2016 Compared to
Year Ended December 31, 2015

Consulting Fee Revenue ("CFR") (dollars in thousands)

	2016		2015		Change	
United States	**$ 137,528**	**31.7%**	$ 122,423	26.2%	$ 15,105	12.3%
Latin America	**18,708**	**4.3**	26,304	5.6	(7,596)	(28.9)
Europe	**38,455**	**8.8**	39,519	8.4	(1,064)	(2.7)
Middle East	**204,780**	**47.2**	245,985	52.6	(41,205)	(16.8)
Africa	**20,815**	**4.8**	20,461	4.4	354	1.7
Asia/Pacific	**13,861**	**3.2**	13,185	2.8	676	5.1
Total	**$ 434,147**	**100.0%**	$ 467,877	100.0%	$ (33,730)	(7.2)%

The primary decrease in CFR occurred in the Middle East with decreases of $15,493,000 in the United Arab Emirates and $5,565,000 in Saudi Arabia as economic conditions caused a decrease in funding for projects and a decrease of $14,962,000 in Oman with the beginning of a wind down of a major project. The increase in CFR in the United States occurred throughout all regions. In Latin America, the decrease was primarily in Brazil where CFR decreased by $6,774,000 as the economic conditions in the region continue to reduce available work. In Europe, decreases in Romania, Azerbaijan and Luxembourg were partially offset by increases in Turkey, Germany, Serbia and Poland. In Africa, CFR was up slightly where increases in Algeria and Morocco were partially offset by a decrease in Egypt. The increase in Asia/Pacific occurred primarily in India.

Reimbursable Expenses (dollars in thousands)

	2016		2015		Change	
United States	**$ 66,508**	**76.7%**	64,976	76.7%	$ 1,532	2.4%
Latin America	**66**	**0.1**	47	0.1	19	40.4
Europe	**2,787**	**3.2**	3,394	4.0	(607)	(17.9)
Middle East	**13,095**	**15.1**	9,912	11.7	3,183	32.1
Africa	**3,222**	**3.7**	3,474	4.1	(252)	(7.3)
Asia/Pacific	**1,022**	**1.2**	2,896	3.4	(1,874)	(64.7)
Total	**$ 86,700**	**100.0%**	$ 84,699	100.0%	$ 2,001	2.4%

Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our revenue and cost of services captions in our consolidated statements of operations. The increase in reimbursable expenses is primarily due to increased use of subcontractors in our Mid-Atlantic region and Qatar.

Cost of Services (dollars in thousands)

	2016			2015			Change	
			% of CFR			% of CFR		
United States	**$ 77,065**	**28.3%**	**56.0%**	$ 67,060	23.2%	54.8%	$ 10,005	14.9%
Latin America	**11,405**	**4.2**	**61.0**	15,230	5.3	57.9	(3,825)	(25.1)
Europe	**24,809**	**9.1**	**64.5**	25,578	8.9	64.7	(769)	(3.0)
Middle East	**140,438**	**51.6**	**68.6**	161,464	55.9	65.6	(21,026)	(13.0)
Africa	**12,045**	**4.4**	**57.9**	13,292	4.6	65.0	(1,247)	(9.4)
Asia/Pacific	**6,481**	**2.4**	**46.8**	6,221	2.1	47.2	260	4.2
Total	**$ 272,243**	**100.0%**	**62.7%**	$ 288,845	100.0%	61.7%	$ (16,602)	(5.7)%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses. The decrease in cost of services is primarily due to decreases in the Middle East direct labor due to lower CFR partially offset by increased direct labor in the United States supporting increased CFR.

Gross Profit (dollars in thousands)

	2016			2015			Change	
			% of CFR			% of CFR		
United States	**$ 60,463**	**37.3%**	**44.0%**	$ 55,363	30.9%	45.2%	$ 5,100	9.2%
Latin America	**7,303**	**4.5**	**39.0**	11,074	6.2	42.1	(3,771)	(34.1)
Europe	**13,646**	**8.4**	**35.5**	13,941	7.8	35.3	(295)	(2.1)
Middle East	**64,342**	**39.7**	**31.4**	84,521	47.2	34.4	(20,179)	(23.9)
Africa	**8,770**	**5.4**	**42.1**	7,169	4.0	35.0	1,601	22.3
Asia/Pacific	**7,380**	**4.6**	**53.2**	6,964	3.9	52.8	416	6.0
Total	**$ 161,904**	**100.0%**	**37.3%**	$ 179,032	100.0%	38.3%	$ (17,128)	(9.6)%

The decrease in gross profit included decreases in the Middle East and Latin America due to the decreases in CFR partially offset by increases in the United States. The overall gross profit percentage decreased due to lower margins primarily in the United Arab Emirates, Oman and Qatar.

Selling, General and Administrative ("SG&A") Expenses (dollars in thousands)

	2016			2015			Change	
			% of CFR			% of CFR		
United States	**$ 42,482**	**26.1%**	**9.8%**	$ 40,904	25.6%	8.7%	$ 1,578	3.9%
Latin America	**8,990**	**5.5**	**2.1**	9,765	6.1	2.1	(775)	(7.9)
Europe	**18,292**	**11.2**	**4.2**	20,253	12.7	4.3	(1,961)	(9.7)
Middle East	**44,233**	**27.2**	**10.2**	40,729	25.5	8.7	3,504	8.6
Africa	**6,807**	**4.2**	**1.6**	6,347	4.0	1.4	460	7.2
Asia/Pacific	**5,666**	**3.5**	**1.3**	4,877	3.1	1.0	789	16.2
Corporate Expenses	**36,251**	**22.3**	**8.3**	36,816	23.1	7.9	(565)	(1.5)
Total	**$ 162,721**	**100.0%**	**37.5%**	$ 159,691	100.0%	34.1%	$ 3,030	1.9%

The increase in selling, general and administrative expenses was primarily due to the following:

- A net increase of $8,193,000 in bad debt expense for increased reserves for certain accounts receivable due primarily to Middle East and Asia Pacific regions, partially offset by reduction in the United States; and

- A decrease of $4,969,000 in unapplied and indirect labor due primarily to reductions in staff in Brazil and Spain during 2015 and early 2016.

Operating Profit (Loss) (dollars in thousands)

	2016		2015		Change	
		% of CFR		% of CFR		
United States	**$ 17,981**	**13.1%**	$ 14,459	11.8%	$ 3,522	24.4%
Latin America	**(1,687)**	**(9.0)**	1,309	5.0	(2,996)	N.M
Europe	**(4,646)**	**(12.1)**	(6,312)	(16.0)	1,666	(26.4)
Middle East	**20,109**	**9.8**	43,792	17.8	(23,683)	(54.1)
Africa	**1,963**	**9.4**	822	4.0	1,141	138.8
Asia/Pacific	**1,677**	**12.1**	1,850	14.0	(173)	(9.4)
Corporate	**(36,251)**	**8.3**	(36,816)	7.9	565	(1.5)
Total	**$ (854)**	**(0.2)%**	$ 19,104	4.1%	$ (19,958)	(104.5)%

The decrease in operating profit was primarily due to the decrease in CFR and the increase in bad debt expense in the Middle East partially offset by an increase in the United States. Corporate expenses decreased by $565,000, but represented 8.3% of CFR in 2016 compared to 7.9% of CFR in 2015.

Interest and related financing fees, net

Net interest and related financing fees decreased $1,332,000 to $694,000 in 2016 as compared with $2,026,000 in 2015. The decrease was primarily due to interest of $1,056,000 paid to a subcontractor as a result of a legal settlement in 2015.

Income Taxes

In 2016, income tax expense was $6,068,000 compared to $6,465,000 in 2015. The effective income tax expense rates for 2016 and 2015 were (392.0%) and 37.9%, respectively. The decrease in expense in 2016 compared to 2015 results from the mix of income and tax rates in various foreign jurisdictions. The difference in the Company's 2016 effective tax rate compared to the 2015 rate is primarily related to a significant decrease in the Company's foreign pretax earnings of approximately $24,000,000, primarily related to the Middle East operations without a significant related income tax benefit. In addition, the Company recognized an income tax expense of $689,000 in 2016 resulting from adjustments to agree the 2015 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. In both years, the Company's effective tax rate is significantly higher than the U.S. federal statutory rate primarily as a result of increases caused by various foreign withholding taxes and the inability to record an income tax benefit related to the U.S. net operating loss.

In 2015, several items materially affected the Company's effective tax rate. An income tax benefit of $205,000 resulted from adjustments to agree the 2014 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. The benefit was offset by increased foreign withholding taxes.

Net (Loss) Earnings Attributable to Hill

Net loss attributable to Hill International, Inc. for 2016 was ($18,828,000), or ($0.36) per diluted common share based on 51,724,000 diluted common shares outstanding, as compared to net earnings for 2015 of $6,931,000, or $0.13 per diluted common share based upon 51,311,000 diluted common shares outstanding. Net loss from continuing operations for 2016 was ($7,752,000), or ($0.15) per diluted share, compared to net earnings from continuing operations of $9,805,000, or $0.20 per diluted share, in 2015.

Year Ended December 31, 2015 Compared to
Year Ended December 31, 2014

Consulting Fee Revenue ("CFR") (dollars in thousands)

	2015		2014		Change	
United States	**$ 122,423**	**26.2%**	$ 102,095	23.8%	$ 20,328	19.9%
Latin America	**26,304**	**5.6**	36,925	8.6	(10,621)	(28.8)
Europe	**39,519**	**8.4**	34,943	8.2	4,576	13.1
Middle East	**245,985**	**52.6**	222,754	51.9	23,231	10.4
Africa	**20,461**	**4.4**	18,402	4.3	2,059	11.2
Asia/Pacific	**13,185**	**2.8**	13,708	3.2	(523)	(3.8)
Total	**$ 467,877**	**100.0%**	$ 428,827	100.0%	$ 39,050	9.1%

The primary increases in CFR occurred in the Middle East and the United States. In the Middle East, there was an increase of $37,614,000 in the United Arab Emirates and $6,400,000 in Saudi Arabia where several new projects started partially offset by decreases of $13,883,000 in Iraq due to the cessation of projects caused by the political turmoil and $8,093,000 in Oman where a major project continued at a lower volume. The increase of $20,328,000 in CFR in the United States occurred throughout all regions. In Latin America, the decrease of $10,621,000 was primarily in Brazil where CFR decreased by $8,914,000 as the economic conditions continue to cause reduced work. In Europe, there were increases of $4,898,000 in Kazakhstan and $3,683,000 in Turkey due to the acquisition of IMS Proje Yonetimi ve Dansmanlik A.S. ("IMS") in April 2015. This was partially offset by decreases in Spain and Latvia. In Africa, CFR was up with increases in Egypt and Algeria partially offset by a decrease in Morocco. The decrease in Asia/Pacific occurred primarily in Afghanistan partially offset by an increase in India.

Reimbursable Expenses (dollars in thousands)

	2015		2014		Change	
United States	**$ 64,976**	**76.7%**	$ 44,129	74.9%	$ 20,847	47.2%
Latin America	**47**	**0.1**	23	—	24	104.3
Europe	**3,394**	**4.0**	2,415	4.1	979	40.5
Middle East	**9,912**	**11.7**	8,124	13.8	1,788	22.0
Africa	**3,474**	**4.1**	3,255	5.5	219	6.7
Asia/Pacific	**2,896**	**3.4**	981	1.7	1,915	195.2
Total	**$ 84,699**	**100.0%**	$ 58,927	100.0%	$ 25,772	43.7%

Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our total revenue and total direct expenses captions in our consolidated statements of operations. The increase in reimbursable expenses is primarily due to increased use of subcontractors throughout the United States, primarily in our Northeast and Mid-Atlantic regions.

Cost of Services (dollars in thousands)

	2015			2014			Change	
			% of CFR			% of CFR		
United States	**$ 67,060**	**23.2%**	**54.8%**	$ 56,474	21.4%	55.3%	$ 10,586	18.7%
Latin America	**15,230**	**5.3**	**57.9**	22,444	8.5	60.8	(7,214)	(32.1)
Europe	**25,578**	**8.9**	**64.7**	22,079	8.4	63.2	3,499	15.8
Middle East	**161,464**	**55.9**	**65.6**	145,210	55.0	65.2	16,254	11.2
Africa	**13,292**	**4.6**	**65.0**	11,300	4.3	61.4	1,992	17.6
Asia/Pacific	**6,221**	**2.1**	**47.2**	6,299	2.4	46.0	(78)	(1.2)
Total	**$ 288,845**	**100.0%**	**61.7%**	$ 263,806	100.0%	61.5%	$ 25,039	9.5%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses. The increase in cost of services is primarily due to increases in direct labor in the Middle East and the United States due to higher CFR partially offset by decreased direct labor in Latin America due to decreased CFR.

Gross Profit (dollars in thousands)

	2015			2014			Change	
			% of CFR			% of CFR		
United States	**$ 55,363**	**30.9%**	**45.2%**	$ 45,621	27.6%	44.7%	$ 9,742	21.4%
Latin America	**11,074**	**6.2**	**42.1**	14,481	8.8	39.2	(3,407)	(23.5)
Europe	**13,941**	**7.8**	**35.3**	12,864	7.8	36.8	1,077	8.4
Middle East	**84,521**	**47.2**	**34.4**	77,544	47.0	34.8	6,977	9.0
Africa	**7,169**	**4.0**	**35.0**	7,102	4.3	38.6	67	0.9
Asia/Pacific	**6,964**	**3.9**	**52.8**	7,409	4.5	54.0	(445)	(6.0)
Total	**$ 179,032**	**100.0%**	**38.3%**	$ 165,021	100.0%	38.5%	$ 14,011	8.5%

The increase in gross profit included increases in the United States and the Middle East due to increased CFR partially offset by a decrease in Latin America due to the decreases in CFR. The overall gross profit percentage remained relatively constant at 38.3% in 2015 compared to 38.5% in 2014.

Selling, General and Administrative ("SG&A") Expenses (dollars in thousands)

	2015			2014			Change	
			% of CFR			% of CFR		
United States	**$ 40,904**	**25.6%**	**8.7%**	$ 38,197	26.9%	8.9%	$ 2,707	7.1%
Latin America	**9,765**	**6.1**	**2.1**	13,063	9.2	3.0	(3,298)	(25.2)
Europe	**20,253**	**12.7**	**4.3**	18,009	12.7	4.2	2,244	12.5
Middle East	**40,729**	**25.5**	**8.7**	35,176	24.8	8.2	5,553	15.8
Africa	**6,347**	**4.0**	**1.4**	2,286	1.6	0.5	4,061	177.6
Asia/Pacific	**4,877**	**3.1**	**1.0**	5,116	3.6	1.2	(239)	(4.7)
Corporate Expenses	**36,816**	**23.0**	**7.9**	30,232	21.2	7.0	6,584	21.8
	$ 159,691	**100.0%**	**34.1%**	$ 142,079	100.0%	33.1%	$ 17,612	12.4%

The increase in selling, general and administrative expenses was primarily due to the following:

- An increase of $11,595,000 in bad debt expense for increased reserves for certain accounts receivable in the Middle East and due to the 2014 collection of previously reserved Libya receivables;
- An increase in legal fees of $2,259,000 primarily related to the proxy contest; and
- An increase of $4,163,000 in unapplied and indirect labor due primarily to increases in staff in the Middle East in support of increased CFR.

Operating Profit (Loss) (dollars in thousands)

	2015		2014		Change	
		% of CFR		% of CFR		
United States	**$ 14,459**	**11.8%**	$ 7,424	7.3%	$ 7,035	94.8%
Latin America	**1,309**	**5.0**	1,418	3.8	(109)	(7.7)
Europe	**(6,312)**	**(16.0)**	(5,145)	(14.7)	(1,167)	22.7
Middle East	**43,792**	**17.8**	42,368	19.0	1,424	3.4
Africa	**822**	**4.0**	4,816	26.2	(3,994)	(82.9)
Asia Pacific	**1,850**	**14.0**	2,293	16.7	(443)	(19.3)
Corporate	**(36,816)**		(30,232)		(6,584)	21.8
Total	**$ 19,104**	**4.1%**	$ 22,942	5.3%	$ (3,838)	(16.7)%

The decrease in operating profit was primarily due to the decrease in Africa of $3,994,000 due to the 2014 reversal of bad debt expense for the Libya collection and an increase of $2,900,000 in bad debt expense in the Middle East and an increase in Corporate expenses including an increase in legal fees of $2,353,000 related to the proxy contest and an increase of $2,594,000 in indirect labor support of the overall growth in CFR. Corporate expenses represented 7.9% in 2015 compared to 7.0% in 2014.

Interest and related financing fees, net

Interest and related financing fees increased $462,000 to $2,026,000 in 2015 as compared with $1,564,000 in 2014, primarily due to additional borrowings to support our operations in the Middle East.

Income Taxes

In 2015, the income tax expense was $6,465,000 compared to an income tax expense of $7,512,000 in 2014. The effective income tax expense rates for 2015 and 2014 were 37.9% and 35.1%, respectively.

The decrease in expense results from the mix of income tax rates in the Company's foreign jurisdictions. The difference in the Company's 2015 effective tax rate compared to the 2014 rate is also primarily related to the mix of income and tax rates in the Company's foreign jurisdictions. In both years, the Company's effective tax rate is significantly higher than it otherwise would be primarily as a result of not being able to record an income tax benefit related to the U.S. net operating loss plus increases caused by various foreign withholding taxes.

In 2015, several items materially affected the Company's effective tax rate. An income tax benefit of $205,000 resulted from adjustments to agree the 2014 book amount to the actual amounts reported on the tax returns in foreign jurisdictions. This benefit was offset by increased foreign withholding taxes.

In 2014, several items materially affected the Company's effective tax rate. The Company realized a net benefit of $2,379,000 primarily from the reversal of prior year's uncertain tax positions based on management's assessment that these items were effectively settled with the appropriate foreign tax authorities. An income tax expense of $1,050,000 resulted from adjustments to agree the 2013 book amount to the actual amounts reported on the tax returns in foreign jurisdictions.

Net Earnings (Loss) Attributable to Hill

Net earnings attributable to Hill International, Inc. for 2015 were $6,931,000, or $0.14 per diluted common share based on 51,311,000 diluted common shares outstanding, as compared to a net loss in 2014 of ($6,148,000), or ($0.14) per diluted common share based upon 44,370,000 diluted common shares outstanding. Net earnings from continuing operations for 2015 were $9,805,000, or $0.21 per diluted share, compared to $12,565,000, or $0.31 per fully diluted share for 2014.

Non-GAAP Financial Measures

EBITDA, a non-GAAP performance measure used by management, is defined as net earnings plus interest expense, income tax expense and depreciation and amortization, as shown in the table below. EBITDA does not purport to be an alternative to net earnings as a measure of financial and operating performance or ability to generate cash flows from operations that are available for taxes and capital expenditures. Because not all companies use identical calculations, this presentation of EBITDA may not be comparable to other similarly-titled measures of other companies. We use, and we believe investors benefit from the presentation of, EBITDA in evaluating our operating performance because it provides us and our investors with an additional tool to compare our operating performance on a consistent basis by removing the impact of certain items that management believes do not directly reflect our core operations. We believe that EBITDA is useful to investors and other external users of our financial statements in evaluating our operating performance because EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest expense, taxes, and depreciation and amortization, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired.

Using EBITDA as a performance measure has material limitations as compared to net earnings, or other financial measures as defined under U.S. GAAP as it excludes certain recurring items which may be meaningful to investors. EBITDA excludes interest expense; however, as we have borrowed money in order to finance transactions and operations, interest expense is an element of our cost structure and can affect our ability to generate revenue and returns for our stockholders. Further, EBITDA excludes depreciation and amortization; however, as we use capital and intangible assets to generate revenues, depreciation and amortization are a necessary element of our costs and ability to generate revenue. Finally, EBITDA excludes income taxes; however, as we are organized as a corporation, the payment of taxes is a necessary element of our operations. As a result of these exclusions from EBITDA, any measure that excludes interest expense, depreciation and amortization and income taxes has material limitations as compared to net earnings. When using EBITDA as a performance measure, management compensates for these limitations by comparing EBITDA and net earnings in each period, so as to allow for the comparison of the performance of the underlying core operations with the overall performance of the company on a full-cost, after-tax basis. Using both EBITDA and net earnings to evaluate the business allows management and investors to (a) assess our relative performance against our competitors and (b) monitor our capacity to generate returns for our stockholders.

A reconciliation of EBITDA to the most directly comparable GAAP measure follows (in thousands):

	Years Ended December 31,		
	2016	**2015**	**2014**
Net (loss) earnings from continuing operations	**$ (7,752)**	$ 9,805	$ 12,565
Interest	**694**	2,026	1,564
Income taxes	**6,068**	6,465	7,512
Depreciation and amortization	**7,153**	7,909	7,104
EBITDA	**$ 6,163**	$ 26,205	$ 28,745

Liquidity and Capital Resources

At December 31, 2016, our primary sources of liquidity consisted of $25,637,000 of cash and cash equivalents, of which $25,187,000 was on deposit in foreign locations, and $13,176,000 of available borrowing capacity under our various credit facilities. At December 31, 2016, we were in default of our Consolidated Net Leverage Ratio. On March 27, 2017, we received a waiver of the default from the Agent. See Note 11 to our consolidated financial statements for a description of our credit facilities and term loan. We believe that we have sufficient liquidity to support the reasonably anticipated cash needs of our operations over the next twelve months. However, significant unforeseen events, such as termination or cancellation of major contracts or further delays in receivable collections, could adversely affect our liquidity and results of operations. If market opportunities exist, we may choose to undertake financing actions to further enhance our liquidity, which could include borrowing additional funds under our credit agreements, obtaining new bank debt, raising funds through capital market transactions, or other strategic initiatives. See "Sources of Additional Capital" for further information.

The amount of CFR attributable to operations in the Middle East and Africa has grown to approximately 52.0% of total consolidated CFR in 2016. We have recently experienced a slowdown in collections from our clients in the Middle East primarily due to the drop in oil prices. This has put a considerable strain on our liquidity. As a result, we have had to rely heavily on debt and equity transactions to fund our operations and we may continue our reliance on debt and equity transactions for our liquidity needs over the next 18 months.

