Hill International, Inc.
Form 10-K
August 31, 2018

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, 2017

Commission file number 001-33961
HILL INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-0953973
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

One Commerce Square	
2005 Market Street, 17th Floor	
Philadelphia, PA	19103
(Address of principal executive offices)	(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 o No ý

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 o No ý

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 o No ý

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 o No ý

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer o	Accelerated Filer x
Non-Accelerated Filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

The aggregate market value of shares of common stock held by non-affiliates on June 30, 2017 was approximately $270,716,337. As of August 28, 2018, there were 55,294,670 shares of the Registrant's Common Stock outstanding.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, and it is our intent that any such statements be protected by the safe harbor created thereby. Except for historical information, the matters set forth herein including, but not limited to, any projections of revenues, earnings, earnings before interest, taxes, depreciation and amortization (“EBITDA”), margin, profit improvement, cost savings or other financial items; any statements of belief, any statements concerning our plans, strategies and objectives for future operations; and any statements regarding future economic conditions or performance, are forward-looking statements.

These forward-looking statements are based on our current expectations, estimates and assumptions and are subject to certain risks and uncertainties. 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.

Forward-looking statements may concern, among other things:

- The markets for our services;
- 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 to differ materially from estimates or projections contained in our forward-looking statements include:

- The risks set forth in Item 1A, “Risk Factors,” herein;
- Unfavorable global economic conditions may adversely impact our business;
- Our backlog, which is subject to unexpected adjustments and cancellations, may not be fully realized as revenue;
- We may incur difficulties in implementing the profit improvement plan;
- Our expenses may be higher than anticipated;
- 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; and
- The need to retain and recruit key technical and management personnel.

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

- Unexpected delays in collections from clients;
- Risks related to our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Risks related to 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
- Risks related to 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 do not intend, and undertake no obligation, to update any forward-looking statement. 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 approximately 2,900 professionals in more than 50 offices worldwide, provides project management, construction management and other consulting services primarily to the building, transportation, environmental, energy and industrial markets. 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.

Amounts throughout the remainder of this document are in thousands unless otherwise noted.

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 business.
- 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 the 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.
- Control Our Costs and Expenses. The Company commenced a Profit Improvement Plan ("PIP") in May 2017 following the sale of the Construction Claims Group. We initially identified gross, annualized pre-tax savings ranging from $27 million to $38 million. As a result of the reductions implemented to date, the gross savings through December 31, 2017 were approximately $8 million, with expected annual gross savings of approximately $32 million in 2018. We continue to seek additional cost savings opportunities and have substantially completed the PIP as of the third quarter of 2018.

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. The transaction permitted 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.

The Company operates in a single reporting segment, known as the Project Management Group which provides fee-based 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.

Global Business

We operate worldwide and currently have over 50 offices in over 25 countries. The following table sets forth the amount and percentage of our revenues by geographic region for each of the past three fiscal years:

Revenue by Geographic Region:

	2017			2016			2015		
United States	$227,581	47.1	%	$204,035	39.5	%	$187,399	34.4	%
Latin America	11,772	2.4	%	18,775	3.6	%	26,350	4.8	%
Europe	43,179	8.9	%	41,062	8.0	%	42,635	7.8	%
Middle East	169,964	35.1	%	213,613	41.4	%	248,193	45.6	%
Africa	23,100	4.8	%	24,037	4.7	%	23,935	4.4	%
Asia/Pacific	8,140	1.7	%	14,490	2.8	%	16,248	3.0	%
Total	$483,736	100.0	%	$516,012	100.0	%	$544,760	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.

Clients

Our clients consist primarily of the United States federal, state and local governments, other national governments, and the private sector. The following table sets forth our breakdown of revenue attributable to these categories of clients for for the years ended December 31, 2017, 2016 and 2015:

Revenue By Client Type

	2017			2016			2015		
U.S. federal government	$15,105	3.1	%	$12,050	2.3	%	$10,737	2.0	%
U.S. state, regional and local governments	156,183	32.3	%	155,976	30.2	%	139,086	25.5	%
Foreign governments	133,655	27.6	%	170,567	33.1	%	209,468	38.5	%
Private sector	178,793	37.0	%	177,419	34.4	%	185,469	34.0	%
Total	$483,736	100.0	%	$516,012	100.0	%	$544,760	100.0	%

The following table sets forth the percentage of our revenue contributed by each of our five largest clients for the years ended December 31, 2017, 2016 and 2015:

	2017		2016		2015	
Largest client	6.0	%	9.0	%	8.0	%
2nd largest client	6.0	%	5.0	%	6.0	%
3rd largest client	4.0	%	5.0	%	5.0	%
4th largest client	3.0	%	4.0	%	4.0	%
5th largest client	3.0	%	4.0	%	3.0	%
Top 5 largest clients	22.0	%	27.0	%	26.0	%

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 by, 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, 2017, 2016 and 2015, revenue from U.S. and foreign government contracts represented approximately 63.0%, 65.6% and 66.0% of our total revenue, respectively.