In 2012, we commenced operations on the Oman Airport project with the Ministry of Transport and Communications ("MOTC"). The original contract term was to expire in November 2014. In October 2014, we applied for a twelve-month extension of time amendment ("first extension") (which was subsequently approved in March 2016) and we continued to work on the Oman Airport project. We began to experience some delays in payment during the second quarter of 2015 when MOTC commenced its formal review and certification of our invoices. In December 2015, we began discussions with the MOTC on a second extension of time amendment ("second extention") and have since commenced additional work, which we expect to last approximately 18 months. When the MOTC resumed payments in 2016, we received approximately $42,000,000 during the year and approximately $6,153,000 during the first quarter of 2017. At December 31, 2016, accounts receivable from Oman totaled approximately $27,132,000. Approximately $16,500,000 was past due based on contractual terms.

Although MOTC has not made payments under the contractual terms of the first extension and second extension amendments, we have received full payment under the first extension and believe that the same will hold true for the second extension as there is no evidence to the contrary. In fact, there are multiple indicators that we will receive payment: Oman is a wealthy, stable and solvent country which recently raised funds in the capital markets to help finance its budget, the MOTC has certified the past due invoices and MOTC has indicated that it is committed to paying its obligations to us.

Additional Capital Requirements

Our subsidiary, Hill International (Spain), S.A. ("Hill Spain"), owns an indirect 91% interest in Engineering S.A. ("ESA"), a firm located in Brazil, and now known as Hill International do Brasil, S.A. ESA's shareholders entered into an agreement whereby the minority shareholders have a right to compel ("ESA Put Option") Hill Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel ("ESA Call Option") the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA's most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. On June 17, 2016, the three remaining minority shareholders exercised their ESA Put Option claiming a value of BRL 8,656,000 (approximately $2,670,000 at June 30, 2016). The Company accrued the liability which is included in other current liabilities and as an adjustment to additional paid-in capital in the consolidated balance sheet at December 31, 2016. The amount is subject to negotiation and any difference will be recorded upon completion of the transaction.

Hill Spain entered into a new credit agreement with three new banks. The total new facility is for €2,770,000 (approximately $2,915,000) at December 31, 2016. The facility was fully utilized at December 31, 2016. Interest rates at December 31, 2016 were between 1.85% and 3.50%. The loans have varying expiration dates between 36 and 60 months.

In connection with the acquisition of IMS on April 15, 2015, the Company had accrued approximately TRY 1,700,000 for a potential earn out which would be payable if earnings before interest, income taxes, depreciation and amortization for the twelve month period subsequent to the closing date ("EBITDA") exceeded TRY 3,500,000. A lesser amount would have been payable if EBITDA was between TRY 3,200,000 and TRY 3,500,000. IMS's EBITDA through the one-year anniversary of the acquisition date was not sufficient to earn any of the Additional Purchase Price and the liability was eliminated by a credit of approximately $673,000 to selling, general and administrative expenses for the year ended December 31, 2016.

Sources of Additional Capital

We have an effective registration statement on Form S-3 on file with the SEC to register 20,000,000 shares of our common stock for issuance and sale by us at various times in the future. To date, we have issued 9,546,629 shares under this registration statement, leaving a balance of 10,453,371 shares. The proceeds, if any, will be used for working capital and general corporate purposes, subject to the restrictions of our Secured Credit Facilities. We cannot predict the amount of proceeds from those future sales, if any, or whether there will be a market for our common stock at the time of any such offering or offerings to the public.

In addition, we have an effective registration statement on Form S-4 on file with the SEC to register 20,000,000 shares of our common stock for issuance in connection with business acquisitions.

To date, we have issued 1,073,196 shares under this registration statement, leaving a balance of 18,926,804 shares. We cannot predict whether, in the future, we will offer these shares to potential sellers of businesses or assets we might consider acquiring or whether these shares will be acceptable as consideration by any potential sellers.

At December 31, 2016, we had $13,176,000 of available borrowing capacity under our various credit agreements.

We also have relationships with other foreign banks for the issuance of letters of credit, letters of guarantee and performance bonds in a variety of foreign currencies. At December 31, 2016, we had approximately $44,702,000 of availability under these arrangements.

We cannot provide any assurance that any other sources of financing will be available, or if available, that the financing will be on terms acceptable to us.

Cash Flow Activity During the Year Ended December 31, 2016

For the year ended December 31, 2016, our cash and cash equivalents increased by $1,548,000 to $25,637,000. This compares to a net decrease in cash and cash equivalents of ($6,035,000) during the prior year. Cash provided by operations was $9,568,000, cash used in investing activities was ($3,884,000) and cash used in financing activities was ($3,167,000). We also experienced a decrease in cash of ($969,000) from the effect of foreign currency exchange rate fluctuations.

Operating Activities

Our operations generated cash of $9,568,000 in 2016. This compares to cash used of ($6,853,000) in 2015 and cash generated of $6,305,000 in 2014. We had a net loss from continuing operations in 2016 amounting to ($7,616,000), net earnings of $10,613,000 in 2015 and net earnings of $13,866,000 in 2014. Depreciation and amortization was $7,153,000 in 2016 compared to $7,909,000 in 2015 and $7,104,000 in 2014; the decrease in this category in 2016 versus 2015 is due to the full amortization of the shorter-lived intangible assets of companies which we acquired over the last several years; the increase in 2015 over 2014 is due to significant additions to property and equipment related to our move to Philadelphia in 2015. We had a deferred tax provision of $2,293,000 in 2016 primarily due to several temporary differences in foreign jurisdictions.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds and letters of credit at December 31, 2016 and 2015 were $4,625,000 and $4,694,000, respectively. The decrease between years is due to a reduction in the collateral requirements that we were able to achieve with certain foreign lenders.

Average days sales outstanding ("DSO") at December 31, 2016 was 125 days compared to 104 days at December 31, 2015. DSO is a measure of our ability to collect our accounts receivable and is calculated by dividing the total of the period-end billed accounts receivable balance by average daily revenue (i.e., revenue for the quarter divided by 90 days). Generally, the age of our receivables is adversely affected by the timing of payments from our clients in Europe and Africa, which have historically been slower than payments from clients in other geographic regions of the Company's operations. The increase in DSO in 2016 from 2015 was due to a slowing of collections from our clients in the Middle East, particularly Oman.

Although we continually monitor our accounts receivable, we manage our operating cash flows by managing the working capital accounts in total, rather than by individual elements. The primary elements of our working capital are accounts receivable, prepaid and other current assets, accounts payable and deferred revenue. Accounts receivable consist of billing to our clients for our consulting fees and other job-related costs. Prepaid expenses and other current assets consist of prepayments for various selling, general and administrative costs, such as insurance, rent, maintenance, etc. Accounts payable consist of obligations to third parties relating primarily to costs incurred for specific engagements, including pass-through costs such as subcontractor costs. Deferred revenue consists of payments received from clients in advance of work performed.

From year to year, the components of our working capital accounts may reflect significant changes. The changes are due primarily to the timing of cash receipts and payments with our working capital accounts combined with increases in our receivables and payables relative to the increase in our overall business, as well as our acquisition activity. In 2016 and 2015, payments to our vendors were drawn out due to a slowdown in our receipts against accounts receivable primarily in the Middle East and particularly Oman.

Investing Activities

Net cash used in investing activities was ($3,884,000) for the purchase of leasehold improvements, computers, office equipment and furniture and fixtures. Of this amount, $1,800,000 was used to implement a database system for our Human Resources department.

Financing Activities

Net cash used in financing activities was ($3,167,000). We made payments in the amount of $803,000 in borrowings under various credit facilities. We paid $1,200,000 against the 2014 Term Loan Facility and $55,000 against the Philadelphia Industrial Development Corp. loan. We paid $1,531,000 of holdback purchase price to the former owners of IMS. We also received $533,000 from the exercise of stock options and purchases under our Employee Stock Purchase Plan. We paid $111,000 as dividends to noncontrolling interests.

New Accounting Pronouncements

For information with respect to new accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 4 to the consolidated financial statements in Item 8 hereof.

Quarterly Fluctuations

Our operating results vary from period to period as a result of the timing of projects and assignments. We do not believe that our business is seasonal.

Inflation

Although we are subject to fluctuations in the local currencies of the countries in which we operate, we do not believe that inflation will have a significant effect on our results of operations or our financial position.

Off-Balance Sheet Arrangements

The following chart provides information with respect to off-balance sheet arrangements including those arrangements attributable to discontinued operations (in thousands).

	Total(1)	2017	2018 - 2019	2020 - 2021	2022 and later
Performance bonds(2)	$ 53,237	$ 28,875	$ 7,085	$ 17,277	$ —
Advance payment bonds(2)	39,580	29,496	—	10,084	—
Bid bonds(3)	7,114	6,566	548	—	—
Other	927	800	—	—	127
Letters of credit(4)	4,519	2,912	447	1,160	—
	$ 105,377	$ 68,649	$ 8,080	$ 28,521	$ 127

(1) At December 31, 2016, the Company had provided cash collateral amounting to $4,625,000 for certain of these items. That collateral is reflected in restricted cash on the consolidated balance sheet. See Note 16 to our consolidated financial statements for further information regarding these arrangements.

(2) Represents guarantee of service performance bonds issued through international banks required under certain international contracts.

(3) Represents bid bonds issued through international banks as part of the bidding process for new work to demonstrate our financial strength.

(4) Represents letters of credit issued through a domestic bank in support for certain performance, advance payments and bid bonds.

Contractual Obligations

The following chart provides information with respect to contractual obligations including those obligations attributable to discontinued operations (in thousands).

	Total	2017	2018 - 2019	2020 - 2021	2022 and later
Long-term debt obligations	$ 144,103	1,983	31,408	110,354	358
Interest expense on notes payable(1)	46,848	12,793	24,372	9,655	28
Operating lease obligations(2)	36,720	7,607	11,239	6,911	10,963
	$ 227,671	$ 22,383	$ 67,019	$ 126,920	$ 11,349

(1) Estimated using the interest rates in effect at December 31, 2016.

(2) Represents future minimum rental commitments under non-cancelable leases. The Company expects to fund these commitments with existing cash and cash flow from operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks primarily related to foreign currency exchange rates and interest rates.

Foreign Exchange Rates

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. which are denominated primarily in Euros, U.A.E. dirhams, Qatari riyal, Omani rial, Saudi riyal, Brazilian real, Polish zloty as well as other currencies. We do not comprehensively hedge our exposure to currency rate changes; however, we limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments to be in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we currently do not hedge foreign currency cash flows for contract work performed, although we may do so in the future. The functional currency of our significant foreign operations is the respective local currency.

Interest Rates

All of our borrowings under our revolving credit facilities bear interest at variable rates. If market interest rates had changed by 100 basis points, interest expense and our cash flows would have changed by $308,000 each.

Item 8. Financial Statements and Supplementary Data.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	**$ 25,637**	$ 24,089
Cash—restricted	**4,312**	4,435
Accounts receivable, less allowance for doubtful accounts of $71,082 and $60,535	**164,554**	187,553
Accounts receivable—affiliates	**5,712**	5,205
Prepaid expenses and other current assets	**7,751**	7,030
Income taxes receivable	**4,061**	3,187
Current assets held for sale	**54,144**	60,092
Total current assets	**266,171**	291,591
Property and equipment, net	**16,787**	18,981
Cash—restricted, net of current portion	**313**	259
Retainage receivable	**17,225**	2,638
Acquired intangibles, net	**6,747**	9,773
Goodwill	**50,665**	49,739
Investments	**3,581**	8,378
Deferred income tax assets	**2,197**	4,602
Other assets	**4,224**	6,177
Non-current assets held for sale	**33,298**	36,608
Total assets	**$ 401,208**	$ 428,746
Liabilities and Stockholders' Equity		
Current maturities of notes payable and long-term debt	**1,983**	4,357
Accounts payable and accrued expenses	**83,992**	89,336
Income taxes payable	**5,315**	8,983
Deferred revenue	**12,943**	9,866
Other current liabilities	**8,168**	3,009
Current liabilities held for sale	**27,703**	27,497
Total current liabilities	**140,104**	143,048
Notes payable and long-term debt, net of current maturities	**142,120**	140,626
Retainage payable	**961**	1,929
Deferred income taxes	**535**	988
Deferred revenue	**12,691**	9,921
Other liabilities	**9,732**	7,792
Non-current liabilities held for sale	**4,679**	6,403
Total liabilities	**310,822**	310,707
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 1,000 shares authorized, none issued	**—**	—
Common stock, $0.0001 par value; 100,000 shares authorized, 58,835 shares and 58,335 shares issued at December 31, 2016 and 2015, respectively	**6**	6
Additional paid-in capital	**190,355**	188,869
Retained earnings (deficit)	**(17,623)**	1,205
Accumulated other comprehensive loss	**(54,327)**	(46,866)
	118,411	143,214
Less treasury stock of 6,977 shares and 6,743 shares at December 31, 2016 and December 31, 2015, respectively	**(30,041)**	(29,245)
Hill International, Inc. share of equity	**88,370**	113,969
Noncontrolling interests	**2,016**	4,070
Total equity	**90,386**	118,039
Total liabilities and stockholders' equity	**$ 401,208**	$ 428,746

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years Ended December 31,		
	2016	**2015**	**2014**
Consulting fee revenue	**$ 434,147**	$ 467,877	$ 428,827
Reimbursable expenses	**86,700**	84,699	58,927
Total revenue	**520,847**	552,576	487,754
Cost of services	**272,243**	288,845	263,806
Reimbursable expenses	**86,700**	84,699	58,927
Total direct expenses	**358,943**	373,544	322,733
Gross profit	**161,904**	179,032	165,021
Selling, general and administrative expenses	**162,721**	159,691	142,079
Share of loss of equity method affiliates	**37**	237	—
Operating (loss) profit	**(854)**	19,104	22,942
Interest and related financing fees, net	**694**	2,026	1,564
(Loss) earnings before income taxes	**(1,548)**	17,078	21,378
Income tax expense	**6,068**	6,465	7,512
(Loss) earnings from continuing operations	**(7,616)**	10,613	13,866
(Loss) from discontinued operations	**(11,076)**	(2,874)	(18,713)
Net (loss) earnings	**(18,692)**	7,739	(4,847)
Less: net earnings—noncontrolling interests	**136**	808	1,301
Net (loss) earnings attributable to Hill International, Inc.	**$ (18,828)**	$ 6,931	$ (6,148)
Basic (loss) earnings per common share from continuing operations	**$ (0.15)**	0.20	$ 0.28
Basic (loss) per common share from discontinued operations	**(0.21)**	(0.06)	(0.42)
Basic (loss) earnings per common share—Hill International, Inc.	**$ (0.36)**	$ 0.14	$ (0.14)
Basic weighted average common shares outstanding	**51,724**	50,874	44,370
Diluted (loss) earnings per common share from continuing operations	**$ (0.15)**	$ 0.20	$ 0.28
Diluted (loss) per common share from discontinued operations	**(0.21)**	(0.06)	(0.42)
Diluted (loss) earnings per common share—Hill International, Inc.	**$ (0.36)**	$ 0.14	$ (0.14)
Diluted weighted average common shares outstanding	**51,724**	51,311	44,370

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Net (loss) earnings	**$ (18,692)**	$ 7,739	$ (4,847)
Foreign currency translation adjustment, net of tax	**(10,124)**	(14,861)	(9,786)
Other, net	**584**	(228)	123
Comprehensive loss	**(28,232)**	(7,350)	(14,510)
Comprehensive loss attributable to noncontrolling interests	**(1,943)**	(15)	(353)
Comprehensive loss attributable to Hill International, Inc.	**$ (26,289)**	$ (7,335)	$ (14,157)

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2016, 2015, and 2014

(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive (Loss)	Treasury Stock		Hill Share of Stockholders' Equity	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount				Shares	Amount			
Balance—December 31, 2013	46,598	$ 5	$ 136,899	$ 422	$ (24,591)	6,434	$ (27,766)	$ 84,969	$ 11,887	$ 96,856
Net (loss) earnings	—	—	—	(6,148)	—	—	—	(6,148)	1,301	(4,847)
Other comprehensive loss	—	—	—	—	(8,009)	—	—	(8,009)	(1,654)	(9,663)
Sale of common stock	9,547	1	38,041	—	—	—	—	38,042	—	38,042
Stock issued to Board of Directors	27	—	175	—	—	—	—	175	—	175
Stock-based compensation expense	—	—	3,327	—	—	—	—	3,327	—	3,327
Cancelation of restricted stock	(2)	—	(8)	—	—	—	—	(8)	—	(8)
Stock issued under employee stock purchase plan	55	—	197	—	—	—	—	197	—	197
Exercise of stock options	324	—	1,032	—	—	—	—	1,032	—	1,032
Cashless exercise of stock options	200	—	538	—	—	112	(538)	—	—	—
Stock issued for acquisition of CPI	171	—	618	—	—	—	—	618	—	618
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(173)	(173)
Acquisition of additional interest in subsidiary	—	—	(907)	—	—	—	—	(907)	(2,649)	(3,556)
Balance—December 31, 2014	56,920	6	179,912	(5,726)	(32,600)	6,546	(28,304)	113,288	8,712	122,000
Net earnings	—	—	—	6,931	—	—	—	6,931	808	7,739
Other comprehensive loss	—	—	—	—	(14,266)	—	—	(14,266)	(823)	(15,089)
Stock issued to Board of Directors	25	—	115	—	—	—	—	115	—	115
Stock-based compensation expense	—	—	2,983	—	—	—	—	2,983	—	2,983
Stock issued under employee stock purchase plan	43	—	126	—	—	—	—	126	—	126
Exercise of stock options	189	—	468	—	—	—	—	468	—	468
Cashless exercise of stock options	85	—	361	—	—	67	(361)	—	—	—
Stock issued for acquisition of CPI	148	—	530	—	—	—	—	530	—	530
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(253)	(253)
Acquisition of additional interest in subsidiary	925	—	4,374	—	—	—	—	4,374	(4,374)	—
Purchase of treasury stock	—	—	—	—	—	130	(580)	(580)	—	(580)
Balance—December 31, 2015	**58,335**	**6**	**188,869**	**1,205**	**(46,866)**	**6,743**	**(29,245)**	**113,969**	**4,070**	**118,039**
Net (loss) earnings	**—**	**—**	**—**	**(18,828)**	**—**	**—**	**—**	**(18,828)**	**136**	**(18,692)**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(7,461)**	**—**	**—**	**(7,461)**	**(2,079)**	**(9,540)**
Stock issued to Board of Directors	**3**	**—**	**10**	**—**	**—**	**—**	**—**	**10**	**—**	**10**
Stock-based compensation expense	**—**	**—**	**2,817**	**—**	**—**	**—**	**—**	**2,817**	**—**	**2,817**
Stock issued under employee stock purchase plan	**59**	**—**	**182**	**—**	**—**	**—**	**—**	**182**	**—**	**182**
Exercise of stock options	**117**	**—**	**351**	**—**	**—**	**—**	**—**	**351**	**—**	**351**
Cashless exercise of stock options	**321**	**—**	**796**	**—**	**—**	**234**	**(796)**	**—**	**—**	**—**
Dividends paid to noncontrolling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(111)**	**(111)**
Decrease related to ESA Put Options	**—**	**—**	**(2,670)**	**—**	**—**	**—**	**—**	**(2,670)**	**—**	**(2,670)**
Balance—December 31, 2016	**58,835**	**$ 6**	**$ 190,355**	**$ (17,623)**	**$ (54,327)**	**6,977**	**$ (30,041)**	**$ 88,370**	**$ 2,016**	**$ 90,386**

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net (loss) earnings	**$ (18,692)**	$ 7,739	$ (4,847)
Loss from discontinued operations	**11,076**	2,874	18,713
(Loss) earnings from continuing operations	**(7,616)**	10,613	13,866
Adjustments to reconcile net (loss) earnings to net cash provided by (used in): operating activities:			
Depreciation and amortization	**7,153**	7,909	7,104
Provision for bad debts	**14,454**	6,262	(5,195)
Interest accretion on term loan	**—**	—	15,526
Amortization of loan fees	**1,778**	1,778	555
Deferred tax (benefit) provision	**2,293**	(2,306)	(3,372)
Stock based compensation	**2,827**	2,755	3,189
Changes in operating assets and liabilities (net of acquisitions):			
Restricted cash	**(106)**	11,313	2,499
Accounts receivable	**(4,926)**	(47,786)	(9,641)
Accounts receivable—affiliate	**(511)**	166	(3,501)
Prepaid expenses and other current assets	**(1,012)**	4,802	(1,772)
Income taxes receivable	**(1,058)**	129	(779)
Retainage receivable	**(14,587)**	662	(2,088)
Other assets	**5,170**	(1,843)	7,569
Accounts payable and accrued expenses	**(2,372)**	14,089	9,023
Income taxes payable	**(3,512)**	(420)	(1,308)
Deferred revenue	**6,907**	(6,342)	(3,310)
Other current liabilities	**4,067**	(5,178)	(4,825)
Retainage payable	**(963)**	(519)	1,431
Other liabilities	**1,990**	5,289	(2,512)
Net cash provided by continuing operations	**9,976**	1,373	22,459
Net cash (used in) discontinued operations	**(408)**	(8,226)	(16,154)
Net cash provided by (used in) operating activities	**9,568**	(6,853)	6,305
Cash flows from investing activities:			
Purchase of businesses, net of cash acquired	**—**	(4,384)	(2,701)
Purchase of additional interest in Engineering S.A.	**—**	—	(3,556)
Payments for purchase of property and equipment	**(956)**	(13,508)	(3,580)
Net cash used in investing activities of continuing operations	**(956)**	(17,892)	(9,837)
Net cash used in investing activities of discontinued operations	**(2,928)**	(694)	(2,141)
Net cash used in investing activities	**(3,884)**	(18,586)	(11,978)
Cash flows from financing activities:			
Due to bank	**—**	—	(2)
Proceeds from secondary public offering of common stock	**—**	—	38,042
Proceeds from term loan borrowing	**—**	—	120,000
Payoff and termination of term loan	**—**	—	(100,000)
Payoff and termination of revolving credit facility	**—**	—	(25,500)
Payment of financing fees	**—**	—	(10,065)
Payments on term loan	**(1,255)**	(1,240)	(13,833)
Net borrowings (payments) on revolving loans	**(803)**	23,229	(300)
Proceeds from Philadelphia Industrial Development Corporation loan	**—**	750	—
Payment of holdback purchase price	**(1,531)**	—	—
Dividends paid to noncontrolling interest	**(111)**	(253)	(173)
Proceeds from stock issued under employee stock purchase plan	**182**	126	197
Proceeds from exercise of stock options	**351**	272	1,032
Purchase of treasury stock	**—**	(580)	—
Net cash (used in) provided by financing activities	**(3,167)**	22,304	9,398
Effect of exchange rate changes on cash	**(969)**	(2,900)	(3,982)
Net increase (decrease) in cash and cash equivalents	**1,548**	(6,035)	(257)
Cash and cash equivalents—beginning of year	**24,089**	30,124	30,381
Cash and cash equivalents—end of year	**$ 25,637**	$ 24,089	$ 30,124

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—The Company

Hill International, Inc. ("Hill" or the "Company") is a professional services firm that provides program management, project management, construction management and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets worldwide. Hill's clients include the U.S. federal government, U.S. state and local governments, foreign governments and the private sector.

Note 2—Liquidity

Over the years, the amount of CFR attributable to operations in the Middle East and Africa has grown to approximately 52.0% of total consolidated CFR in 2016. There has been significant political upheaval and civil unrest in this region, most notably in Libya and Iraq where the Company had substantial operations. In 2012, due to the overthrow of the Libyan government, the Company reserved a $59,937,000 receivable from the Libyan Organization for Development of Administrative Centres ("ODAC"). Subsequently, the Company received payments totaling approximately $9,511,000. In 2016, the Company established reserves of $5,078,000 against accounts receivable from various projects in Iraq. This shortfall of cash flows continues to put a considerable strain on its liquidity.

The Company continues to experience slowing of collections from its clients in the Middle East, primarily Oman. In 2012, the Company commenced operations on the Muscat International Airport (the "Oman Airport") project with the Ministry of Transport and Communications (the "MOTC") in Oman. The original contract term expired in November 2014. In October 2014, the Company applied for a twelve-month extension of time amendment (the "first extension") which was subsequently approved in March 2016 and the Company continued to work on the Oman Airport project. The Company began to experience some delays in payment during the second quarter of 2015 when MOTC commenced its formal review and certification of the Company's invoices. In October 2015, the MOTC paid the Company for work performed in April and May 2015. In December 2015, the Company began discussions with the MOTC on a second extension of time amendment ("the second extension") and has since commenced additional work, which management expects to last through approximately June 2018. MOTC resumed payments in 2016 paying the Company approximately $42,000,000 during the year and $6,153,000 in the first quarter of 2017. At December 31, 2016, accounts receivable from Oman totaled approximately $27,132,000 of which approximately $16,500,000 was past due based on contractual terms.

The delays in payments from MOTC and other foreign governments have had a negative impact on the Company's liquidity, financial covenants, financial position and results of operations. As a result, the Company has had to rely heavily on debt and equity transactions to fund its operations over the past few years.

Note 3—Discontinued Operations

In early 2016, the Company began to investigate the sale of its Construction Claims Group (the "Claims Group"). The pending sale of that segment represents a strategic shift that will have a major effect on our operations and financial results. Accordingly, the Company has classified the assets and liabilities of that segment as held for sale and has reflected its operations and cash flows as discontinued operations for all periods presented.

On December 20, 2016, the Company and its subsidiary Hill International N.V. ("Hill N.V." and, collectively with the Company, the "Sellers") entered into a Stock Purchase Agreement (the

Note 3—Discontinued Operations (Continued)

"Agreement") with Liberty Mergeco, Inc. (the "US Purchaser") and Liberty Bidco UK Limited (the "UK Purchaser" and, collectively with the US Purchaser, the "Purchasers") pursuant to which the Purchasers will acquire the Claims Group by the US Purchaser's acquisition of all of the stock of Hill International Consulting, Inc. from the Company and the UK Purchaser's acquisition of all of the stock of Hill International Consulting B.V. from Hill N.V. for a total purchase price of $147,000,000 in cash reduced by assumed indebtedness, as defined in the Agreement. The closing was anticipated to occur within the first quarter of 2017 but is currently expected to close on or about April 30, 2017. The Purchasers are companies controlled by funds managed by Bridgepoint Development Capital, part of international private equity group Bridgepoint.

The carrying amounts of assets and liabilities of the discontinued operations which have been classified as held for sale are as follows (in thousands):

	December 31,	
	2016	**2015**
Trade receivables	**$ 50,892**	$ 55,864
Prepaid expense and other current assets	**3,064**	3,269
Income taxes receivable	**188**	959
Total current assets classified as held for sale	**$ 54,144**	$ 60,092
Property, plant and equipment	**4,617**	4,770
Acquired intangibles, net	**3,397**	4,886
Goodwill	**22,714**	25,154
Investments	**6**	8
Deferred income tax assets	**1,954**	1,305
Other assets	**610**	485
Total non-current assets classified as held for sale	**$ 33,298**	$ 36,608
Accounts payable	**23,406**	23,121
Income taxes payable	**(415)**	81
Deferred revenue	**1,562**	1,444
Other current liabilities	**3,150**	2,851
Total current liabilities classified as held for sale	**$ 27,703**	$ 27,497
Deferred income taxes	**2,022**	1,536
Deferred revenue	**1,012**	1,998
Other liabilities	**1,645**	2,869
Total non-current liabilities classified as held for sale	**$ 4,679**	$ 6,403

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3—Discontinued Operations (Continued)

The line items constituting earnings from discontinued operations consist of the following (in thousands):

	Years Ended December 31,		
	2016	**2015**	**2014**
Consulting fee revenue	**$ 164,478**	$ 163,074	$ 148,290
Reimbursable expenses	**4,774**	4,955	5,549
Total revenue	**169,252**	168,029	153,839
Cost of services	**73,914**	73,521	65,949
Reimbursable expenses	**4,774**	4,955	5,549
Total direct expenses	**78,688**	78,476	71,498
Gross profit	**90,564**	89,553	82,341
Selling, general and administrative expenses	**84,047**	77,813	71,345
Operating profit	**6,517**	11,740	10,996
Interest and related financing fees, net	**12,932**	12,637	28,921
(Loss) earnings before income taxes	**(6,415)**	(897)	(17,925)
Income tax expense	**4,661**	1,977	788
Net loss from discontinued operations	**$ (11,076)**	$ (2,874)	$ (18,713)

In connection with the sale of the Construction Claims Group, the Company will be required to pay off the Secured Credit Facilities (See Note 11). Accordingly, the Company has allocated to discontinued operations all interest expense related to the Secured Credit Facilities. During 2016, the Company expensed $3,044,000 of costs related to the pending sale of the Construction Claims Group and $2,106,000 for a potential tax liability related to foreign jurisdictions (see Note 16).

Note 4—Summary of Significant Accounting Policies

(a) Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of Hill International, Inc. and its majority owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

(b) Foreign Currency Translations and Transactions

Assets and liabilities of all foreign operations are translated at year-end rates of exchange while revenues and expenses are translated at the average monthly exchange rates. Gains or losses resulting from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity entitled accumulated other comprehensive loss until the entity is sold or substantially liquidated. Gains or losses arising from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are reflected in selling, general and administrative expenses in the consolidated statement of operations.

Note 4—Summary of Significant Accounting Policies (Continued)

(c) Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the revenue and expenses reported for the periods covered by the financial statements and certain amounts disclosed in the accompanying notes to the consolidated financial statements. Actual results could differ significantly from those estimates and assumptions. The estimates affecting the consolidated financial statements that are particularly significant include revenue recognition, allocation of purchase price to acquired intangibles and goodwill, fair value of contingent consideration, recoverability of long-lived assets, income taxes, allowance for doubtful accounts and commitments and contingencies.

(d) Fair Value Measurements

The fair value of financial instruments, which primarily consists of cash and cash equivalents, accounts receivable and accounts payable, approximates carrying value due to the short-term nature of the instruments. The carrying value of our various credit facilities approximates fair value as the interest rate is variable.

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it would transact, and the Company considers assumptions that market participants would use when pricing the asset or liability.

Nonfinancial assets and liabilities, such as goodwill and long lived assets that are initially recorded at fair value, will be assessed for impairment, if deemed necessary. During the years ended December 31, 2016 and 2015, the Company did not record any impairment to any financial or nonfinancial assets or liabilities.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and investments in money market funds and investment grade securities held with high quality financial institutions. The Company considers all highly liquid instruments purchased with a remaining maturity of three months or less at the time of purchase to be cash equivalents.

(f) Restricted Cash

Restricted cash represents cash collateral required to be maintained in foreign bank accounts to serve as collateral for letters of credit, bonds or guarantees on several projects. The cash will remain restricted until the respective project has been completed, which typically is greater than one year.

(g) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash investments and accounts receivable.

The Company maintains its cash accounts with high quality financial institutions. Although the Company currently believes that the financial institutions, with which it does business, will be able to

Note 4—Summary of Significant Accounting Policies (Continued)

fulfill their commitments to it, there is no assurance that those institutions will be able to continue to do so.

The Company provides professional services, under contractual arrangements, to domestic and foreign governmental units, institutions and the private sector. To reduce credit risk, the Company performs ongoing credit evaluations of its clients and does not require collateral beyond customary retainers.

The following tables show the number of the Company's clients which contributed 10% or more of total revenue and accounts receivable:

	Years Ended December 31,		
	2016	2015	2014
Number of 10% clients	—	1	1
Percentage of total revenue	—	10%	13%

	December 31,	
	2016	2015
Number of 10% clients	**2**	1
Percentage of accounts receivable	**32%**	19%

The following provides information with respect to total revenue from contracts with U.S. federal government agencies:

	Years Ended December 31,		
	2016	2015	2014
Percentage of total revenue	**2%**	2%	3%

(h) Allowance for Doubtful Accounts

The allowance for doubtful accounts is an estimate prepared by management based on identification of the collectability of specific accounts and the overall condition of the receivable portfolios. When evaluating the adequacy of the allowance for doubtful accounts, the Company specifically analyzes trade receivables, including retainage receivable, historical bad debts, client credits, client concentrations, client credit worthiness, current economic trends and changes in client payment terms. If the financial condition of clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Likewise, should the Company determine that it would be able to realize more of its receivables in the future than previously estimated, an adjustment to the allowance would increase earnings in the period such determination was made. The allowance for doubtful accounts is reviewed on a quarterly basis and adjustments are recorded as deemed necessary.

Note 4—Summary of Significant Accounting Policies (Continued)

(i) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is provided over the estimated useful lives of the assets as follows:

	Method	Estimated Useful Life
Furniture and equipment	Straight-line	10 years
Leasehold improvements	Straight-line	Shorter of estimated useful life or lease term
Computer equipment and software	Straight-line	3 to 5 years
Automobiles	Straight-line	5 years

The Company capitalizes costs associated with internally developed and/or purchased software systems that have reached the application development stage and meet recoverability tests. Capitalized costs include external direct costs of materials and services utilized in developing or obtaining internal-use software, payroll and payroll-related expenses for employees who are directly associated with and devote time to the internal-use software project. Capitalization of such costs begins when the preliminary project stage is complete and ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Costs for general and administrative, overhead, maintenance and training, as well as the cost of software that does not add functionality to existing systems, are expensed as incurred.

Upon retirement or other disposition of these assets, the cost and related depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in results of operations. Expenditures for maintenance, repairs and renewals of minor items are charged to expense as incurred. Major renewals and improvements are capitalized.

(j) Retainage Receivable

Retainage receivable represents balances billed but not paid by clients pursuant to retainage provisions in the construction management contracts and will be due upon completion of specific tasks or the completion of the contract. The current portion of retainage receivable is included in accounts receivable and the long-term portion of retainage receivable is included in retainage receivable in the consolidated balance sheets.

(k) Long-Lived Assets

Acquired intangible assets consist of contract rights, client related intangibles and trade names arising from the Company's Project Management acquisitions. Contract rights represent the fair value of contracts in progress and backlog of an acquired entity. For intangible assets purchased in a business combination, the estimated fair values of the assets are used to establish the cost bases. Valuation techniques consistent with the market approach, the income approach and the cost approach are used to measure fair value. These assets are amortized over their estimated lives which range from three to fifteen years.

The Company reviews long-lived assets to be held-and-used for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the undiscounted expected future cash flows over the remaining useful life of a long-lived asset is less than its carrying amount, the asset is considered to be impaired. Impairment losses are measured

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4—Summary of Significant Accounting Policies (Continued)

as the amount by which the carrying amount of the asset exceeds the fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flow discounted at a rate commensurate with the risks associated with the recovery of the asset. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(l) Goodwill

Goodwill represents the excess of purchase price and other related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Acquired intangible assets other than goodwill are amortized over their useful lives. For intangible assets purchased in a business combination, the estimated fair values of the assets are used to establish the cost bases. Valuation techniques consistent with the market approach and the income approach are used to measure fair value.

Goodwill is tested annually for impairment in its fiscal third quarter. The Company has determined that, due to the pending sale of its Construction Claims Group, it now has one reporting unit, the Project Management unit. The Company made that determination based on the similarity of the services provided, the methodologies in delivering its services and the similarity of the client base. Goodwill is assessed for impairment using a two-step approach. In the first step of the impairment test, the Company compares the fair value of the reporting unit to its carrying value. To the extent the carrying amount of the reporting unit exceeds its fair value, an indication exists that goodwill may be impaired and the Company must perform a second more detailed assessment. The second step, if necessary, involves allocating the reporting unit's fair value to all of its recognized and unrecognized assets and liabilities in order to determine the implied fair value of the goodwill as of the assessment date. The implied fair value of the goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date.

Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the businesses, the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital. The Company's changes in estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment. The Company performed its annual impairment test effective July 1, 2016 and noted no impairment. In the future, the Company will continue to perform the annual test during its fiscal third quarter unless events or circumstances indicate an impairment may have occurred before that time.

At the time of the annual impairment test, the Construction Claims unit was still part of our continuing operations. Based on the valuation as of July 1, 2016, which utilized the same processes noted above, the fair value of the Construction Claims unit substantially exceeded its carrying value.

(m) Investments

The Company will, in the ordinary course, form joint ventures for specific projects. These joint ventures have historically required limited or no investment and simply provide a pass-through for the Company's billings. Any distributions in excess of the Company's billings are accounted for as income

Note 4—Summary of Significant Accounting Policies (Continued)

when received. The Company's cost-basis investments at December 31, 2016 and 2015 are as follows (in thousands):

	December 31,	
	2016	**2015**
RAMPED Metro Joint Venture(1)	**$ 767**	$ 4,696
Concessia, Cartera y Gestion de Infrastructuras S.A.(2)	**2,515**	2,927
Other	**299**	755
	$ 3,581	$ 8,378

(1) The Company has a 45% interest in this joint venture which was formed for construction management of the Riyadh Metro system in Saudi Arabia.

(2) The Company has a 4.45% interest in this entity which invests in the equity of companies which finance, construct and operate various public and private infrastructure projects in Spain.

(n) Deferred Revenue

In certain instances the Company may collect advance payments from clients for future services. Upon receipt, the payments are reflected as deferred revenue in the Company's consolidated balance sheet. As the services are performed, the Company reduces the balance and recognizes revenue.

(o) Deferred Rent

Rent expenses for operating leases which include scheduled rent increases is determined by expensing the total amount of rent due over the life of the operating lease on a straight-line basis. The difference between the rent paid under the terms of the lease and the rent expensed on a straight-line basis is recorded as a liability. The deferred rent at December 31, 2016 and 2015 was $2,830,000 and $1,732,000, respectively, and is included in other liabilities in the consolidated balance sheet.

(p) Income Taxes

The Company estimates income taxes in each of the jurisdictions in which it operates. This process involves estimating its actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's consolidated balance sheets. The Company assesses the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent it believes recovery is not likely, the Company establishes a valuation allowance. To the extent the Company establishes a valuation allowance in a period, it must include an expense within the tax provision in the consolidated statements of earnings. The Company has recorded a valuation allowance to reduce the deferred tax asset to an amount that is more likely to be realized in future years. If the Company determines in the future that it is more likely that the deferred tax assets subject to the valuation allowance will be realized, then the previously provided valuation allowance will be adjusted.

Note 4—Summary of Significant Accounting Policies (Continued)

The Company recognizes a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for interim or annual periods.

(q) Revenue Recognition

The Company generates revenue primarily from providing professional services to its clients. Revenue is generally recognized upon the performance of services. In providing these services, the Company may incur reimbursable expenses, which consist principally of amounts paid to subcontractors and other third parties and travel and other job related expenses that are contractually reimbursable from clients. The Company has determined that it will include reimbursable expenses in computing and reporting its total revenue as long as the Company remains responsible to the client for the fulfillment of the contract and for the overall acceptability of all services provided.

The Company earns its revenue from time-and-materials, cost-plus and fixed-price contracts. If estimated total costs on any contract indicate a loss, the Company charges the entire estimated loss to operations in the period the loss becomes known. The cumulative effect of revisions to revenue, estimated costs to complete contracts, including penalties, incentive awards, change orders, claims, anticipated losses, and others are recorded in the accounting period in which the events indicating a loss are known and the loss can be reasonably estimated. Such revisions could occur at any time and the effects may be material.

Time-and-Materials Contracts

Under its time-and-materials contracts, the Company negotiates hourly billing rates and charges its clients based on the actual time that the Company spends on a project. In addition, clients reimburse the Company for its actual out-of-pocket costs of materials and other direct incidental expenditures that the Company incurs in connection with its performance under the contract. Its profit margins on time-and-materials contracts fluctuate based on actual labor and overhead costs that the Company directly charges or allocates to contracts compared with negotiated billing rates. Revenue on these contracts are recognized based on the actual number of hours the Company spends on the projects plus any actual out-of-pocket costs of materials and other direct incidental expenditures that the Company incurs on the projects. Its time-and-materials contracts generally include annual billing rate adjustment provisions.

Cost-Plus Contracts

The Company has two major types of cost-plus contracts:

Cost-Plus Fixed Fee

Under cost-plus fixed fee contracts, the Company charges its clients for its costs, including both direct and indirect costs, plus a fixed negotiated fee. In negotiating a cost-plus fixed fee contract, the Company estimates all recoverable direct and indirect costs and then adds a fixed profit component. The total estimated cost plus the negotiated fee represents the total contract value. The Company recognizes revenue based on the actual labor costs, based on hours of labor effort, plus non-labor costs

Note 4—Summary of Significant Accounting Policies (Continued)

the Company incurs, plus the portion of the fixed fee the Company has earned to date. The Company invoices for its services as revenue is recognized or in accordance with agreed-upon billing schedules. Aggregate revenue from cost-plus fixed fee contracts may vary based on the actual number of labor hours worked and other actual contract costs incurred. However, if actual labor hours and other contract costs exceed the original estimate agreed to by its client, the Company generally must obtain a change order, contract modification, or successfully prevail in a claim in order to receive additional revenue relating to the additional costs (see " *Change Orders and Claims* ").

Cost-Plus Fixed Rate

Under its cost-plus fixed rate contracts, the Company charges clients for its costs plus negotiated rates based on its indirect costs. In negotiating a cost-plus fixed rate contract, the Company estimates all recoverable direct and indirect costs and then adds a profit component, which is a percentage of total recoverable costs to arrive at a total dollar estimate for the project. The Company recognizes revenue based on the actual total number of labor hours and other costs the Company expends at the cost plus the fixed rate the Company negotiated. Similar to cost-plus fixed fee contracts, aggregate revenue from cost-plus fixed rate contracts may vary and the Company generally must obtain a change order, contract modification, or successfully prevail in a claim in order to receive additional revenue relating to any additional costs that exceed the original contract estimate (see " *Change Orders and Claims* ").

Labor costs and subcontractor services are the principal components of its direct costs on cost-plus contracts, although some include materials and other direct costs. Some of these contracts include a provision that the total actual costs plus the fee will not exceed a guaranteed price negotiated with the client. Others include rate ceilings that limit the reimbursement for general and administrative costs, overhead costs and materials handling costs. The accounting for these contracts appropriately reflects such guaranteed price or rate ceilings.

Firm Fixed-Price ("FFP") Contracts

The Company's FFP contracts have historically accounted for most of its fixed-price contracts. Under FFP contracts, the Company's clients pay an agreed amount negotiated in advance for a specified scope of work. The Company recognizes revenue on FFP contracts using the percentage-of-completion method (recognizing revenue as costs are incurred). Profit margins the Company recognizes in all periods prior to completion of the project on any FFP contract depend on the accuracy of the Company's estimates of approximate revenue and expenses and will increase to the extent that its current estimates of aggregate actual costs are below amounts previously estimated. Conversely, if the Company's current estimated costs exceed prior estimates, its profit margins will decrease and the Company may realize a loss on a project. In order to increase aggregate revenue on the contract, the Company generally must obtain a change order, contract modification, or successfully prevail in a claim in order to receive payment for the additional costs (see " *Change Orders and Claims* ").

Change Orders and Claims

Change orders are modifications of an original contract that effectively change the provisions of the contract without adding new provisions. Either the Company or its client may initiate change orders. They may include changes in specifications or design, manner of performance, facilities,

Note 4—Summary of Significant Accounting Policies (Continued)

equipment, materials, sites and period of completion of the work. Claims are amounts in excess of the agreed contract price that the Company seeks to collect from its clients or others for client-caused delays, errors in specifications and designs, contract terminations, change orders that are either in dispute or are unapproved as to both scope and price, or other causes of unanticipated additional contract costs.

Change orders and claims occur when changes are experienced once contract performance is underway. Change orders are sometimes documented and terms of such change orders are agreed with the client before the work is performed. Sometimes circumstances require that work progresses before agreement is reached with the client. Costs related to change orders and claims are recognized when they are incurred. Change orders and claims are included in total estimated contract revenue when it is probable that the change order or claim will result in a bona fide addition to contract value that can be reliably estimated. No profit is recognized on claims until final settlement occurs; unapproved change orders are evaluated as claims. This can lead to a situation where costs are recognized in one period and revenue is recognized when client agreement is obtained or claims resolution occurs, which can be in subsequent periods.

The Company has contracts with the U.S. government that contain provisions requiring compliance with the U.S. Federal Acquisition Regulations ("FAR"). These regulations are generally applicable to all of its federal government contracts and are partially or fully incorporated in many local and state agency contracts. They limit the recovery of certain specified indirect costs on contracts subject to the FAR. Cost-plus contracts covered by the FAR provide for upward or downward adjustments if actual recoverable costs differ from the estimate billed under forward pricing arrangements. Most of its federal government contracts are subject to termination at the convenience of the client. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

Federal government contracts which are subject to the FAR and some state and local governmental agencies require audits, which are performed for the most part by the Defense Contract Audit Agency ("DCAA"). The DCAA audits the Company's overhead rates, cost proposals, incurred government contract costs, and internal control systems. During the course of its audits, the DCAA may question incurred costs if it believes the Company has accounted for such costs in a manner inconsistent with the requirements of the FAR or Cost Accounting Standards and recommend that its U.S. government corporate administrative contracting officer disallow such costs. Historically, the Company has not experienced significant disallowed costs as a result of such audits. However, the Company can provide no assurance that the DCAA audits will not result in material disallowances of incurred costs in the future.