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 customer 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.

Backlog

We believe a primary 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 revenue. 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 canceled.

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 ("U.S. GAAP"), and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

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, one contract in the Middle East and one contract in Africa were cancelled. As a result, approximately $73,000 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:

	Total Backlog			12-Month Backlog		
As of December 31, 2017						
United States	$449,621	53.2	%	$116,975	37.5	%
Latin America	13,350	1.6	%	8,789	2.8	%
Europe	45,446	5.4	%	29,887	9.6	%
Middle East	250,956	29.6	%	126,965	40.6	%
Africa	67,491	8.0	%	23,111	7.4	%
Asia/Pacific	18,935	2.2	%	6,500	2.1	%
Total	$845,799	100.0	%	$312,227	100.0	%

	Total Backlog			12-Month Backlog		
As of December 31, 2016						
United States	$459,000	54.6	%	141,000	41.7	%
Latin America	10,000	1.2	%	8,000	2.4	%
Europe	38,225	4.5	%	26,091	7.7	%
Middle East	284,028	33.7	%	133,030	39.4	%
Africa	42,000	5.0	%	22,000	6.5	%
Asia/Pacific	8,000	1.0	%	8,000	2.3	%
Total	$841,253	100.0	%	$338,121	100.0	%

At December 31, 2017, our backlog was $845,799, compared to approximately $841,253 at December 31, 2016. Our net bookings during December 2017 of $488,283 equates to a book-to-bill ratio of 100.9%. We estimate that approximately $312,227 or 36.9% of the backlog at December 31, 2017 will be recognized during our 2018 fiscal year.

Competition

The project management industry is highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including other construction management companies, design or engineering firms, general contractors, 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 2017, 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.

Management

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

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Executive Officers

Name	Age	Position
Paul J. Evans	50	Interim Chief Executive Officer
Raouf S. Ghali	57	President and Chief Operating Officer
Michael V. Griffin	65	Regional President, Americas
William H. Dengler, Jr.	52	Executive Vice President and General Counsel
Marco A. Martinez	52	Senior Vice President and Interim Chief Financial Officer
Abdo E. Kardous	59	Regional President, Middle East
J. Charles Levergood	57	Senior Vice President of Business Development, Americas

PAUL J. EVANS has been our Interim Chief Executive Officer since May 2017, and has been a member of our Board of Directors since August 2016. Over the course of his 25-year-plus career, Mr. Evans has held several leadership positions including Vice President, Chief Financial Officer and Treasurer of MYR Group; Chief Executive Officer of Conex Energy Corporation; Treasurer and Corporate Officer of Northwestern Energy; Vice President — Structured Finance, Valuation and Treasury Operations at Duke Energy North America; and Executive Director — Project Finance at NRG Energy. Mr. Evans is also a veteran of the U.S. Army. He holds a BBA from Stephen F. Austin State University and a Masters in international management from Thunderbird School of Global Management.

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.

MICHAEL V. GRIFFIN has been our Regional President, Americas since September 2017. Mr. Griffin started his career with Hill in 1981. Prior to joining us, Mr. Griffin worked for the City of Philadelphia in the Department of Public Property. He has more than 40 years of construction industry experience and has managed or overseen the delivery of a wide variety of technically complex facilities and projects. He has proven expertise in the planning, design and construction of major building, transportation and heavy civil construction projects. He earned both a B.S. and a M.S. in civil engineering from Villanova University, and a MBA in finance from La Salle University. He is a registered Professional Engineer in Pennsylvania, New Jersey, New York and Maryland.

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.

MARCO A. MARTINEZ has been our Senior Vice President and Interim Chief Financial Officer since November 2017. Mr. Martinez has over 27 years of financial and operational leadership experience including serving as Senior Vice President and Chief Financial Officer of Pernix Group and Vice President and Chief Financial Officer and Treasurer, Vice President of Contract Performance of MYR Group. Mr. Martinez earned both a BBA in accounting and a M.S. in finance from Loyola University, Chicago.