(r) Share-Based Compensation

The Company uses the Black-Scholes option pricing model to measure the estimated fair value of options to purchase the Company's common stock. The compensation expense, less estimated forfeitures, is being recognized over the service period on a straight-line basis. The Company's policy is to use newly issued shares to satisfy the exercise of stock options.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4—Summary of Significant Accounting Policies (Continued)

(s) Advertising Costs

Advertising costs are expensed as incurred and amounted to the following (in thousands):

Years Ended December 31,		
2016	2015	2014
$556	$ 421	$ 536

(t) Earnings per Share

Basic earnings per common share has been computed using the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per common share incorporates the incremental shares issuable upon the assumed exercise of stock options using the treasury stock method.

Dilutive stock options increased average common shares outstanding by approximately 437,000 shares for the year ended December 31, 2015.

Options to purchase 6,899,000 shares, 3,849,000 shares and 3,521,000 shares of the Company's common stock were not included in the calculation of common shares outstanding for the years ended December 31, 2016, 2015 and 2014, respectively, because they were anti-dilutive.

The following table provides a reconciliation to net (loss) earnings used in the numerator for (loss) earnings per share from continuing operations (in thousands):

	2016	2015	2014
(Loss) earnings from continuing operations	$ (7,616)	$ 10,613	$ 13,866
Less: net earnings—noncontrolling interest	136	808	1,301
(Loss) earnings	$ (7,752)	$ 9,805	$ 12,565

(u) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* , which will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU allows for both retrospective and prospective methods of adoption. The ASU was to be effective for interim and annual periods commencing after December 15, 2016, however, in August 2015, the FASB issued ASU 2015-14 which defers the effective date for one year. Early adoption is permitted as of January 1, 2017. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, 'Revenue From Contracts With Customers,'"* which made minor changes to certain narrow aspects of the guidance. The Company anticipates that it will use the modified retrospective method of adoption in which the cumulative effect of applying the ASU will be recognized at January 1, 2018, the date of initial application. The Company is in the process of

Note 4—Summary of Significant Accounting Policies (Continued)

determining the method of adoption and assessing the impact of this ASU on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). The objective of ASU 2014-15 is to provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 requires a management evaluation about whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued or available to be issued. In doing so, ASU 2014-15 should reduce diversity in the timing and content of footnote disclosures. ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The Company has adopted this guidance effective for its year ended December 31, 2016.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Topic 825-10)* , which requires all equity investments to be measured a fair value with changes in fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this ASU also require an entity to (1) present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (2) provide separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. In addition the amendments in this Update eliminate the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. This ASU is effective for the Company commencing January 1, 2018. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which will require the Company the recognize lease assets and lease liabilities (related to leases previously classified as operating under previous GAAP) on its consolidated balance sheet. The ASU will be effective for the Company commencing January 1, 2019. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326)—Credit Losses: Measurement of Credit Losses on Financial Instruments* , which provides guidance regarding the measurement of credit losses on financial instruments. The new guidance replaces the incurred loss impairment methodology in the current guidance with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. This ASU will be effective for us commencing January 1, 2020 with early adoption permitted commencing January 1, 2019. We are in the process of assessing the impact of this ASU on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* . The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. This ASU's amendments add or clarify guidance on eight cash flow issues: debt prepayment, settlement of zero-coupon debt instruments, contingent consideration payments, insurance claim proceeds, life

Note 4—Summary of Significant Accounting Policies (Continued)

insurance proceeds, distributions from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The ASU is effective commencing January 1, 2018 with earlier adoption permitted. We adopted this ASU which only affected our presentation of payments for deferred consideration related to the IMS acquisition by reclassifying the payments from operating cash flows to financing cash flows.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* . Under the new standard, an entity is required to recognize the income tax consequences of an intra-entity transfer of an asset (with the exception of inventory) when the transfer occurs. Under current GAAP, entities are prohibited from recognizing current and deferred income taxes for an intra-entity transfer until the asset is sold to a third party. Examples of assets that would be affected by the new guidance are intellectual property and property, plant, and equipment. The ASU will be effective for us commencing January 1, 2018 with early adoption permitted as of January 1, 2017. We expect that adoption of this ASU will not have a material effect on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash* (a consensus of the FASB Emerging Issues Task Force), which addresses classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as *restricted cash* and *restricted cash equivalents* . The ASU does not define restricted cash or restricted cash equivalents, but the Company will need to disclose the nature of the restrictions. The ASU is effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted. When the Company adopts the ASU, it will use a retrospective transition method for each period presented.

In January 2017, the FASB issued ASU 2017-01, amending *Business Combinations: Clarifying the Definition of a Business* , to clarify the definition of a business with the objective of providing a more robust framework to assist management when evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for the Company for its fiscal year beginning April 1, 2018, including interim periods within that fiscal year, with early application permitted. The amendments are to be applied prospectively to business combinations that occur after the effective date.

Note 5—Acquisitions

Our recent acquisition activity is detailed below. The Company's consolidated financial statements include the operating results of these businesses from their respective dates of acquisition. Pro forma results of operations for these acquisitions have not been presented because they are not material to the Company's consolidated results of operations, either individually or in the aggregate.

The Company expenses all acquisition-related costs plus any anticipated restructuring costs for which it is not obligated at the acquisition date, rather than including such costs as a component of the purchase consideration. During 2016, 2015 and 2014, the Company expensed $0, $139,000 and $0, respectively, of acquisition-related costs.

Note 5—Acquisitions (Continued)

IMS Proje Yonetimi ve Danismanlik A.S.

On April 15, 2015, the Company acquired all of the equity interests of IMS, a firm that provides project management services for international developers, institutional investors and major retailers. IMS had approximately 80 professionals and is headquartered in Istanbul, Turkey. Consideration consisted of an Initial Purchase Price of 12,411,000 Turkish Lira ("TRY") (approximately $4,640,000 as of the closing date) comprised of TRY 4,139,000 (approximately $1,547,000) paid in cash on the closing date plus a second payment of TRY 8,272,000 (approximately $3,145,000) which was paid on May 12, 2015; a Holdback Purchase Price of TRY 4,400,000 (approximately $1,626,000) which was paid on April 15, 2016, less any set off related to certain indemnification obligations; and a potential Additional Purchase Price of (i) TRY 1,700,000 (approximately $628,000) if earnings before interest, income taxes, depreciation and amortization for the twelve month period subsequent to the closing date ("EBITDA") exceeds TRY 3,500,000 (approximately $1,294,000) or (ii) TRY 1,500,000 ($554,000) if EBITDA is less than TRY 3,500,000 but not less than TRY 3,200,000 ($1,183,000). IMS's EBITDA through the one-year anniversary of the acquisition date was not sufficient to earn any of the Additional Purchase Price and the liability was eliminated by a credit of approximately $673,000 to selling, general and administrative expenses for the year ended December 31, 2016.

Collaborative Partners, Inc.

On December 23, 2013, Hill acquired all of the outstanding common stock of Collaborative Partners, Inc. ("CPI"), a firm that provides project management, strategic planning and regulatory services for healthcare, life sciences, educational, commercial and residential construction projects throughout New England. CPI, which has about 30 professionals, has offices in Boston, Massachusetts and Providence, Rhode Island. The acquisition expands the Company's project management business in the New England region of the United States. At closing, the sellers received $2,450,000 in the form of 678,670 shares of the Company's common stock priced at $3.61 per share. On March 7, 2014, the sellers received 171,308 shares of common stock with a value of $618,000 representing CPI's common equity in excess of $600,000. On December 23, 2014, the sellers were to receive, subject to potential offset, an additional $350,000 ("holdback") in shares of common stock; the number of shares was determined based on the average closing price of the common stock for the ten trading days ending on December 18, 2014. The Agreement also provided that should the price of the Company's common stock not increase by 50% to $5.42 on December 23, 2014, the Company will issue additional shares to the sellers representing the difference between $5.42 and the price on December 23, 2014 and (2) the sellers are entitled to receive additional shares of the Company's common stock for (i) 50% of the operating profit of CPI in excess of $1,000,000 for the first 12-month period after closing, but in no event more than $500,000, and (ii) 5% of the net revenue backlog in excess of $10,000,000 on the date 60 days after closing. The Company estimated and accrued $2,697,000 for the potential additional consideration which was included in other current liabilities in the consolidated balance sheet at December 31, 2013. In April 2014, the portion of the liability attributable to the change in the common stock price was waived by the sellers and the liability was eliminated by a credit of $1,225,000 to selling, general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2014. In addition, a portion of the liability attributable to the holdback in shares was not paid and $215,000 was credited to selling, general and administrative expense in the consolidated statement of operations for the year ended December 31, 2014. In May 2015, the Company paid the final installment to the sellers by issuing 148,460 shares of its common stock valued at approximately $530,000.

Note 5—Acquisitions (Continued)

Engineering S.A.

On February 28, 2011, the Company's subsidiary, Hill Spain, indirectly acquired 60% of the outstanding common stock of Engineering S.A., now known as Hill International do Brasil, S.A. ("ESA") one of the largest project management firms in Brazil with approximately 400 professionals. It has main offices in Rio de Janeiro and Sao Paulo and an additional office in Parauapebas. Engineering S.A. provides project management, construction management and engineering consulting services throughout Brazil. Total consideration will not exceed 42,000,000 Brazilian Reais ("BRL") (approximately $25,336,000 at the date of acquisition) consisting of an initial cash payment of BRL 22,200,000 (approximately $13,392,000) plus minimum additional payments of BRL 7,400,000 (approximately $4,464,000) due on each of April 30, 2012 and 2013 and a potential additional payment of BRL 5,000,000 ($3,016,000). Also, ESA's shareholders entered into an agreement whereby the minority shareholders have a right to compel ("ESA Put Option") Hill Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel ("ESA Call Option") the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA's most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. In April 2014, two of the minority shareholders exercised their ESA Put Option whereby Hill Spain paid approximately 7,838,000 Brazilian Reais (approximately $3,556,000) in October 2014. After the transaction, Hill Spain owned approximately 72% of ESA. In accordance with the guidance in ASC 810-10-45-23, under *Changes in the Parent's Ownership Interest in a Subsidiary When There Is No Change in Control* , the Company has accounted for this transaction as an equity transaction. Accordingly, Hill Spain reduced noncontrolling interests by BRL 5,839,000 (approximately $2,649,000), and reduced additional paid in capital by approximately BRL 1,999,000 (approximately $907,000) which represents the excess of the fair value over the amount of the adjustment to noncontrolling interests.

The Company estimated the fair value of the potential additional payments to total approximately BRL17,200,000 (approximately $10,376,000) and discounted that amount using an interest rate of 4.72%, the weighted average interest rate on the outstanding borrowings under the Company's credit agreement at the acquisition date. The Company paid the first installment amounting to BRL 6,624,000 (approximately $3,508,000 on April 30, 2012 and paid the second installment amounting to BRL 11,372,000 (approximately $5,095,000) on July 23, 2013.

In April 2015, two shareholders who owned approximately 19% of ESA exercised their ESA Put Options claiming an aggregate value of BRL 10,645,000. As an incentive to the sellers to receive Hill's common stock as payment, the Company offered the sellers a 25% premium. The sellers countered the Company's offer by requesting payment in common stock at the U.S. dollar value on April 4, 2015 (approximately $4,374,000) as well as a price guarantee upon the sale of the stock during a 30-day period after closing. The Company agreed to the counter offer and paid the liability with 924,736 shares of its common stock in August 2015. In November 2015, the Company paid approximately $580,000 to the selling shareholders to repurchase 129,648 shares of its common stock. The Company now owns approximately 91% of ESA.

On June 17, 2016, the three remaining minority shareholders exercised their ESA Put Option claiming a value of BRL 8,656,000 (approximately $2,659,000 at December 31, 2016. The company accrued the liability which is included in other current liabilities and as an adjustment to additional paid-in capital in the consolidated balance sheet at December 31, 2016. The amount is subject to negotiation and any difference will be recorded upon completion of the transaction.

Note 6—Accounts Receivable

The components of accounts receivable are as follows (in thousands):

	December 31, 2016	December 31, 2015
Billed	**$ 200,134**	$ 216,618
Retainage, current portion	**10,824**	13,660
Unbilled	**24,678**	17,810
	235,636	248,088
Allowance for doubtful accounts	**(71,082)**	(60,535)
Total	**$ 164,554**	$ 187,553

Unbilled receivables primarily represent revenue earned on contracts, which the Company is contractually precluded from billing until predetermined future dates.

The decrease in accounts receivable in 2016 is attributable to the decrease in revenues, the increase in the allowance for bad debts, and the impact of foreign exchange, offset to some degree by a slowdown of collections primarily in the Middle East and particularly Oman.

Included in billed receivables are $673,000 and $694,000 of the amounts due from various branches of the U.S. federal government and $100,409,000 and $131,015,000 of receivables from foreign governments at December 31, 2016 and December 31, 2015, respectively.

Bad debt expense of $14,454,000, $6,262,000 and ($5,195,000) is included in selling, general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014, respectively. The increase in bad debt expense in 2016 is related to certain accounts receivable, primarily in the Middle East.

In 2012, the Company commenced operations on the Muscat International Airport (the "Oman Airport") project with the Ministry of Transport and Communications (the "MOTC") in Oman. The original contract term expired in November 2014. In October 2014, the Company applied for a twelve-month extension of time amendment (the "first extension") which was subsequently approved in March 2016 and the Company continued to work on the Oman Airport project. The Company began to experience some delays in payment during the second quarter of 2015 when MOTC commenced its formal review and certification of the Company's invoices. In December 2015, the Company began discussions with the MOTC on a second extension of time amendment (the "second extension") and has since commenced additional work, which management expects to last approximately 18 months. When the MOTC resumed payments in 2016, the Company received approximately $42,000,000 during the year. At December 31, 2016, accounts receivable from Oman totaled approximately $27,132,000, of which approximately $16,500,000 was past due based on contractual terms. In February 2017, the Company received payments totalling $6,153,000 against this receivable.

In addition, there is approximately $16,400,000 included in non-current Retainage Receivable in the consolidated balance sheet at December 31, 2016. Of that amount, approximately $8,400,000 relates to retention and approximately $8,000,000 relates to a Defect and Liability Period ("DLP"). Retention represents five percent of each monthly invoice which is retained by MOTC. Fifty percent of the retention will be released one year from the commencement of the DLP and the balance will be release upon the issuance of final Completion Certificates. DLP represents the period by which the

Note 6—Accounts Receivable (Continued)

contractor must address any defect issues. This period commences upon the issuance of a "Taking Over Certificate" (by MOTC) to contractors for up to a period of 24 months and then final certificate closing the project.

The delays in payments from MOTC and other foreign governments have had a negative impact on the Company's liquidity, financial covenants, financial position and results of operations.

Note 7—Property and Equipment

The components of property and equipment are as follows (in thousands):

	December 31, 2016	December 31, 2015
Furniture and equipment	**$ 10,434**	$ 9,625
Leasehold improvements	**8,615**	9,914
Automobiles	**844**	1,131
Computer equipment and software	**28,881**	26,887
	48,774	47,557
Less accumulated depreciation and amortization	**(31,987)**	(28,576)
Property and equipment, net	**$ 16,787**	$ 18,981

Information with respect to depreciation expense is as follows (in thousands):

	Years Ended December 31, 2016	2015	2014
Total depreciation expense	**$ 4,108**	$ 3,556	$ 2,604
Portion charged to cost of services	**$ 890**	$ 813	$ 841
Portion charged to selling, general and administrative expense	**$ 3,218**	$ 2,743	$ 1,763

Note 8—Intangible Assets

The following table summarizes the Company's acquired intangible assets (in thousands):

	December 31, 2016		December 31, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Client relationships	**$ 16,699**	**$ 11,298**	$ 19,851	$ 12,464
Acquired contract rights	**2,058**	**1,912**	11,801	10,832
Trade names	**2,339**	**1,139**	2,524	1,107
Total	**$ 21,096**	**$ 14,349**	$ 34,176	$ 24,403
Intangible assets, net	**$ 6,747**		$ 9,773	

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8—Intangible Assets (Continued)

Amortization expense related to intangible assets was as follows (in thousands):

Years Ended December 31,		
2016	2015	2014
$3,045	$ 4,353	$ 4,500

The following table presents the estimated amortization expense based on our present intangible assets for the next five years (in thousands):

Years Ending December 31,	Estimated Amortization Expense
2017	$ 2,187
2018	1,276
2019	1,189
2020	928
2021	542

Note 9—Goodwill

The addition to goodwill in 2015 is due to the acquisition of IMS (see Note 5 for further information).

The following table summarizes the changes in the Company's carrying value of goodwill during 2016 and 2015 (in thousands):

Balance, December 31, 2014	$ 53,669
Additions	3,783
Translation adjustments	(7,713)
Balance, December 31, 2015	**49,739**
Translation adjustments	**926**
Balance, December 31, 2016	**$ 50,665**

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10—Accounts Payable and Accrued Expenses

Below are the components of accounts payable and accrued expenses (in thousands):

	December 31,	
	2016	**2015**
Accounts payable	**$ 30,944**	$ 38,094
Accrued payroll and related expenses	**31,095**	35,024
Accrued subcontractor fees	**9,188**	5,864
Accrued agency fees	**5,702**	6,282
Accrued legal and professional fees	**2,223**	1,114
Other accrued expenses	**4,840**	2,958
	$ 83,992	$ 89,336

Note 11—Notes Payable and Long-Term Debt

Outstanding debt obligations are as follows (in thousands):

	December 31,	
	2016	**2015**
2014 Term Loan Facility	**$ 112,884**	$ 112,906
2014 Domestic Revolving Credit Facility	**16,500**	17,500
2014 International Revolving Credit Facility	**11,102**	10,715
Borrowings under revolving credit facilities with a consortium of banks in Spain	**2,962**	3,013
Borrowing from Philadelphia Industrial Development Corporation	**655**	710
Other notes payable	**—**	139
	144,103	144,983
Less current maturities	**1,983**	4,357
Notes payable and long-term debt, net of current maturities	**$ 142,120**	$ 140,626

The Company and its subsidiary Hill International N.V. (the "Subsidiary") are parties to a credit agreement with Société Générale (the "Agent") TD Bank, N.A., and HSBC Bank USA, N.A., (collectively, the "U.S. Lenders") consisting of a term loan facility of $120,000,000 (the "Term Loan Facility") and a $30,000,000 U.S. dollar-denominated facility available to the Company (the "U.S. Revolver," together with the Term Loan Facility, the "U.S. Credit Facilities") and a credit agreement with the Agent as administrative agent and collateral agent, (the "International Lender") providing a facility of €11,765,000 ($15,000,000 at closing and $12,380,000 at December 31, 2016) which is available to the Subsidiary (the "International Revolver" and together with the U.S. Revolver, the "Revolving Credit Facilities" and, together with the U.S. Credit Facilities, the "Secured Credit Facilities"). The U.S. Revolver and the International Revolver include sub-limits for letters of credit amounting to $25,000,000 and $10,000,000, respectively.

The Secured Credit Facilities contain customary default provisions, representations and warranties, and affirmative and negative covenants, and require the Company to comply with certain financial and

Note 11—Notes Payable and Long-Term Debt (Continued)

reporting covenants. The financial covenants consist of a Maximum Consolidated Net Leverage Ratio and an Excess Account Concentration requirement.

The Consolidated Net Leverage Ratio is the ratio of (a) consolidated total debt (minus cash of up to $10,000,000 held in the aggregate) to consolidated earnings before interest, taxes, depreciation, amortization, non-cash items and share-based compensation and other non-cash charges, including bad debt expense, for the trailing twelve months. In the event of a default, the U.S. Lenders and the International Lender may increase the interest rates by 2.0%. At December 31, 2016, the Company's Consolidated Net Leverage Ratio was 3.89 to 1.00 which exceeded the 2.75 to 1.00 limit imposed by the Secured Credit Facilities and constituted a default.

The Excess Account Concentration covenant permits the U. S. Lenders and the International Lender to increase the interest rates by 2.0% if, as of the last day of any fiscal quarter, either (a) the accounts receivable from any country not listed as a Permitted Country as defined in the Secured Credit Facilities (other than the United Arab Emirates) that are more than 120 days old (relative to the invoice date) constitute more than 10% of the total outstanding accounts receivable or (b) accounts receivable from any individual client located in the United Arab Emirates that are more than 120 days old (relative to the invoice date) constitute more than 14% of the total outstanding accounts receivable. The interest rate will be reset as soon as the accounts receivable over 120 days decline below the 10% or 14% levels.

In anticipation of the event of default upon delivery of the quarterly compliance certificate, the Company requested a waiver from the Agent. On March 27, 2017, the Company obtained the waiver of the Consolidated Net Leverage Ratio default. In connection with the waiver, the Company incurred a consent fee amounting to approximately $401,000 which will be charged to interest expense in the first quarter of 2017.

The U.S. Credit Facilities are guaranteed by certain U.S. subsidiaries of the Company, and the International Revolver is guaranteed by the Company and certain of the Company's U.S. and non-U.S. subsidiaries.

Term Loan Facility

The interest rate on the Term Loan Facility will be, at the Company's option, either:

- the London Inter-Bank Offered Rate ("LIBOR") for the relevant interest period plus 6.75% per annum, provided that such LIBOR shall not be lower than 1.00% per annum; or
- the Base Rate (as described below) plus 5.75% per annum.

The "Base Rate" is a per annum rate equal to the highest of (A) the prime rate, (B) the federal funds effective rate plus 0.50%, or (C) the LIBOR for an interest period of one month plus 1.0% per annum. Upon a default, the applicable rate of interest under the Secured Credit Facilities may increase by 2.0%. The LIBOR on the Term Loan Facilities (including when determining the Base Rate) shall in no event be less than 1.0% per annum.

At December 31, 2016, the interest rate on the Term Loan was 7.75%

The Company has the right to prepay the Term Loan Facility in full or in part at any time without premium or penalty. The Company is required to make mandatory prepayments of the Term Loan

Note 11—Notes Payable and Long-Term Debt (Continued)

Facility, without premium or penalty, (i) with net proceeds of any issuance or incurrence of indebtedness (other than that permitted under the Term Loan Facility) by the Company, (ii) with net proceeds from certain asset sales outside the ordinary course of business, and (iii) with 50% of the excess cash flow (as defined in the agreement) for each fiscal year of the Borrowers commencing with the year ending December 31, 2016 (which percentage would be reduced to 25% if the Consolidated Net Leverage Ratio is equal to or less than 2.25 to 1.00 or reduced to 0% if the Consolidated Net Leverage Ratio is equal to or less than 1.50 to 1.00).

The Term Loan Facility is generally secured by a first-priority security interest in substantially all assets of the Company and certain of the Company's U.S. subsidiaries other than accounts receivable, cash proceeds thereof and certain bank accounts, as to which the Term Loan Facility is secured by a second-priority security interest.

The Term Loan Facility has a term of six years, requires repayment of 0.25% of the original principal amount on a quarterly basis through September 30, 2020, the maturity date. Any amounts repaid on the Term Loan Facility will not be available to be re-borrowed.

The Company incurred fees and expenses related to the Term Loan Facility aggregating $7,066,000 which were deferred. The deferred fees are being amortized on a straight-line basis, which approximates the effective interest method, to interest and related financing fees, net over a six-year period which ends on September 30, 2020. Unamortized balances of $4,416,000 and $5,594,000 are reflected as reductions of the term loan in the consolidated balance sheets at December 31, 2016 and 2015, respectively.

Revolving Credit Facilities

The interest rate on borrowings under the U.S. Revolver will be, at the Company's option from time to time, either the LIBOR for the relevant interest period plus 3.75% per annum or the Base Rate plus 2.75% per annum. At December 31, 2016 the interest rate was 6.50%.

The interest rate on borrowings under the International Revolver will be the European Inter-Bank Offered Rate, or "EURIBOR," for the relevant interest period (or at a substitute rate to be determined to the extent EURIBOR is not available) plus 4.00% per annum. At December 31, 2016 the interest rate was 4.38%.

The Company will pay a commitment fee calculated at 0.50% annually on the average daily unused portion of the U.S. Revolver, and the Subsidiary will pay a commitment fee calculated at 0.75% annually on the average daily unused portion of the International Revolver.

The ability to borrow under each of the U.S. Revolver and the International Revolver is subject to a "borrowing base," calculated using a formula based upon approximately 85% of receivables that meet or satisfy certain criteria ("Eligible Receivables") and that are subject to a perfected security interest held by either the U.S. Lenders or the International Lender, plus, in the case of the International Revolver only, 10% of Eligible Receivables that are not subject to a perfected security interest held by the International Lender, subject to certain exceptions and restrictions.

The Company or the Subsidiary, as applicable, will be required to make mandatory prepayments under their respective Revolving Credit Facilities to the extent that the aggregate outstanding amount thereunder exceeds the then-applicable borrowing base, which payments will be made without penalty or premium. At December 31, 2016, the domestic borrowing base was $30,000,000 and the international borrowing base was €11,765,000 (approximately $12,380,000 at December 31, 2016).

Note 11—Notes Payable and Long-Term Debt (Continued)

Generally, the obligations of the Company under the U.S. Revolver are secured by a first-priority security interest in the above-referenced accounts receivable, cash proceeds and bank accounts of the Company and certain of the Company's U.S. subsidiaries, and a second-priority security interest in substantially all other assets of the Company and such subsidiaries. The obligations of the Subsidiary under the International Revolver would generally be secured by a first-priority security interest in substantially all accounts receivable, cash proceeds thereof and certain bank accounts of the Subsidiary and certain of the Company's non-U.S. subsidiaries, and a second-priority security interest in substantially all other assets of the Company and certain of the Company's U.S. and non-U.S. subsidiaries.

The Revolving Credit Facilities have a term of five years and require payment of interest only during the term. Under the Revolving Credit Facilities, outstanding loans may be repaid in whole or in part at any time, without premium or penalty, subject to certain customary limitations, and will be available to be re-borrowed from time to time through expiration on September 30, 2019.

The Company incurred fees and expenses related to the Revolving Credit Facilities aggregating $3,000,000 which was deferred. The deferred fees are being amortized on a straight-line basis, which approximates the effective interest method, to interest expense and related financing fees, net over a five-year period which ends on September 30, 2019. Unamortized balances of $1,650,000 and $2,250,000 are included in other assets in the consolidated balance sheet at December 31, 2016 and 2015, respectively.

At December 31, 2016, the Company had $4,519,000 of outstanding letters of credit and $8,981,000 of available borrowing capacity under the U.S. Revolver.

At December 31, 2016, the Company had $945,000 of outstanding letters of credit and $4,195,000 of available borrowing capacity under the International Revolver and its other foreign credit agreements (See "Other Debt Arrangements" below for more information).

Other Debt Arrangements

In connection with the 2015 move of its corporate headquarters to Philadelphia, Pennsylvania, the Company received a loan from the Philadelphia Industrial Development Corporation in the amount of $750,000 which bears interest at 2.75%, is repayable in 144 equal monthly installments of $6,121 and matures on May 1, 2027.

The Company's subsidiary, Hill International (Spain) S.A. ("Hill Spain"), maintained a revolving credit facility with six banks (the "Financing Entities") in Spain which initially provided for total borrowing of up to €5,640,000 with interest at 6.50% on outstanding borrowings. The facility expired on December 17, 2016. Concurrent with the satisfaction of this facility Hill Spain entered into a new agreement with three new banks. The total new facility is for €2,770,000 (approximately $2,915,000) at December 31, 2016. The facility was fully utilized at December 31, 2016. Interest rates at December 31, 2016 were between 1.85% and 3.50%. The loans have varying expiration dates between 36 and 60 months.

Hill Spain also maintains an ICO (Official Credit Institute) loan with Bankia Bank in Spain for €45,000 (approximately $47,355) at December 31, 2016. The availability is reduced by €15,000 on a quarterly basis. At December 31, 2016, the loan was fully utilized with total borrowings outstanding of €

Note 11—Notes Payable and Long-Term Debt (Continued)

45,000 (approximately $47,355). The interest rate at December 31, 2016 was 6.50%. The ICO loan expires on August 10, 2017.

The Company maintains a credit facility with the National Bank of Abu Dhabi which provides for total borrowings of up to AED 11,500,000 (approximately $3,131,000 at December 31, 2016) collateralized by certain overseas receivables. At December 31, 2016, there were no borrowings outstanding. The interest rate is the one-month Emirates InterBank Offer Rate plus 3.00% (or 4.41% at December 31, 2016) but no less than 5.50%. This facility allow for up to AED 200,000,000 (approximately $54,451,000 at December 31, 2016) of which AED 127,377,000 (approximately $34,686,000) was outstanding at December 31, 2016. The credit facility is subject to periodic review by the bank.

Engineering S.A. maintains four unsecured revolving credit facilities with two banks in Brazil aggregating 2,380,000 Brazilian Reais (BRL) (approximately $732,000 at December 31, 2016), with a weighted average interest rate of 5.09% per month at December 31, 2016. There were no borrowings outstanding on any of these facilities which are renewed automatically every three months.

The Company also maintains relationships with other foreign banks for the issuance of letters of credit, letters of guarantee and performance bonds in a variety of foreign currencies. At December 31, 2016, the maximum U.S. dollar equivalent of the commitments was $83,382,000 of which $38,680,000 is outstanding.

At December 31, 2016, contractually scheduled maturities of long term debt were as follows (in thousands):

Years Ending December 31,	
2017	$ 1,983
2018	1,902
2019	29,506
2020	109,834
2021	520
Thereafter	358
Total	$ 144,103

Note 12—Supplemental Cash Flow Information

The Company issues shares of its common stock and deferred stock units to its non-employee directors as partial compensation for services on the Company's Board through the next annual stockholders meeting. See Note 13 for further information with respect to this plan.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12—Supplemental Cash Flow Information (Continued)

Other activity is provided in the following table (in thousands):

	Years Ended December 31, 2016	2015	2014
Interest and related financing fees paid	**$ 12,004**	$ 13,180	$ 22,753
Income taxes paid	**$ 9,523**	$ 5,684	$ 10,863
Increase in property and equipment from a tenant improvement allowance related to the relocation of the corporate headquarters	**$ —**	$ 3,894	$ —
Reduction of noncontrolling interest in connection with acquisitions of additional interests in Engineering S.A.	**$ —**	$ (4,374)	$ (2,649)
Increase in additional paid in capital from issuance of shares of common stock in connection with the acquisition of an additional interest in ESA	**$ —**	$ 4,374	$ —
Decrease in additional paid-in capital related to ESA Put Options	**$ (2,670)**	$ —	$ —
Increase in additional paid in capital from issuance of shares of common stock related to purchase of CPI	**$ —**	$ 530	$ 618
Increase in additional paid in capital from issuance of shares of common stock from cashless exercise of stock options	**$ 796**	$ 361	$ 538

Note 13—Share-Based Compensation

2009 Non-Employee Director Stock Grant Plan

The 2009 Non-Employee Director Stock Grant Plan covers 400,000 shares of the Company's common stock. Awards under the plan may take the form of share of the Company's common stock or deferred stock units ("DSU") which entitle the participants to receive one share of common stock for each DSU upon retirement from the Board of directors. Only the Company's Non-Employee Directors are eligible to receive awards under the plan. Information with respect to the plan's activity follows (in thousands):

	Years Ended December 31, 2016	2015	2014
Shares issued	**3**	25	27
Compensation expense	**$ 10**	$ 115	$ 175
Deferred stock units issued	**96**	—	—
Compensation expense	**$ 350**	$ —	$ —

Note 13—Share-Based Compensation (Continued)

2008 Employee Stock Purchase Plan

The Employee Stock Purchase Plan covers 2,000,000 shares of the Company's common stock. Eligible employees may purchase shares at 85% of the fair market value on the date of purchase. Information with respect to the plan's activity follows (in thousands):

	Years Ended December 31,		
	2016	**2015**	**2014**
Shares purchased	**59**	43	55
Aggregate purchase price	**$ 182**	$ 126	$ 197
Compensation expense	**$ 32**	$ 22	$ 35

2006 Employee Stock Option Plan

The 2006 Employee Stock Option Plan, as amended, covers 10,000,000 shares of the Company's common stock. Under its terms, directors, officers and employees of the Company and its subsidiaries are eligible to receive non-qualified and incentive stock options. Options granted to non-employee directors vest immediately and have a five year contractual term. Options granted to officers and employees vest over five years and have a seven-year contractual term. Generally, each option has an exercise price equal to the closing quoted market price of a share of the Company's common stock on the date of grant. For grants of incentive stock options, if the grantee owns, or is deemed to own, 10% or more of the total voting power of the Company, then the exercise price shall be 110% of the closing quoted market price on the date of grant and the option will have a five-year contractual term. Options that are forfeited or expire are available for future grants. At December 31, 2016, a total of 1,643,000 shares of common stock were reserved for future issuance under the plan.

The Black-Scholes option valuation model is used to estimate the fair value of the options. The following table summarizes the fair value of options granted during 2016, 2015 and 2014 and the assumptions used to estimate the fair value:

	December 31,		
	2016	**2015**	**2014**
Average expected life (years)	**4.98**	**4.86**	4.59
Forfeiture range	**0%**	**0 - 5.0%**	0 - 5.0%
Weighted average forfeiture rate	**0%**	**0.3%**	0.9%
Dividends	**0%**	**0%**	0%
Volatility range	**47.4 - 57.5%**	**46.9 - 59.9%**	61.5 - 65.5%
Weighted average volatility	**56.5%**	**58.9%**	62.9%
Range of risk-free interest rates	**0.97 - 1.46%**	**1.07 - 1.61%**	0.86 - 1.74%
Weighted average risk-free interest rate	**1.22%**	**1.45%**	1.67%
Weighted average fair value at grant date	**$ 1.52**	**$ 2.01**	$ 2.28

The expected term of the options is estimated based on the "simplified method" as permitted by SAB No. 110. Expected volatility was calculated using the average historical volatility of the Company. The risk-free interest rate is based on U.S. Treasury yields for securities in effect at the time of grants with terms approximating the term of the grants. The assumptions used in the Black-Scholes option

Note 13—Share-Based Compensation (Continued)

valuation model are highly subjective, particularly as to stock price volatility of the underlying stock, which can materially affect the resulting valuation.

A summary of the Company's stock option activity and related information for the years ended December 31, 2016, 2015 and 2014 is as follows (in thousands, except exercise price and remaining life data):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, December 31, 2013	6,574	$ 4.67		
Granted	1,849	4.57		
Exercised	(524)	3.00		
Expired	(496)	7.66		
Forfeited	(44)	4.37		
Outstanding, December 31, 2014	7,359	4.57		
Granted	1,117	4.02		
Exercised	(274)	3.03		
Expired	(405)	7.11		
Forfeited	(86)	4.50		
Outstanding, December 31, 2015	7,711	4.41		
Granted	**1,025**	**4.40**		
Exercised	**(438)**	**2.66**		
Expired	**(1,154)**	**6.81**		
Forfeited	**(82)**	**4.24**		
Outstanding, December 31, 2016	**7,062**	**$ 4.45**	**1.78**	**$ —**
Exercisable, December 31, 2016	**3,727**	**$ 4.64**	**3.07**	**$ —**

Aggregate intrinsic value represents the difference between the exercise prices and the closing stock price on December 31, 2016. At December 31, 2016, the weighted average exercise price of the outstanding options was $4.45 and the closing stock price was $4.35.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13—Share-Based Compensation (Continued)

For various price ranges, weighted average characteristics of outstanding stock options at December 31, 2016 are as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at December 31, 2016	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2016	Weighted Average Exercise Price
$2.85	68,181	0.44	$ 2.85	68,181	$ 2.85
2.89	69,768	1.43	2.89	69,768	2.89
3.00	10,101	4.10	3.00	10,101	3.00
3.12	10,000	3.60	3.12	6,000	3.12
3.35	15,000	6.06	3.35	—	3.35
3.46	13,274	3.86	3.46	13,274	3.46
3.55	5,000	5.78	3.55	1,000	3.55
3.67	781,000	3.06	3.67	465,000	3.67
3.91	500,000	5.01	3.91	100,000	3.91
3.95	500,000	4.01	3.95	200,000	3.95
4.00	500,000	6.25	4.00	—	4.00
4.03	475,000	5.08	4.03	95,000	4.03
4.04	1,000,000	1.06	4.04	750,000	4.04
4.31	112,500	6.45	4.31	—	4.31
4.35	500,000	2.01	4.35	250,000	4.35
4.46	25,000	6.76	4.46	—	4.46
4.84	37,974	3.60	4.84	37,974	4.84
4.90	10,000	5.59	4.90	2,000	4.90
4.95	680,000	4.19	4.95	272,000	4.95
5.00	250,000	6.25	5.00	—	5.00
5.17	112,500	6.45	5.17	—	5.17
5.31	20,000	0.07	5.31	20,000	5.31
5.47	880,200	0.18	5.47	880,200	5.47
5.73	8,000	1.84	5.73	8,000	5.73
5.83	265,000	0.24	5.83	265,000	5.83
6.31	175,000	1.42	6.31	175,000	6.31
6.61	38,322	2.45	6.61	38,322	6.61
	7,061,820	3.07	$ 4.13	3,726,820	$ 4.64

In the years ended December 31, 2016, 2015 and 2014, the Company recorded share-based compensation related to stock options of approximately $2,436,000, $2,960,000 and $3,292,000, respectively, which is included in selling, general and administrative expenses.

Note 13—Share-Based Compensation (Continued)

The following table summarizes the Company's non-vested stock option activity and related information for the years ended December 31, 2016, 2015 and 2014 (in thousands, except weighted average grant date fair value):

	Options	Weighted Average Grant Date Fair Value Per Share
Non-vested options at December 31, 2013	3,541	2.20
Granted	1,849	2.28
Vested	(1,289)	2.19
Forfeited	(44)	2.33
Non-vested options at December 31, 2014	4,057	2.24
Granted	1,117	2.01
Vested	(1,434)	2.26
Forfeited	(86)	2.48
Non-vested options at December 31, 2015	3,654	2.15
Granted	**1,025**	**1.52**
Vested	**(1,262)**	**2.18**
Forfeited	**(82)**	**2.76**
Non-vested options at December 31, 2016	**3,335**	**$ 1.92**

At December 31, 2016, total unrecognized compensation cost related to non-vested options was $4,546,000 which will be recognized over the remaining weighted-average service period of 1.91 years.

Note 14—Stockholders' Equity

During the year ended December 31, 2016, the Company received cash proceeds of $351,000 from the exercise of stock options.

During 2016, certain officers exercised 320,745 options with an exercise price of $2.45 through the Company. The Company withheld 233,752 shares as payment for the options and placed those shares in treasury. The officers received 87,713 shares from these transactions.

During May 2015, four of the Company's directors exercised an aggregate of 84,868 options with an exercise price of $4.25 through the Company on a cashless basis. The Company withheld 67,400 shares as payment for the options and placed those shares in treasury. The directors received a total of 17,468 shares from this transaction.

In April 2015, two shareholders who owned approximately 19% of ESA exercised their ESA Put Options. On August 12, 2015, the Company paid the $4,374,000 liability with 924,736 shares of its common stock, of which it repurchased 129,648 shares for an aggregate price of $580,000. See Note 5 for further information.

On August 6, 2014, in connection with the Refinancing (See Note 11), the Company sold 9,546,629 shares of its common stock in an underwritten equity offering and received net proceeds aggregating

Note 14—Stockholders' Equity (Continued)

approximately $38,078,000, of which two mandatory prepayments of $9,522,402 were used to pay down the 2012 Term Loan Agreement and the 2009 Revolving Credit Agreement.

In March 2014, the Company's former Chairman and Chief Executive Officer exercised 200,000 options with an exercise price of $2.70 through the Company on a cashless basis. The Company withheld 112,788 shares as payment for the options and placed those shares in treasury. The Chairman and Chief Executive Officer received 87,212 shares from this transaction.

We have an effective registration statement on Form S-3 on file with the U.S. Securities and Exchange Commission (the "SEC") which registered 20,000,000 shares of our common stock for issuance and sale by us at various times in the future. The proceeds, if any, will be used for working capital and general corporate purposes, subject to the restrictions of our Secured Credit Facilities.

We have an effective registration statement on Form S-4 on file with the SEC which registered 20,000,000 shares of our common stock, which includes 6,438,923 shares of our common stock registered under a previous Form S-4, for use in future acquisitions. During 2013, we issued 1,389,769 shares in connection with our acquisitions of BCA and CPI. During 2014, we issued 171,308 shares in connection with certain additional consideration for CPI. In 2015, we issued 148,460 shares of our common stock for additional consideration for CPI. See Note 5 for further information.

Note 15—Income Taxes

The effective tax rates for the years ended December 31, 2016, 2015 and 2014 were (392.3%), 37.9% and 35.1% respectively. For all the years presented, the Company's effective tax rate is significantly higher than the U.S. federal statutory rate primarily as a result of various foreign withholding taxes and the inability to record an income tax benefit related to the U.S. net operating loss. In 2014, the effective tax rate was favorably impacted by a reversal of approximately $2,500,000 for uncertain tax positions based on management's assessment that those items were effectively settled with a foreign jurisdiction.

The components of earnings before income taxes by United States and foreign jurisdictions were as follows (in thousands):

	Years Ended December 31,		
	2016	**2015**	**2014**
United States	**$ (5,793)**	$ (10,963)	$ (11,803)
Foreign jurisdictions	**4,245**	28,041	33,181
	$ (1,548)	$ 17,078	$ 21,378

Note 15—Income Taxes (Continued)

Income tax expense (benefit) consists of the following (in thousands):

	Current	Deferred	Total
Year ended December 31, 2016:			
U.S. federal	**$ —**	**$ —**	**$ —**
State and local	**—**	**—**	**—**
Foreign jurisdictions	**6,527**	**(459)**	**6,068**
	$ 6,527	**$ (459)**	**$ 6,068**
Year ended December 31, 2015:			
U.S. federal	$ —	$ —	$ —
State and local	—	—	—
Foreign jurisdictions	6,948	(483)	6,465
	$ 6,948	$ (483)	$ 6,465
Year ended December 31, 2014:			
U.S. federal	$ —	$ —	$ —
State and local	—	—	—
Foreign jurisdictions	8,037	(525)	7,512
	$ 8,037	$ (525)	$ 7,512

The decrease in tax expense in 2016 compared to 2015 results from the mix of income and tax rates in various foreign jurisdictions

The decrease in tax expense in 2015 compared to 2014 results from the mix of income and tax rates in various foreign jurisdictions. In 2014, approximately $2,500,000 of reversal for uncertain tax positions was recorded based on management's assessment that those items were effectively settle with a foreign jurisdiction.

The differences between income taxes based on the statutory U.S. federal income tax rate and the Company's effective income tax rate are provided in the following reconciliation (in thousands).

	Years Ended December 31,		
	2016	2015	2014
Statutory federal income tax	**$ (542)**	$ 5,977	$ 7,268
Foreign tax benefit for earnings taxed at lower rates	**3,013**	(2,939)	(3,044)
Change in the valuation allowance	**3,687**	7,629	17,267
Valuation allowance—discontinued operations NOL adjustment	**(4,758)**	(4,192)	(11,197)
Net liability (reductions) additions for uncertain tax positions	**(40)**	21	(2,379)
Excess compensation	**513**	485	646
State and local income taxes, net of federal income tax benefit	**(133)**	(447)	(552)
Stock options	**4,355**	266	224
Purchase accounting reversal	**—**	—	(490)
Other	**(27)**	(335)	(231)
Total	**$ 6,068**	$ 6,465	$ 7,512

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15—Income Taxes (Continued)

The tax effect of temporary differences that give rise to deferred tax assets and deferred tax liabilities are as follows (in thousands):

	December 31,	
	2016	**2015**
Deferred tax assets:		
Net operating loss carry forward—U.S. operations	**$ 52,401**	$ 46,493
Amortization of intangibles	**3,002**	7,010
Net operating loss carry forward—foreign operations	**8,459**	6,690
Compensated absences	**2,184**	2,371
Foreign income taxes on currency translation	**2,632**	2,392
Share based compensation	**309**	3,764
Allowance for uncollectible accounts	**13,691**	13,139
Bonus accrual	**—**	488
Foreign tax credit	**991**	982
Other	**961**	1,133
Total gross deferred tax assets	**84,630**	84,462
Valuation allowances	**(72,154)**	(66,043)
Net deferred tax assets	**12,476**	18,419
Deferred tax liabilities:		
Intangible assets	**(5,954)**	(10,763)
Depreciation	**(3,009)**	(2,729)
Prepaid expenses	**(1,021)**	(1,123)
Change in tax method	**(101)**	(190)
Accrued expenses	**(729)**	—
Total gross deferred tax liabilities	**(10,814)**	(14,805)
Net deferred tax assets	**$ 1,662**	$ 3,614

The deferred taxes have been reflected in the balance sheet based on tax jurisdiction as follows:

Deferred tax asset	**$ 2,197**	$ 4,602
Deferred tax liability	**(535)**	(988)
Net deferred tax assets	**$ 1,662**	$ 3,614

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Management evaluates the need for valuation allowances on the deferred tax assets according to the provisions of ASC 740, *Income Taxes.* They consider both positive and negative evidence. In making this determination, management assesses all of the evidence available at the time including recent earnings, internally-prepared income projections, and historical financial performance.

Note 15—Income Taxes (Continued)

Due to recurring net operating losses in the United States, management has determined that it is more likely than not that the Company will not be able to utilize its U.S. deferred tax assets. The Company continues to generate U.S. net operating losses and recorded additional valuation allowances of $1,317,000 and $7,583,000 at December 31, 2016 and 2015, respectively. U.S. valuation allowances of $50,987,000 and $49,670,000 were recorded at December 31, 2016 and 2015, respectively, primarily related to the U.S. net operating loss carryforwards. As a result, the U.S. deferred tax assets, net of U.S. deferred tax liabilities, are fully reserved at December 31, 2016. Cumulative U.S. federal and state net operating losses at December 31, 2016 are $132,331,000 and $135,234,000, respectively.

At December 31, 2016 and 2015, there were approximately $36,256,000 and $27,571,000, respectively, of gross foreign net operating loss carry forwards. The majority of these net operating loss carry forwards have an unlimited carry forward period. It is anticipated that these losses will not be utilized due to continuing losses in these jurisdictions. Foreign valuation allowances of $21,167,000 and $16,373,000 were recorded at December 31, 2016 and 2015, respectively, primarily related to the foreign allowance for doubtful accounts in connection with the Libya Receivable reserve and the foreign net operating loss carry forwards. In 2016, $2,424,000 of the valuation allowance is recorded to Accumulated Other Comprehensive Income and is related to the deferred tax asset recorded as a foreign exchange adjustment related to long term notes payable.

The Company has made no provision for U.S. taxes on $128,175,000 of cumulative earnings of foreign subsidiaries as those earnings are intended to be reinvested for an indefinite period of time and are not intended to be distributed to the U.S. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual repatriation of these earnings.

The Company will recognize a tax benefit in the financial statements for an uncertain tax position only if management's assessment is that the position is "more likely than not" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position. The term "tax position" refers to a position in a previously filed tax return or a position expected to be taken in a future tax return that is reflected in measuring current or deferred income tax assets and liabilities for financial reporting purposes.

The following table indicates the changes to the Company's uncertain tax positions for the years ended December 31, 2016 and 2015 including interest and penalties (in thousands):

	Years Ended December 31,	
	2016	**2015**
Balance, beginning of year	**$ 996**	$ 975
Reductions based on tax positions related to prior years	**(40)**	(16)
Reduction due to settlements with taxing authorities	**(172)**	(265)
Additions based on tax positions related to prior years	**914**	302
Balance, end of year	**$ 1,698**	$ 996

The Company files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. The Company generally is no longer subject to U.S. or state examinations by tax

Note 15—Income Taxes (Continued)

authorities for taxable years prior to 2013. However, net operating losses utilized from prior years in subsequent years' tax returns are subject to examination until three years after the filing of subsequent years' tax returns. The statute of limitations expiration in foreign jurisdictions for corporate tax returns generally ranges between two and five years depending on the jurisdiction.

The Company's policy is to record income tax related interest and penalties in income tax expense. At December 31, 2016, 2015 and 2014, the Company has accrued $206,000, $500,000 and $520,000, respectively, related to potential interest and penalties.

The Company's income tax returns are based on calculations and assumptions that are subject to examinations by the Internal Revenue Service and other tax authorities. While the Company believes it has appropriate support for the positions taken on its tax returns, the Company regularly assesses the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of its provision for income taxes. As part of its assessment of potential adjustments to its tax returns, the Company increases its current tax liability to the extent an adjustment would result in a cash tax payment or decreases its deferred tax assets to the extent an adjustment would not result in a cash tax payment. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Note 16—Commitments and Contingencies

General Litigation

In 2013, M.A. Angeliades, Inc. ("Plaintiff") filed a complaint with the Supreme Court of New York against the Company and the New York City Department of Design and Construction ("DDC") regarding payment of approximately $8,771,000 for work performed as a subcontractor to the Company plus interest and other costs. On October 5, 2015, pursuant to a settlement agreement, Hill paid Plaintiff approximately $2,596,000, including interest amounting to $1,056,000, of which $448,000 had been previously accrued and $608,000 was charged to expense for the year ended December 31, 2015. The remaining issues regarding Plaintiff's requests for change orders and compensation for delay are being negotiated between Plaintiff and the DDC.

In 2014, a former executive of the Company ("Plaintiff") resigned and filed a labor dispute with the Company in the Dubai Labour Court seeking AED 4,536,239 (approximately $1,210,000) for end of service remuneration. The Company filed a counterclaim against Plaintiff for breach of employment contract and filed a complaint against Plaintiff's new employer, Driver Group plc, in the UK for breach of non-solicitation and non-compete obligations in Plaintiff's employment agreement. On June 15, 2015, the Company paid Plaintiff AED 750,000 (approximately $200,000) pursuant to an executed settlement agreement. During year ended December 31, 2015, the Company recorded an additional $100,000 associated with the settlement payment and $834,000 of related legal costs.

Knowles Limited ("Knowles"), a subsidiary of the Company, is a party to an arbitration proceeding instituted on July 8, 2014 in which Knowles claimed that it was entitled to payment for services rendered to Celtic Bioenergy Limited ("Celtic"). The arbitrator decided in favor of Knowles. The arbitrator's award was appealed by Celtic to the U.K. High Court of Justice, Queen's Bench Division, Technology and Construction Court ("Court"). On March 16, 2017, the Court (1) determined that certain relevant facts had been deliberately withheld from the arbitrator by an employee of Knowles

Note 16—Commitments and Contingencies (Continued)

and (2) remitted the challenged parts of the arbitrator's award back to the arbitrator to consider the award in possession of the full facts. The Company is evaluating the impact of the judgment of the Court.

From time to time, the Company is a defendant or plaintiff in various legal actions which arise in the normal course of business. As such the Company is required to assess the likelihood of any adverse outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of the provision required for these commitments and contingencies, if any, which would be charged to earnings, is made after careful analysis of each matter. The provision may change in the future due to new developments or changes in circumstances. Changes in the provision could increase or decrease the Company's earnings in the period the changes are made. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Off-Balance Sheet Arrangements

The Company enters into agreements with banks for the banks to issue bonds to clients or potential clients for three separate purposes as follows:

(1) Certain of the Company's subsidiaries (Hill International N.V., Hill International (UK) Ltd. and Hill International (Middle East) Ltd.) have entered into contracts for the performance of construction management services which provide that the Company receive advance payment of some of the management fee from the client prior to commencement of the construction project. However, the clients require a guarantee of service performance in the form of an advance payment bond. These bonds are evidenced by Letters of Guarantee issued by the subsidiaries' banks in favor of the clients. In some cases these clients also require a parent company guarantee.

(2) The Company may also enter into certain contracts which require a performance bond to be issued by a bank in favor of the client for a portion of the value of the contract. These bonds may be exercised by the client in instances where the Company fails to provide the contracted services.

(3) Certain clients may require bonds as part of the bidding process for new work. The bid bonds are provided to demonstrate the financial strength of the companies seeking the work and are usually outstanding for short periods. If the bid is rejected the bond is cancelled and if the bid is accepted the Company may be required to provide a performance bond.

The maximum potential future payment under these arrangements at December 31, 2016 was $105,377,000.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds and letters of credit at December 31, 2016 and 2015 were $4,625,000 and $4,694,000, respectively.

Acquisition-Related Contingencies

As of December 31, 2016 our subsidiary, Hill International (Spain), S.A. ("Hill Spain"), owned an indirect 91% interest in Engineering S.A. ("ESA"), a firm located in Brazil. ESA's shareholders entered into an agreement whereby the minority shareholders have a right to compel ("ESA Put Option") Hill

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16—Commitments and Contingencies (Continued)

Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel ("ESA Call Option") the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA's most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. On June 17, 2016, the three remaining minority shareholders exercised their ESA Put Options claim a value of BRL 8,656,000 (approximately $2,659,000 at December 31, 2016). The Company accrued the liability which is included in other current liabilities and as an adjustment to additional paid in capital in the consolidated balance sheet at December 31, 2016. The amount is subject to negotiation and any difference will be recorded upon completion of the transaction. See Note 5.

The Company accrued approximately TRY 6,100,000 ($2,088,000) for potential future payments in connection with the acquisition of IMS. IMS's EBITDA through the one-year anniversary of the acquisition date was not sufficient to earn any of the Additional Purchase Price and the liability was eliminated by a credit of approximately $673,000 to selling, general and administrative expenses at December 31, 2016. See Note 5.

Other

The Company has identified a potential tax liability related to certain foreign subsidiaries' failure to comply with laws and regulations of the jurisdictions, outside of their home country, in which their employees provided services. The Company has estimated the potential liability to be approximately $2,106,000 and has reflected that amount in discontinued operations in the consolidated statement of operations for the year ended December 31, 2016 and in other liabilities in the consolidated balance sheet at December 31, 2016.

Note 17—Operating Leases

The Company has numerous operating leases which have various expiration dates through December, 2027. Rent expense was approximately $9,208,000, $8,724,000 and $8,416,000 for the years ended December 31, 2016, 2015 and 2014, respectively, which is included in selling, general and administrative expenses in the consolidated statements of earnings. The Company is required to pay property taxes, utilities and other costs related to several of its leased office facilities.

At December 31, 2016, approximate future minimum payments under these leases that have remaining non-cancelable lease terms in excess of one year are as follows (in thousands):

Years Ending December 31,	
2017	$ 7,607
2018	6,213
2019	5,026
2020	3,766
2021	3,145
Thereafter	10,963
Total	$ 36,720

Note 18—Benefit Plans

The Company maintains a 401(k) Retirement Savings Plan (the "401(k) Plan") for qualified employees. The terms of the 401(k) Plan define qualified employees as those over 21 years of age. The Company matches 50% of employee contributions up to 2% of employee compensation up to a maximum $2,650. For the years ended December 31, 2016, 2015 and 2014, the Company recognized expense amounting to $1,005,000, $905,000 and $801,000, respectively, which is included in selling, general and administrative expenses in the consolidated statements of earnings.

Note 19—Segment and Related Information

At December 31, 2016, due to the pending sale of our Construction Claims Group, the Company now has one operating segment, the Project Management Group, which reflects how the Company will be managed going forward. The Project Management Group provides extensive construction and project management services to construction owners worldwide. Such services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, labor compliance services and facilities management services. The information for 2015 and 2014 has been revised to exclude the operations of the Construction Claims Group which is accounted for as discontinued operations.

The following tables present certain information for the Project Management Group's operations (in thousands):

Consulting Fee Revenue by Geographic Region

	2016		2015		2014	
United States	**$ 137,528**	**31.7%**	$ 122,423	26.2%	$ 102,095	23.8%
Latin America	**18,708**	**4.3**	26,304	5.6	36,925	8.6
Europe	**38,455**	**8.8**	39,519	8.4	34,943	8.2
Middle East	**204,780**	**47.2**	245,985	52.6	222,754	51.9
Africa	**20,815**	**4.8**	20,461	4.4	18,402	4.3
Asia/Pacific	**13,861**	**3.2**	13,185	2.8	13,708	3.2
Total	**$ 434,147**	**100.0%**	$ 467,877	100.0%	$ 428,827	100.0%

For the year ended December 31, 2016, consulting fee revenue from the United Arab Emirates amounted to $70,834,000 representing 16.3% of the total and Saudi Arabia amounted to $47,783,000 representing 11.0% of the total. No other country except for the United States accounted for over 10% of consulting fee revenue.

For the year ended December 31, 2015, consulting fee revenue from the United Arab Emirates amounted to $86,327,000 representing 18.5% of the total, Saudi Arabia amounted to $53,348,000 representing 11.4% of the total and Oman amounted to $54,243,000 representing 11.6% of the total. No other country except for the United States accounted for over 10% of consulting fee revenue.

For the year ended December 31, 2014, consulting fee revenue from the United Arab Emirates amounted to $48,713,000 representing 11.4% of the total, Oman amounted to $62,337,000 representing 14.5% of the total and Saudi Arabia amounted to $48,259,000 representing 11.3% of the total. No other country except for the United States accounted for over 10% of consulting fee revenue.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 19—Segment and Related Information (Continued)

Total Revenue by Geographic Region

	2016		2015		2014	
United States	**$ 204,036**	**39.2%**	$ 187,399	33.9%	$ 146,224	30.0%
Latin America	**18,774**	**3.6**	26,351	4.8	36,948	7.6
Europe	**41,242**	**7.9**	42,913	7.8	37,358	7.7
Middle East	**217,875**	**41.8**	255,897	46.3	230,879	47.3
Africa	**24,037**	**4.6**	23,935	4.3	21,657	4.4
Asia/Pacific	**14,883**	**2.9**	16,081	2.9	14,688	3.0
Total	**$ 520,847**	**100.0%**	$ 552,576	100.0%	$ 487,754	100.0%

For the year ended December 31, 2016, total revenue from the United Arab Emirates amounted to $75,641,000 representing 14.5% of the total. No other country except for the United States accounted for over 10% of total revenue.

For the year ended December 31, 2015, total revenue from the United Arab Emirates amounted to $89,618,000 representing 16.2% of the total and total revenue from Oman amounted to $58,390,000 representing 10.6% of the total. No other country except for the United States accounted for over 10% of total revenue.

For the year ended December 31, 2014, total revenue from the United Arab Emirates amounted to $49,855,000 representing 10.2% of the total, Oman amounted to $66,175,000 representing 13.6% of the total and Saudi Arabia amounted to $48,919,000 representing 10.0% of the total. No other country except for the United States accounted for over 10% of total revenue.

Operating Profit (Loss)

	2016	2015	2014
United States	**$ 17,981**	$ 14,459	$ 7,424
Latin America	**(1,687)**	1,309	1,418
Europe	**(4,646)**	(6,312)	(5,145)
Middle East	**20,109**	43,792	42,368
Africa	**1,963**	822	4,816
Asia/Pacific	**1,677**	1,850	2,293
Corporate	**(36,251)**	(36,816)	(30,232)
Total	**$ (854)**	$ 19,104	$ 22,942

Depreciation and Amortization Expense

	2016	2015	2014
Project Management	**$ 6,535**	$ 7,477	$ 6,888
Corporate	**618**	432	216
Total	**$ 7,153**	$ 7,909	$ 7,104

Note 19—Segment and Related Information (Continued)

Consulting Fee Revenue By Client Type

	2016		2015		2014	
U.S. federal government	**$ 9,600**	**2.2%**	$ 8,569	1.8%	$ 9,792	2.3%
U.S. state, regional and local governments	**94,459**	**21.8**	82,181	17.6	70,036	16.3
Foreign governments	**153,445**	**35.3**	195,383	41.8	193,283	45.1
Private sector	**176,643**	**40.7**	181,744	38.8	155,716	36.3
Total	**$ 434,147**	**100.0%**	$ 467,877	100.0%	$ 428,827	100.0%

Total Revenue By Client Type

	2016		2015		2014	
U.S. federal government	**$ 12,046**	**2.3%**	$ 10,656	1.9%	$ 12,398	2.5%
U.S. state, regional and local governments	**155,596**	**29.9**	138,044	25.0	107,247	22.0
Foreign governments	**168,833**	**32.4**	211,907	38.3	205,601	42.2
Private sector	**184,372**	**35.4**	191,969	34.8	162,508	33.3
Total	**$ 520,847**	**100.0%**	$ 552,576	100.0%	$ 487,754	100.0%

Property, Plant and Equipment, Net by Geographic Location

	December 31,	
	2016	2015
United States	**$ 13,024**	$ 13,304
Latin America	**881**	1,017
Europe	**218**	807
Middle East	**1,645**	2,318
Africa	**169**	589
Asia/Pacific	**850**	946
Total	**$ 16,787**	$ 18,981

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Hill International, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Hill International, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we have also audited financial statement schedule "Schedule II—Valuation and Qualifying Accounts" for each of the years in the three-year period ended December 31, 2016. The financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hill International, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hill International, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 31, 2017 expressed an adverse opinion on the Company's internal control over financial reporting.

/s/ EisnerAmper LLP
Iselin, New Jersey
March 31, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Hill International, Inc. and Subsidiaries

We have audited Hill International, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: (i) material weaknesses exist relating to the controls of estimating the potential loss on the Company's accounts receivable, (ii) ineffective controls for the accounting closing process, accounting estimates and non-routine transactions, and (iii) lack of controls in place to timely identify non-compliance or the misapplication of local employment related tax regulations as of December 31, 2016. These material weaknesses were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2016 financial statements, and this report does not affect our report dated March 31, 2017, on those financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Hill International, Inc. and Subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hill International, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 31, 2017 expressed an unqualified opinion thereon.

/s/ EisnerAmper LLP
Iselin, New Jersey
March 31, 2017

Quarterly Results (Unaudited)

Due to the pending sale of its Construction Claims Group, the Company has classified the assets and liabilities of that segment as held for sale and has reflect its operations as discontinued operations for all periods presented. The following is a summary of certain quarterly financial information for fiscal years 2016 and 2015 (in thousands except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2016					
Consulting fee revenue	$ 116,579	$ 110,126	$ 106,868	$ 100,574	$ 434,147
Total revenue	134,370	131,845	125,872	128,760	520,847
Gross profit	41,069	39,491	43,543	37,801	161,904
Operating profit (loss)	2,686	3,765	(3,396)	(3,909)(1)	(854)
Earnings (loss) from continuing operations	2,307	873	(6,476)	(4,320)	(7,616)
(Loss) earnings from discontinued operations	(853)	604	(279)	(10,548)(1)	(11,076)
Net earnings (loss) attributable to Hill	1,450	1,490	(6,866)	(14,902)	(18,828)
Basic earnings (loss) per common share from continuing operations	$ 0.04	$ 0.02	$ (0.12)	$ (0.08)	$ (0.15)
Basic earnings (loss) per common share from discontinued operations	(0.01)	0.01	(0.01)	(0.20)	(0.21)
Basic earnings (loss) per common share—Hill International, Inc.	$ 0.03	$ 0.03	$ (0.13)	$ (0.28)	$ (0.36)
Diluted earnings (loss) per common share from continuing operations	$ 0.04	$ 0.02	$ (0.12)	$ (0.08)	$ (0.15)
Diluted earnings (loss) per common share from discontinued operations	(0.01)	0.01	(0.01)	(0.20)	(0.21)
Diluted earnings (loss) per common share—Hill International, Inc.	$ 0.03	$ 0.03	$ (0.13)	$ (0.28)	$ (0.36)
2015					
Consulting fee revenue	$ 112,117	$ 116,464	$ 116,541	$ 122,755	$ 467,877
Total revenue	129,995	137,052	135,539	149,990	552,576
Gross profit	43,386	43,089	46,082	46,475	179,032
Operating profit	3,273	5,880	7,111	2,840(2)	19,104
Earnings from continuing operations	2,310	3,700	2,476	2,127	10,613
(Loss) earnings from discontinued operations	(1,462)	835	860	(3,107)	(2,874)
Net earnings (loss) attributable to Hill	$ 702	$ 4,395	$ 2,948	$ (1,114)	$ 6,931
Basic earnings (loss) per common share from continuing operations	$ 0.04	$ 0.07	$ 0.05	$ 0.04	$ 0.20
Basic earnings (loss) per common share from discontinued operations	$ (0.03)	$ 0.02	$ 0.01	$ (0.06)	$ (0.06)
Basic earnings (loss) per common share—Hill International, Inc.	$ 0.01	$ 0.09	$ 0.06	$ (0.02)	$ 0.14
Diluted earnings (loss) per common share from continuing operations	0.04	$ 0.07	$ 0.05	$ 0.04	$ 0.20
Diluted earnings (loss) per common share from discontinued operations	$ (0.03)	$ 0.02	$ 0.01	$ (0.06)	$ (0.06)
Diluted earnings (loss) per common share—Hill International, Inc.	$ 0.01	$ 0.09	$ 0.06	$ (0.02)	$ 0.14

(1) There were significant charges totaling $10,377,000 that adversely affected the results for the fourth quarter of 2016. These charges included the following:

- $2,106,000 related to certain tax matters in foreign jurisdictions was charged to discontinued operations;

- $6,047,000 of bad debt expense, of which $4,190,000 was charged to SG&A expenses and $1,857,000 was charged to discontinued operations; and
- $2,224,000 of legal and professional costs related to the pending sale of CCG which was charged to discontinued operations

(2) There were significant charges totaling $ 4,998,000 that adversely affected the results for the fourth quarter of 2015. These charges included the following:

- $2,247,000 of increased bad debt expense;
- $959,000 related to a write-down of a note receivable to the value of the underlying collateral;
- $832,000 of legal and other professional fees related to the shareholder proxy contest;
- $562,000 of severance costs associated with our cost optimization plan; and
- $398,000 of legal and other professional fees related to the restatement of the Company's consolidated financial statements for 2014, 2013 and 2012.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The Management of the Company, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of December 31, 2016.

Notwithstanding the existence of the material weaknesses described below, the Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements in this report fairly present, in all material respects, the Company's financial position, results of operations and cash flows as of the dates and for the periods presented, in conformity with accounting principles generally accepted in the United States of America ("GAAP").

As described below, the Company's Management has identified material weaknesses in its internal control over financial reporting. These material weaknesses, as further explained below, require additional time to test the effectiveness of corrective measures taken, and thus have not been remediated. Therefore the Company's Management concluded that its disclosure controls and procedures were not effective as of December 31, 2016 to provide reasonable assurance that information required to be disclosed by the Company in this Form 10-K is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to Management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control over Financial Reporting.

The Company's Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance of the reliability of financial reporting and of the preparation of financial statements for external reporting purposes, in accordance with GAAP.

Internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and disposition of assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of its Management and directors; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on its financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures included in such controls may deteriorate.

The Company's Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, the Company's Management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* (2013). These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's Management assessment included extensive documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Since first identifying the two material weaknesses in 2015, as detailed below, we have monitored the remediation efforts to evaluate whether the reported material weaknesses have been effectively remediated. Although control changes have been implemented we have concluded that the period of time which the operating effectiveness over newly implemented and modified controls was not sufficient for Management to conclude that these material weaknesses have been remediated. Based on the Company's processes and assessment, as described above, Management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting was not effective because of the previously identified material weaknesses set forth below in addition to a newly identified material weakness related to certain tax controls.

Accounts Receivable Controls

- Management misapplied GAAP as it relates to the estimation of the potential loss on the Company's accounts receivable. Specifically, the Company did not have sufficient procedures and controls in place to enable the proper application of GAAP to significant, non-routine transactions.

Accounting Close Controls

- Management did not maintain effective procedures in the areas of the accounting closing process, accounting estimates and non-routine transactions.

Additionally, it was discovered in 2016, that controls were either inadequately designed or did not exist as it relates to taxes in certain foreign jurisdictions to ensure compliance with the respective tax laws and regulations of the jurisdictions in which the employees were providing services. The Company's Management would advise local management on the rules and regulations in those jurisdictions and the proper tax implications. However, it was discovered in connection with the sale of the Construction Claims Group these procedures were not followed by local management and Corporate Management did not have a control in place to identify non-compliance or the misapplication of local employment related tax laws.

Management's Plan for Remediation

Management is committed to the implementation of a plan to address the material weaknesses and to ensure that each area affected by a material control weakness is adequately remediated. These remediation efforts, summarized below, portions of which are either implemented or in process, are intended to both address the identified material weaknesses and to enhance the Company's overall financial control environment. Because some of the controls included in our remediation plan will be implemented in 2017, and other new and modified controls, as previously described, have only been operational for a portion of 2016, we have concluded that more time is necessary to observe the effectiveness of the controls before Management can conclude that these material weaknesses have been effectively remediated.

- **Material Weakness related to Accounts Receivable controls:** We have taken or completed actions with certain other planned actions to be completed over the next 12 months to remediate the material weakness.

Completed Actions

The Company's Management under the direction of the Board of Directors has further strengthened the existing controls surrounding reviews of accounts receivable and reserves for potential losses by developing and implementing the following controls:

- Increased accountability at the operational manger and local finance director levels to closely monitor significant past due accounts and surface potential collection issues to regional or upper management on a monthly basis or sooner. Required independent and detail documentation and contracts will be provided to country or regional CFOs and headquarter management who will evaluate the collectability of significant client account balances.

- Enhanced transparency and active monitoring at the executive level will be achieved through quarterly meetings to review and assess the proper application of GAAP in financial reporting and estimates. Material accruals and contingencies (including reserves for account receivable) will be evaluated objectively by the executive management with input from the business segment units prior to the conclusion of quarterly financial reporting processes.

- Enhanced transparency and effective monitoring at the Audit Committee of the Board of Directors will be achieved through regular or quarterly meetings of the Board to review and evaluate the Company's conclusion and assessment on the key estimates and reserves that will have significant impact on the Company's financial position, results of operation or cash flows.

Planned Actions

- Enhance the documentation and evidence to support the above controls to ensure that the conclusions reached regarding the accounts receivable reserves are clear.

- Implement a timely follow-up process with local operations management and finance director levels to verify that the most current information is utilized for financial reporting.

- Conduct a training with personnel involved with the accounts receivable controls to reinforce the importance of the controls and the application of controls on a consistent basis.

- **Material Weakness related to Accounting Close controls:** We have taken or completed actions with certain other planned actions to be completed over the next 12 months to remediate the material weakness.

Completed Actions

- Implemented and enhanced process level policies and procedures over the financial close process to ensure reconciliations and accruals are accurate in all material respects, completed in a timely manner, and properly reviewed by the Company's Management.

- Implemented new and/or improved joint venture accounting controls that will provide for greater transparency and accuracy of the joint venture and its applicable accounting.

Planned Actions

- Review financial controls to assess if additional management review controls are necessary and work with all finance personnel to establish the appropriate documentation criteria for the existing controls including evidence of review, timeliness and variance thresholds.

Material Weakness related to Tax controls:

Planned Actions

- Corporate Management will develop controls to follow up with foreign local management to ensure the proper analysis was prepared and the proper assessment made as to compliance with the respective employment related tax laws and regulations of the jurisdictions in which the employees are providing services.

When fully implemented and operational, which we expect will occur prior to the end of 2017, the Company's Management believes the measures described above will remediate the material weaknesses identified and strengthen its internal control over financial reporting. The Company is committed to continuing to improve its internal control processes, and will continue to diligently and vigorously review its financial reporting controls and procedures. As the Company's Management continues to evaluate and work to improve its internal control over financial reporting, the Company's Management may determine to take additional measures to address the material weaknesses or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

Item 9B. Other Information.

Not applicable.

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Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information in our 2017 Proxy Statement, which will be filed with the U. S. Securities and Exchange Commission within 120 days after the close of our fiscal year, regarding directors and executive officers appearing under the headings "Proposal 1: Election of Directors" and "Other Matters—Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated by reference in this section. The information under the heading "Executive Officers" in Part I, Item 1 of this Form 10-K is also incorporated by reference in this section. In addition, the information under the heading "Corporate Governance" in our 2015 Proxy Statement is incorporated by reference in this section.

We have adopted a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. This code of ethics is available on our website at www.hillintl.com, or may be obtained free of charge by making a written request addressed to our Legal Department. We will disclose on our website amendments to, and, if any are granted, waivers of, our code of ethics.

Item 11. Executive Compensation.

The information appearing in our 2017 Proxy Statement under the headings "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee", and "Executive Compensation" is incorporated by reference in this section.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information appearing in our 2017 Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference in this section.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016 for common shares of the Company that may be issued under our 2006 Employee Stock Option Plan, our 2008 Employee Stock Purchase Plan and our 2009 Non-Employee Director Stock Grant Plan. See Note 13 to the consolidated financial statements for further information related to these plans.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights A	Weighted-average exercise price of outstanding options, warrants and rights B	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) C
Equity compensation plans approved by security holders	7,061,820	$ 4.13	3,032,558(1)
Equity compensation plans not approved by security holders	—	—	—
Total	7,061,820	$ 4.13	3,032,558

(1) As of December 31, 2016, the Company had 1,643,112 shares remaining available for future issuance under our 2006 Employee Stock Option Plan, 1,274,259 shares remaining available for future issuance under our 2008 Employee Stock Purchase Plan and 115,187 (including 95,884

Deferred Stock Units issued to directors) shares remaining available for future issuance under our 2009 Non-Employee Director Stock Grant Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information appearing in our 2017 Proxy Statement under the headings "Corporate Governance" and "Certain Relationships and Related Transactions" is incorporated by reference in this section.

Item 14. Principal Accounting Fees and Services.

The information appearing in our 2017 Proxy Statement under the headings "Independent Auditors" and "Audit Committee Report" is incorporated by reference in this section.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report:

Financial statements:

The consolidated balance sheets of the Registrant as of December 31, 2016 and 2015, the related consolidated statements of operations, comprehensive (loss) earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016, the footnotes thereto, and the report of EisnerAmper LLP, independent auditors, are filed herewith.

Financial statement schedule:

Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2016, 2015 and 2014.

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(b) Exhibits

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated December 5, 2005, by and among Arpeggio Acquisition Corporation, Hill International, Inc. and certain stockholders of Hill International, Inc., as amended.(1)
3.1	Amended and Restated Certificate of Incorporation of Arpeggio Acquisition Corporation.(2)
3.2	Amended and Restated By-laws of Hill International, Inc.
3.3	Certificate of First Amendment of Amended and Restated Certificate of Incorporation of Hill International, Inc.(3)
4.1	Specimen Common Stock Certificate.(4)
10.1*	Hill International, Inc. 2006 Employee Stock Option Plan (as amended through June 11, 2012).(5)
10.2*	Employment Agreement between the Company and Irvin E. Richter, dated as of December 31, 2014.(6)
10.3*	Employment Agreement between the Company and David L. Richter, dated as of December 31, 2014.(7)
10.4	U.S. Credit Agreement, dated as of September 26, 2014, among Hill International, Inc., as borrower, Société Générale, as administrative agent, collateral agent and lender, the other lenders party thereto, and certain subsidiaries of the Company.(8)
10.5	U.S. Guaranty and Security Agreement, dated as of September 26, 2014, among Hill International, Inc., Société Générale, as administrative agent and collateral agent and certain subsidiaries of the Company.(9)
10.6	International Credit Agreement, dated as of September 26, 2014, among Hill International N.V., as borrower, Hill International, Inc., certain of its subsidiaries party thereto, and Société Générale, as administrative agent, collateral agent and letter of credit issuer, and the lenders party thereto.(10)
10.7	International Guaranty and Security Agreement, dated as of September 26, 2014, among Hill International N.V., as borrower, Hill International, Inc., and the lenders party thereto in favor of Société Générale, as administrative agent.(11)
10.8	Intercreditor Agreement, dated as of September 26, 2014, by and among Société Générale, as collateral agent, and the loan parties thereto.(12)
10.9*	Hill International, Inc. 2009 Non-Employee Director Stock Grant Plan, as amended.(13)
10.10*	Hill International, Inc. 2007 Restricted Stock Grant Plan.(14)
10.11*	Hill International, Inc. 2008 Employee Stock Purchase Plan.(15)
10.12*	Hill International, Inc. 2015 Senior Executive Retention Plan.(16)
10.13	Hill International, Inc. 2010 Senior Executive Bonus Plan.(17)

Exhibit No.	Description
10.14	Stock Purchase Agreement, dated as of December 20, 2016, by and among Hill International, Inc., Hill International N.V., Liberty Mergeco, Inc. and Liberty Bidco UK Limited.(18)
10.15*	Employment Agreement between the Company and Raouf S. Ghali, dated August 18, 2016.(19)
10.16*	Hill International, Inc. 2016 Executive Retention Plan.(20)
10.17*	Form of Hill International, Inc. 2016 Executive Retention Plan Participation Agreement.(21)
10.18	Settlement Agreement among the Company, Bulldog Investors LLC, and certain directors of the Company, dated September 16, 2016.(22)
21	Subsidiaries of the Registrant.
23.1	Consent of EisnerAmper LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

(1) Included as Annex A of the Definitive Proxy Statement (No. 000-50781) filed on June 6, 2006 and incorporated herein by reference.

(2) Included as Annex B of the Definitive Proxy Statement (No. 000-50781) filed on June 6, 2006 and incorporated herein by reference.

(3) Included as Exhibit 3.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 18, 2013 and incorporated herein by reference.

(4) Included as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 (No. 333-114816) filed on April 23, 2004 and incorporated herein by reference.

(5) Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 14, 2012 and incorporated herein by reference.

(6) Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 31, 2014 and incorporated herein by reference.

(7) Included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on January 31, 2014 and incorporated herein by reference.

(8) Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 2, 2014 and incorporated herein by reference.

(9) Included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on October 2, 2014 and incorporated herein by reference.

(10) Included as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on October 2, 2014 and incorporated herein by reference.

(11) Included as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on October 2, 2014 and incorporated herein by reference.

(12) Included as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on October 2, 2014 and incorporated herein by reference.

(13)* Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 6, 2013 and incorporated herein by reference.

(14)* Included as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8 (No. 333-141814), filed on April 2, 2007 and incorporated herein by reference.

(15)* Included as Exhibit 4.4 to the Registrant's Registration Statement on Form S-8 (No. 333-152145), filed on July 3, 2008 and incorporated herein by reference.

(16)* Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 2, 2015 and incorporated herein by reference.

(17) Included as Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 30, 2010 and incorporated herein by reference.

(18) Included as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on December 20, 2016 and incorporated herein by reference.

(19)* Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 19, 2016 and incorporated herein by reference.

(20)* Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 9, 2016 and incorporated herein by reference.

(21)* Included as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 9, 2016 and incorporated herein by reference.

(22) Included as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on November 14, 2016 and incorporated herein by reference.

* Constitutes a management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Hill International, Inc.

By: /s/ DAVID L. RICHTER

David L. Richter
Chief Executive Officer
Date: March 31, 2017

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dated indicated.

By: /s/ CRAIG L. MARTIN

Craig L. Martin
Chairman and Director
Date: March 31, 2017

By: /s/ DAVID L. RICHTER

David L. Richter
Chief Executive Officer and Director (Principal Executive Officer)
Date: March 31, 2017

By: /s/ RAOUF S. GHALI

Raouf S. Ghali
President, Chief Operating Officer and Director
Date: March 31, 2017

By: /s/ BRIAN W. CLYMER

Brian W. Clymer
Director
Date: March 31, 2017

By: /s/ JOHN FANELLI III

John Fanelli III
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
Date: March 31, 2017

By: /s/ ALAN S. FELLHEIMER

Alan S. Fellheimer
Director
Date: March 31, 2017

By: /s/ CAMILLE S. ANDREWS

Camille S. Andrews
Director
Date: March 31, 2017

By: /s/ PAUL J. EVANS

Paul Evans
Director
Date: March 31, 2017

By: /s/ STEVEN R. CURTS

Steven R. Curts
Director
Date: March 31, 2017

By: /s/ DAVID D. SGRO

David Sgro
Director
Date: March 31, 2017

By: /s/ CHARLES M. GILLMAN

Charles M. Gillman
Director
Date: March 31, 2017

Schedule II

Hill International, Inc. and Subsidiaries

Valuation and Qualifying Accounts

(Allowance for Uncollectible Receivables—in thousands)

	Balance at Beginning of Fiscal Year	Additions (Recoveries) Charged (Credited) to Earnings	Other—Allowance Acquired in Business Combinations	Uncollectible Receivables Written off, Net of Recoveries	Balance at End of Fiscal Year
Fiscal year ended December 31, 2016	**$ 60,535**	**$ 14,454**	**$ —**	**$ (3,907)**	**$ 71,082**
Fiscal year ended December 31, 2015	$ 66,119	$ 6,262	$ 120	$ (11,966)	$ 60,535
Fiscal year ended December 31, 2014	$ 64,108	$ (5,195)	$ —	$ 7,206	$ 66,119

Exhibit 3.2

BYLAWS

OF

HILL INTERNATIONAL, INC.

(as Amended and Restated to March 31, 2017)

ARTICLE I

OFFICES

1.1 Registered Office. The registered office of Hill International, Inc. (the "Corporation") in the State of Delaware shall be established and maintained at Corporation Service Company, 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, Delaware 19808 and Corporation Service Company shall be the registered agent of the Corporation in charge thereof.

1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the board of directors of the Corporation (the "Board of Directors") may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings. All meetings of the stockholders shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.2 Annual Meetings. The annual meeting of stockholders shall be held on such date and at such time as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these Bylaws (the "Bylaws").

Written notice of an annual meeting stating the place, date and hour of the meeting, shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the annual meeting.

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder (a) who is a stockholder of the Corporation at the time the notice of annual meeting is delivered, (b) is entitled to vote at the annual meeting, and (c) complies with notice procedures set forth in this Section 2.2. In addition, any proposal of business must be a proper matter for stockholder action. Irrespective of whether a matter is already the subject of any notice to stockholders, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. A stockholder's notice must be delivered to, or mailed and received, at the principal executive offices of the Corporation (i) not less than ninety (90) days nor more than one hundred twenty (120) days in advance of the anniversary of the previous year's annual meeting date (the "Anniversary Date") provided that the annual meeting is held on a day which is not more than thirty (30) days in advance of the Anniversary Date or not later than seventy (70) days after the Anniversary Date, and (ii) with respect to any other annual meeting of stockholders, by the close of business on the tenth (10th) day following the date of public disclosure of the date of such meeting whether by press release, filing with the SEC or other manner reasonably calculated to inform stockholders.

A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (ii) any material interest of the stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder, (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder and (iii) any other information relating to the stockholder and beneficial owner, if any, on whose behalf the proposal is being made, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal and pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 2.2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Section 2.2, and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted. The requirements of this Section 2.2 shall apply to any business to be brought before an annual meeting by a stockholder whether such business is to be included in the Corporation's proxy statement pursuant to Rule 14a-8 of the Exchange Act or presented to stockholders by means of an independently financed proxy solicitation. The requirements of this Section 2.2 are included to provide the Corporation notice of a stockholder's intention to bring business before an annual meeting and shall in no event be construed as imposing upon any stockholder the requirement to seek approval from the Corporation as a condition precedent to bringing any such business at an annual meeting.

2.3 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), may only be called by a majority of the entire Board of Directors, or the Chief Executive Officer or the Chairman, and shall be called by the Secretary at the request in writing of stockholders owning not less than twenty-five percent (25%) of the voting power of all outstanding shares of the Corporation's common stock which would be entitled to vote on the business transacted thereat. Such request shall state the purpose or purposes of the proposed meeting.

Unless otherwise provided by law, written notice of a special meeting of stockholders, stating the time, place and purpose or purposes thereof, shall be given by the Company to each stockholder entitled to vote at such meeting, not less than ten (10) or more than sixty (60) days before the date fixed for the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

2.4 Quorum. The holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided by Section 2.10, until a quorum shall be present or represented. A quorum, once established, shall not be broken by the subsequent withdrawal of enough votes to leave less than a quorum.

2.5 Organization . The Chairman of the Board of Directors shall act as chairman of meetings of the stockholders. The Board of Directors may designate any other officer or director of the Corporation to act as chairman of any meeting in the absence of the Chairman of the Board of Directors and the Board of Directors may further provide for determining who shall act as chairman of any meeting of stockholders in the absence of the Chairman of the Board of Directors and such designee. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (c) rules and procedures for maintaining order at the meeting and the safety of those present; (d) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (e) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (f) limitations on the time allotted to questions or comments by participants. The Secretary of the Corporation shall act as secretary of all meetings of the stockholders, but in the absence of the Secretary the presiding officer may appoint any other person to act as secretary of any meeting.

2.6 Voting . Unless otherwise required by law, the Certificate of Incorporation or these Bylaws, any question (other than the election of directors) brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder, unless otherwise provided by the Certificate of Incorporation. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize any person or persons to act for him by proxy. All proxies shall be executed in writing and shall be filed with the Secretary of the Corporation not later than the day on which exercised. No proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Each director to be elected by stockholders shall be elected by the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this paragraph, a majority of votes cast shall mean that the number of shares voted “for” a director’s election exceeds 50% of the number of votes cast with respect to that director’s election. Votes cast shall include votes to withhold authority in each case and exclude abstentions with respect to that director’s election. Notwithstanding the foregoing, if an election of directors is contested, then directors shall be elected by the vote of a plurality of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of this bylaw, a contested election shall mean any election of directors in which, as of the record date, the Company has received notice that the number of nominees for election as directors exceeds the number of directors to be elected.

2.7 Action of Shareholders Without Meeting . Unless otherwise provided by the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

2.8 Voting List. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder.

Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the election, either at a place within the city, town or village where the election is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where said meeting is to be held. The list shall be produced and kept at the time and place of election during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

2.9 Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 2.8 or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

2.10 Adjournment. Any meeting of the stockholders, including one at which directors are to be elected, may be adjourned for such periods as the presiding officer of the meeting or the stockholders present in person or by proxy and entitled to vote shall direct and notice need not be given of any such adjourned meeting if the time and place are announced at the meeting at which adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date is fixed for stockholders entitled to vote at the adjourned meeting, the Board of Directors shall fix a new record date for notice of the adjourned meeting and shall direct that notice of the adjourned meeting is given to each stockholder of record entitled to vote at the adjourned meeting as of the record date fixed for notice of the adjourned meeting. In no event shall the public disclosure of an adjournment or postponement of any meeting of the stockholders commence a new notice time period (or extend any notice time period), except as otherwise provided in this Section 2.10.

2.11 Ratification. Any transaction questioned in any stockholders' derivative suit, or any other suit to enforce alleged rights of the Corporation or any of its stockholders, on the ground of lack of authority, defective or irregular execution, adverse interest of any director, officer or stockholder, nondisclosure, miscomputation or the application of improper principles or practices of accounting may be approved, ratified and confirmed before or after judgment by the Board of Directors or by the holders of Common Stock and, if so approved, ratified or confirmed, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said approval, ratification or confirmation shall be binding upon the Corporation and all of its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

2.12 Inspectors and Meetings of Stockholders . The Board of Directors or the Chief Executive Officer or any other officer designated by the Board or Directors, in advance of any meeting of stockholders, may, and shall if required by law, appoint one or more inspectors, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and make a written report thereof. The Board of Directors or the Chief Executive Officer or any other officer designated by the Board of Directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall (a) ascertain the number of shares outstanding and the voting power of each, (b) determine the shares represented at the meeting, the existence of a quorum and the validity of proxies and ballots, (c) count all votes and ballots, (d) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and (e) certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Unless otherwise provided by the Board of Directors, the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies, votes or any revocation thereof or change thereto shall be accepted by the inspectors after the closing of the polls unless the Court of Chancery of the State of Delaware upon application by a stockholder shall determine otherwise. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for director at an election may serve as an inspector at such election.

ARTICLE III

DIRECTORS

3.1 Powers; Number; Qualifications . The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the Certificate of Incorporation. The number of directors which shall constitute the Board of Directors shall be not less than three (3) nor more than [eleven (11)]. The exact number of directors shall be fixed from time to time, within the limits specified in this Section 3.1 or in the Certificate of Incorporation, by the Board of Directors. Directors need not be stockholders of the Corporation. The Board may be divided into Classes as more fully described in the Certificate of Incorporation.

No person shall qualify for service or serve as a director of the Corporation (i) unless such person is in compliance with all applicable laws and regulatory requirements to which the Corporation's Directors may be subject in connection with such person's service as a Director, (ii) if such person has been convicted in, or entered a plea of nolo contendere with respect to, a criminal proceeding involving fraud, misappropriation or other similar charge during the ten years preceding the date of election, or if such person has been found responsible for or admitted responsibility for fraud, misappropriation or other similar charge in any governmental investigation or proceeding or other civil judicial proceeding during the ten years preceding the date of election, or if such person has been found responsible for or admitted responsibility for any material violation of any foreign, federal or state securities law or federal commodities law during the ten years preceding the date of election, (iii) if such person has been convicted of, or entered a plea of nolo contendere with respect to, any felony, (iv) if such person serves on the board of directors of more than three other public companies, (v) if such person is a director, officer or holder of more than a five percent (5%) equity interest, directly or indirectly, in a business that competes, directly or indirectly, with the Corporation, (vi) if such person has made or makes any contribution or expenditure in connection with the election of any candidate for political office, including any contribution to any committee supporting such a candidate or to a political party, in any jurisdiction which results in the Corporation becoming ineligible to conduct its business or any portion thereof, or (vii) if such person has ever been the subject of a filing of personal bankruptcy in any jurisdiction, either voluntarily or involuntarily (and in the case of an involuntary filing, if such filing was not dismissed within 60 days) during the ten years preceding the date of election. In addition, if any communication (including any proxy soliciting materials) made by or on behalf of a Director Nominee (as defined in Section 3.3) includes a statement regarding such Director Nominee which at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact regarding such Director Nominee, or omits to state any material fact regarding such Director Nominee necessary in order to make the statements therein not false or misleading, such fact shall be grounds for disqualification from service.

3.2 Election; Term of Office; Vacancies . Each director shall hold office until the next annual meeting of stockholders at which his Class stands for election or until such director's earlier resignation, disqualification, removal from office, death or incapacity. Unless otherwise provided in the Certificate of Incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy or a newly created directorship shall hold office until the next election of the class for which such director shall have been chosen, subject to the election and qualification of a successor and to such director's earlier resignation, disqualification, removal from office, death or incapacity.

3.3 Nominations . Nominations of persons for election to the Board of Directors of the Corporation at a meeting of stockholders of the Corporation may be made at such meeting (a) by or at the direction of the Board of Directors, (b) by any committee or persons appointed by the Board of Directors, or (c) by any stockholder (a "Proposing Stockholder") who (i) is a stockholder of the Corporation at the time the notice of such meeting is delivered, (ii) is entitled to vote for the election of directors at the meeting, and (iii) complies with the notice procedures set forth in this Section 3.3. Such nominations by the Proposing Stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation even if such matter is already the subject of any notice to the stockholders. A stockholder's notice must be delivered to, or mailed and received, at the principal executive offices of the Corporation not less than ninety (90) days nor more than one-hundred-twenty (120) days in advance of the Anniversary Date. If the annual meeting or any other meeting of the stockholders for the purpose of electing directors is not held thirty (30) days before or seventy (70) days after the Anniversary Date, to be timely, a stockholder's notice must be delivered to, or mailed and received, at the principal executive offices of the Corporation by the close of business on the tenth (10th) day following the public disclosure of the date of such meeting.

Such stockholder's notice to the Secretary shall set forth and include (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director ("Director Nominee"), (i) the name, age, business address and residence address of the Director Nominee, (ii) the principal occupation or employment of the Director Nominee, (iii) the class and number of shares of capital stock of the Corporation which are owned of record and beneficially by the Director Nominee, (iv) any other information relating to the Director Nominee that is required to be disclosed in solicitations for proxies for election of directors (even if an election contest or solicitation is not involved) or that is otherwise required to be disclosed under Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder, and (v) the consent of the Director Nominee to being named in the proxy statement as a nominee and to serving as a director if elected and qualified and (b) as to the Proposing Stockholder (i) the name and record address of the Proposing Stockholder and of the beneficial owner, if any, on whose behalf the nomination is being made, (ii) the class and number of shares of capital stock of the Corporation which are owned by the Proposing Stockholder and owned by the beneficial owner, if any, on whose behalf the nomination is being made as of the date of the stockholder's notice, (iii) a description of any agreement, arrangement or understanding with respect to such nomination between or among the Proposing Stockholder and any of its affiliates or associates, and any others (including their names) acting in concert with any of the foregoing, (iv) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the stockholder's notice by, or on behalf of, the Proposing Stockholder or any of its affiliates or associates, the effect or intent of which is to mitigate loss to, manage risk or benefit from share price changes, or increase or decrease the voting power of the Proposing Stockholder or any of its affiliates or associates with respect to shares of stock of the Corporation, (v) a description of any agreement, arrangement or understanding in connection with candidacy or service as a director of the Corporation between or among a Director Nominee and the Proposing Stockholder and any of its affiliates or associates, (vi) a representation that the Proposing Stockholder is a holder of record of shares of the Corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (vii) a representation whether or not the Proposing Stockholder intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve the nomination and/or otherwise to solicit proxies from stockholders in support of the nomination, and (viii) a representation that the Director Nominee is not disqualified from service on the Board of Directors pursuant to Section 3.1 of the Bylaws. The Corporation shall require any Director Nominee to furnish timely such other information as reasonably required by the Corporation (i) to determine the eligibility of such Director Nominee to serve as a director of the Corporation or (ii) that could be material to a reasonable stockholder's understanding of the competence and independence (or lack thereof) of such Director Nominee, including, but not limited to, completing the Corporation's director and officer questionnaire. Failure to provide such information to the Corporation shall be grounds for disqualification from service.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded. The requirements of this Section 3.3 shall apply to any nominations to be brought before a meeting by a stockholder whether such nominations are to be included in the Corporation's proxy statement pursuant to any applicable rule promulgated under the Exchange Act or presented to stockholders by means of an independently financed proxy solicitation. The requirements of this Section 3.3 are included to provide the Corporation notice of a stockholder's intention to propose nominations before a meeting and shall in no event be construed as imposing upon any stockholder the requirement to seek approval from the Corporation as a condition precedent to propose such nominations before a meeting.

3.4 Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. The first meeting of each newly elected Board of Directors shall be held immediately after and at the same place as the meeting of the stockholders at which it is elected and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a quorum shall be present. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors.

Special meetings of the Board of Directors may be called by the Chief Executive Officer or a majority of the entire Board of Directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than forty-eight (48) hours before the date of the meeting, by telephone, facsimile, telegram or e-mail on twenty-four (24) hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

3.5 Quorum. Except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors or any committee thereof, a majority of the entire Board of Directors or such committee, as the case may be, shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors or of any committee thereof, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

3.6 Organization of Meetings. The Board of Directors shall elect one of its members to be Chairman of the Board of Directors. The Chairman of the Board of Directors shall lead the Board of Directors in fulfilling its responsibilities as set forth in these Bylaws, including its responsibility to oversee the performance of the Corporation, and shall determine the agenda and perform all other duties and exercise all other powers which are or from time to time may be delegated to him or her by the Board of Directors. Meetings of the Board of Directors shall be presided over by the Chairman of the Board of Directors, or in his or her absence, by the Chief Executive Officer, or in the absence of the Chairman of the Board of Directors and the Chief Executive Officer, or in the absence of the Chairman of the Board of Directors and the Chief Executive Officer by such other person as the Board of Directors may designate or the members present may select.

3.7 Actions of Board of Directors Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filled with the minutes of proceedings of the Board of Directors or committee.

3.8 Removal of Directors by Stockholders. Notwithstanding any other provision of these Bylaws, any director may be removed from office only for cause and only by the affirmative vote of at least a majority of the total voting power of the outstanding shares of the capital stock of the Corporation entitled to vote in any annual election of directors.

3.9 Resignations. Any director may resign at any time by submitting his or her written resignation to the Board of Directors or Secretary of the Corporation. Such resignation shall take effect at the time of its receipt by the Corporation unless another time be fixed in the resignation, in which case it shall become effective at the time so fixed. The acceptance of a resignation shall not be required to make it effective.

If a nominee for director who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall tender his or her resignation to the Board promptly following the certification of election results by the inspector of elections. The Nominating and Governance Committee shall make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board shall act on the tendered resignation, taking into account the Nominating and Governance Committee’s recommendation, and publicly disclose (by press release, filing with the SEC or other manner reasonably calculated to inform stockholders) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Nominating and Governance Committee in making its recommendation, and the Board in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Nominating and Governance Committee or the decision of the Board with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board, such director shall continue to serve until the end of his or her term and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director's resignation is accepted by the Board pursuant to this paragraph, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board, in its sole discretion, may fill any resulting vacancy pursuant to the provisions of Section 3.2 of this Article III or may decrease the size of the Board pursuant to the provisions of Section 3.1 of this Article III.

3.10 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided by law and in the resolution of the Board of Directors establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution or amending the Bylaws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

3.11 Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed amount (in cash or other form of consideration) for attendance at each meeting of the Board of Directors, service as a director and service as a chairperson of a special or standing committee. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings. Notwithstanding the foregoing, no payment shall be made to any director if he or she is a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, or has received any such compensation or other payment from any person or entity other than the Corporation, in each case in connection with candidacy or service as a director of the Corporation; provided that agreements providing only for indemnification and/or reimbursement of out-of-pocket expenses in connection with candidacy as a director (but not, for the avoidance of doubt, in connection with service as a director) and any pre-existing employment agreement a director has with his or her employer (not entered into in contemplation of the employer's investment in the Corporation or such employee's candidacy or service as a director), shall not render a director ineligible to receive compensation from the Corporation.

3.12 Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or

committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

3.13 Meetings by Means of Teleconference or Videoconference. Members of the Board of Directors or any committee designed by the Board of Directors may participate in a meeting of the Board of Directors or of a committee of the Board of Directors by means of teleconference, videoconference or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this subsection shall constitute presence in person at such meeting.

ARTICLE IV

OFFICERS

4.1 General. The officers of the Corporation shall be elected by the Board of Directors and may consist of: a Chairman of the Board, Vice Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, Secretary and Treasurer. The Board of Directors, in its discretion, may also elect one or more Vice Presidents (including Executive Vice Presidents and Senior Vice Presidents), Assistant Secretaries, Assistant Treasurers, a Controller and such other officers as in the judgment of the Board of Directors may be necessary or desirable. Any number of offices may be held by the same person and more than one person may hold the same office, unless otherwise prohibited by law, the Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders of the Corporation, nor need such officers be directors of the Corporation.

4.2 Election. The Board of Directors at its first meeting held after each annual meeting of stockholders shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Except as otherwise provided in this Article IV, any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers who are directors of the Corporation shall be fixed by the Board of Directors.

4.3 Voting Securities Owned by the Corporation . Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or his or her designee, and any such officer may, in the name and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

4.4 Chief Executive Officer. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, the Chief Executive Officer shall have ultimate authority for decisions relating to the general management and control of the affairs and business of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with basic policies as established by and subject to the oversight of the Board of Directors.

4.5 Chief Financial Officer. The Chief Financial Officer shall have general supervision, direction and control of the financial affairs of the Corporation and shall perform such other duties and exercise such other powers which are or from time to time may be delegated to him or her by the Board of Directors or these Bylaws, all in accordance with basic policies as established by and subject to the oversight of the Board of Directors. In the absence of a named Treasurer, the Chief Financial Officer shall also have the powers and duties of the Treasurer as hereinafter set forth and shall be authorized and empowered to sign as Treasurer in any case where such officer's signature is required.

4.6 Vice Presidents. At the request of the Chief Executive Officer or in the absence of the Chief Executive Officer, or in the event of his or her inability or refusal to act, the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon such office. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the Chief Executive Officer or in the event of the inability or refusal of such officer to act, shall perform the duties of such office, and when so acting, shall have all the powers of and be subject to all the restrictions upon such office.

4.7 Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the Chief Executive Officer, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, then any Assistant Secretary shall perform such actions. If there be no Assistant Secretary, then the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

4.8 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

4.9 Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

4.10 Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

4.11 Controller. The Controller shall establish and maintain the accounting records of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis, maintain proper internal control of the assets of the Corporation and shall perform such other duties as the Board of Directors, the Chief Executive Officer or any Vice President of the Corporation may prescribe.

4.12 Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

4.13 Vacancies. The Board of Directors shall have the power to fill any vacancies in any office occurring from whatever reason.

4.14 Resignations. Any officer may resign at any time by submitting his or her written resignation to the Corporation. Such resignation shall take effect at the time of its receipt by the Corporation, unless another time be fixed in the resignation, in which case it shall become effective at the time so fixed or unless the Corporation accepts such resignation at an earlier date. The acceptance of a resignation shall not be required to make it effective.

4.15 Removal. Subject to the provisions of any employment agreement approved by the Board of Directors, any officer of the Corporation may be removed at any time, with or without cause, by the Board of Directors.

ARTICLE V

CAPITAL STOCK

5.1 Shares of Stock. Shares of stock in the Corporation may be issued and held in certificated or in uncertificated form. Stock certificates shall be signed, in the name of the Corporation, by (i) the Chief Executive Officer or a Vice President and (ii) the Treasurer or an Assistant Treasurer, or the Secretary or Assistant Secretary of the Corporation, certifying the number of shares whose ownership is reflected by such certificate. Shares of capital stock held in uncertificated form shall be registered in a qualified Direct Registration Program. The Corporation shall deliver to stockholders who hold shares in uncertificated form, either directly or through the agency of its transfer agent, written statements that include the information required to be provided by applicable law.

5.2 Signatures. Any or all of the signatures on the certificate may be a facsimile, including, but not limited to, signatures of officers of the Corporation and countersignatures of a transfer agent or registrar. In case an officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

5.3 Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

5.4 Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transactions upon its books, unless the Corporation has a duty to inquire as to adverse claims with respect to such transfer which has not been discharged. The Corporation shall have no duty to inquire into adverse claims with respect to such transfer unless (a) the Corporation has received a written notification of an adverse claim at a time and in a manner which affords the Corporation a reasonable opportunity to act on it prior to the issuance of a new, reissued or re-registered share certificate and the notification identifies the claimant, the registered owner and the issue of which the share or shares is a part and provides an address for communications directed to the claimant; or (b) the Corporation has required and obtained, with respect to a fiduciary, a copy of a will, trust, indenture, articles of co-partnership, Bylaws or other controlling instruments, for a purpose other than to obtain appropriate evidence of the appointment or incumbency of the fiduciary, and such documents indicate, upon reasonable inspection, the existence of an adverse claim. The Corporation may discharge any duty of inquiry by any reasonable means, including notifying an adverse claimant by registered or certified mail at the address furnished by him or, if there be no such address, at his residence or regular place of business that the security has been presented for registration of transfer by a named person, and that the transfer will be registered unless within thirty days from the date of mailing the notification, either (a) an appropriate restraining order, injunction or other process issues from a court of competent jurisdiction; or (b) an indemnity bond, sufficient in the Corporation's judgment to protect the Corporation and any transfer agent, registrar or other agent of the Corporation involved from any loss which it or they may suffer by complying with the adverse claim, is filed with the Corporation.

5.5 Fixing Record Date . In order that the Corporation may determine the stockholders entitled to notice or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, and, in relation to consents to corporate action in writing without a meeting, not more than ten (10) days after the date upon which the resolution fixing the record date of such action is adopted by the Board of Directors. If no record date is fixed:

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be fourteen (14) days from the first date on which the Corporate Secretary is notified in writing that such an action is proposed or, if no such notice is given, thirty (30) days from the first date on which a signed written consent is delivered to the Corporation.

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5.6 Registered Stockholders . Prior to due presentment for transfer of any share or shares, the Corporation shall treat the registered owner thereof as the person exclusively entitled to vote, to receive notifications and to all other benefits of ownership with respect to such share or shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State Delaware.

ARTICLE VI

NOTICES AND COMMUNICATIONS

6.1 Form of Notice . Notices to directors and stockholders other than notices to directors of special meetings of the Board of Directors which may be given by any means stated in Section 3.4, shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram.

6.2 Waiver of Notice . Whenever any notice is required to be given under the provisions of law or the Certificate of Incorporation or by these Bylaws of the Corporation, a written waiver, signed by the person or persons entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular, or special meeting of the stockholders, Directors, or members of a committee of Directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation.

6.3 Communications with Stockholders . Any notices, statements or other communications to or with stockholders of any kind required or permitted under the Certificate of Incorporation, these Bylaws or applicable law (whether from the Corporation, the Board of Directors or any stockholder) may be sent, delivered or made available in any reasonable manner if not otherwise prescribed or prohibited by applicable law, including, without limitation, by email or other electronic means or by posting on a website; and such communications shall comply with the requirements of any applicable securities law or regulation and may be sent, delivered or otherwise made available to stockholders in accordance with house holding or other similar rules under which a single copy of such communication may be sent to stockholders who reside at the same address.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

7.1 The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

7.2 The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 7.1 or 7.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

7.4 Any indemnification under Sections 7.1 or 7.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such section. Such determination shall be made:

(a) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(b) If such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or

(c) By the stockholders.

7.5 Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

7.6 The indemnification and advancement of expenses provided by, or granted pursuant to the other sections of this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

7.7 The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

7.8 For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article VII with respect to the resulting or surviving Corporation as he would have with respect to such constituent Corporation of its separate existence had continued.

7.9 For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

7.10 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 No director or officer of the Corporation shall be personally liable to the Corporation or to any stockholder of the Corporation for monetary damages for breach of fiduciary duty as a director or officer, provided that this provision shall not limit the liability of a director or officer (i) for any breach of the director's or the officer's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of Delaware, or (iv) for any transaction from which the director or officer derived an improper personal benefit.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Reliance on Books and Records. Each Director, each member of any committee designated by the Board of Directors, and each officer of the Corporation, shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation, including reports made to the Corporation by any of its officers, by an independent certified public accountant, or by an appraiser selected with reasonable care.

8.2 Dividends. Subject to the provisions of the Certificate of Incorporation, if any, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

8.3 Annual Statement. The Chief Executive Officer or his designee shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

8.4 Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other persons as the Board of Directors may from time to time designate.

8.5 Fiscal Year. The fiscal year of the Corporation shall be as determined by the Board of Directors.

8.6 Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

8.7 Forum. Unless the Corporation consents in writing to the selection of an alternative forum, either the Court of Chancery of the State of Delaware or the federal courts of the District of Delaware shall be the exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, the Certificate of Incorporation or the Bylaws or (iv) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said court having personal jurisdiction over the indispensable parties named as defendants therein. For any other action regarding these Bylaws, the state courts of the Commonwealth of Pennsylvania in and for Philadelphia County or the federal courts of the Eastern District of Pennsylvania shall be the exclusive forum for such action.

8.8 Amendments. The original or other Bylaws may be adopted, amended or repealed by the stockholders entitled to vote thereon at any regular or special meeting or by the Board of Directors, as provided herein and in the Certificate of Incorporation. The fact that such power has been so conferred upon the Board of Directors shall not divest the stockholders of the power nor limit their power to adopt, amend or repeal Bylaws.

8.9 Interpretation of Bylaws. All words, terms and provisions of these Bylaws shall be interpreted and defined by and in accordance with the General Corporation Law of the State of Delaware, as amended, and as amended from time to time hereafter.

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Exhibit 21

Subsidiaries of the Registrant

The following are subsidiaries of the Registrant as of December 31, 2016 and the jurisdiction in which each is organized. Each of the subsidiaries generally conducts its business using names indicated. Certain subsidiaries are not listed; these omitted subsidiaries individually and in the aggregate do not constitute a significant subsidiary.

	State or Country of Organization
Subsidiaries of Hill International, Inc.	
Hill International (Puerto Rico), Inc.	Delaware
Hill International N.V.*	Netherlands
Hill International Development Inc.	Delaware
Hill International Development Ltd.	British Virgin Islands
PCI Group, LLC	Nevada
Hill International Real Estate, LLC*	Pennsylvania
Boyken International, Inc.	Georgia
MyLCM Solutions, Inc.	California
TCM Group, Inc.	California
Hill International (New England) Inc.	Massachusetts
Hill International Engineering Consultancy, LLC (Oman)	Oman
Hill International Consulting, Inc.	Delaware
Subsidiaries of Hill International N.V.	
Hill International (Anatolia)	Turkey
SIA Hill International (Baltic)	Latvia
Hill International (UK) Ltd.*	England
Hill International (Bucharest) S.R.L.	Romania
Hill International (Hellas) S.A.	Greece
Hill International (Middle East) Ltd.	British Virgin Islands
Hill Construction Management Ltd.	Serbia
James R. Knowles (Holdings) Ltd.*	England
Hill International (Libya) Ltd.	Malta
Hill International (North Africa) Ltd.	Egypt
Hill International Facilities Management Ltd. (Egypt)	Egypt
Asia/Pacific Hill International Holding PTE Ltd.	Singapore
Hill International (Spain) S.A.*	Spain
Hill International Sp. z o.o	Poland
Binnington Copeland & Associates (Pty.) Ltd.	South Africa
BCA Training (Pty.) Ltd.	South Africa
Hill International Proje Yonetimi ve Danismanlik A.S.	Turkey
Hill International Consulting BV	Netherlands
Subsidiaries of Hill International (UK) Ltd.	
John Shreeves & Partners Ltd.	England
Angus Octan Scotland Ltd.*	Scotland

	State or Country of Organization
Subsidiaries of James R. Knowles (Holdings) Ltd.	
James R. Knowles (Worldwide) Ltd.	England
James R. Knowles (Australia Holdings) Pty. Ltd.*	Australia
Knowles Consultancy Services, Inc.	Canada
Subsidiaries of Hill International (Spain), S.A.	
Gerens Hill Gestion de Activos, S.A.	Spain
Hill International de Mexico, S.A. de C.V.	Mexico
Hill International Brasil Participações Ltda.*	Brazil
Subsidiaries of Hill International Brasil Participações Ltda.	
Hill International do Brasil, S.A.	Brazil
Hill International do Brasil, S.A., SP	Brazil

* Parent corporation of additional subsidiaries

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Hill International, Inc. and Subsidiaries on Form S-3 (No. 333-114816, No. 333-148156, No. 333-162298, No. 333-175822 and No. 333-198190), Forms S-4 (No. 333-175823 and No. 333-198191) and Forms S-8 (No. 333-137512, No. 333-141814, No. 333-155332, No. 333-182282, No. 333-189547 and No. 333-196834) of our reports dated March 31, 2017, on our audits of the consolidated financial statements and financial statement schedule as of December 31, 2016 and 2015 and for each of the years in the three-year period ended December 31, 2016, and the ineffectiveness of Hill International, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2016, which reports are included in this Annual Report on Form 10-K to be filed on or about March 31, 2017.

/s/ EISNERAMPER LLP
Iselin, New Jersey
March 31, 2017

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Exhibit 31.1

Section 302 Certification of Chief Executive Officer

I, David L. Richter, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hill International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2017

/s/ DAVID L. RICHTER

David L. Richter
Chief Executive Officer

Exhibit 31.2

Section 302 Certification of Chief Financial Officer

I, John Fanelli III, certify that:

1. I have reviewed this Annual Report on Form 10-K of Hill International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 31, 2017

/s/ JOHN FANELLI III

John Fanelli III
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Hill International, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 (the "Report"), I, David L. Richter, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID L. RICHTER

David L. Richter
Chief Executive Officer

Dated: March 31, 2017

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Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO 18 U. S. C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Annual Report of Hill International, Inc. (the "Company") on Form 10-K for the period ended December 31, 2016 (the "Report"), I, John Fanelli III, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN FANELLI III

John Fanelli III
Executive Vice President and Chief Financial Officer

Dated: March 31, 2017

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