ABDO E. KARDOUS assumed the post of Regional President, Middle East in April 2018. Abdo joined Hill in 1997 as part of the Grand Mosque team, was promoted to Vice President in our Dubai office, and then named SVP Middle

East. He was key to establishing Hill's presence across the Gulf Cooperation Council before serving as Hill's Senior Vice President and Managing Director for the Asia/Pacific Region. Abdo is a member of both the Chartered Institute of Building (CIOB) and Association for Project Management (API), and has recently served on the Advisory Board of the Chicago based Council of Tall Buildings and Urban Habitat (CTBUH). He holds a B.S., Magna Cum Laude, in Civil Engineering, from the University of Maryland and an M.S. in Civil Engineering from the University of California, Berkley. Abdo brings more than 30 years of experience to the Middle East region, with expertise in the design, procurement, construction, and delivery of multi-billion-dollar projects in the residential, hospitality, energy, infrastructure, and marine sectors, among others. He was also named Hill Internationals' Project Manager of the Year in 2001.

J CHARLES LEVERGOOD "Chuck" is our Senior Vice President of Business Development, Americas. Chuck brings 32 years of experience in strategic business development, marketing and sales, consulting services, and construction management for multi-billion-dollar pursuits. Prior to joining Hill, he worked for 13 years at Jacobs Engineering Group in a variety of positions, most recently as Vice President of Mega Sales and Global Strategy for Jacobs' Global Buildings and Infrastructure group. Chuck also served as Vice President with Parsons Brinckerhoff and earlier as Director of Marketing with HNTB. Chuck earned his B.S.C.E. in Civil Engineering from Bucknell University and his M.S.C.E. in Civil Engineering from Purdue University. He is a registered professional engineer in Indiana, Maryland, Virginia, and the District of Columbia.

Employees

At June 30, 2018, we had 2,856 professionals. Of these professionals, 2,731 worked in our Project Management Group and 125 worked in our Corporate office. Our personnel included 2,430 full-time employees, 106 part-time employees, 233 independent external contractors and 87 external contractors provided by third-party agencies. We are not a party to any collective bargaining agreements.

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 and uncertainties, 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.

We may be unable to collect amounts owed to us, which 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. 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. Significant drops in oil or gas prices have led, and could lead to further slowdowns, in construction in oil and gas producing regions, which has had and could continue to 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 subject to fluctuation based on general global economic conditions and other factors. Unfavorable global economic conditions 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. Changes in general market conditions in the locations where we work 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, results of operations and liquidity.

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.

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 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 and other 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 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 continue to have significant projects in the Middle East and Africa. 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, which could have a material adverse effect on our operations.

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

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. In addition, 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.

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 United States government contractor, we are subject to 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 submit change orders under some of our contracts, typically 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.

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, and it may not be indicative of our future revenue and profits.

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 both our partners and us. 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 based on technical capability, with numerous entities, including other construction management companies, design or engineering firms, general contractors, 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.

In the past, we have acquired companies related to the project management business and we may 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.

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 Annual Report on Form 10-K, management has identified several material weaknesses in our internal control over financial reporting and has determined that our disclosure controls and procedures were not effective. 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, 2017.

We have developed and have begun to implement 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.

The NYSE has suspended trading of our common stock and may delist our common stock from trading on its exchange, which could limit investors' ability to make transactions in our common stock and subject us to additional trading restrictions.

On August 13, 2018, the NYSE announced the suspension of trading of our common stock due to non-compliance with Section 802.01E of the NYSE's Listed Company Manual and announced that it was initiating proceedings to delist our common stock. As a result of the suspension, our common stock began trading on August 14, 2018 under the symbol "HILI" on the OTC Pink, which is operated by OTC Markets Group Inc. The Company has filed a Request for Review (the "Review Request") to a Committee of the Board of Directors of NYSE Regulation (the "Committee") with respect to the NYSE's determination to initiate delisting proceedings. The Company expects that the Committee will hold a hearing on the Review Request on or after 25 business days from the date of filing the Review Request. While the Company expects to be current with its filings on or before the NYSE's hearing date, we cannot assure you that our common stock will resume trading on the NYSE in the future. If the NYSE delists our common stock from listing on its exchange and we are not able to list our common stock on another national securities exchange, we expect our common stock would continue to be quoted on an over-the-counter market, such as the OTC Pink. If this were to continue, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our common stock;
- reduced liquidity for our common stock;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

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

As of August 28, 2018, there were 55,294,670 shares of our common stock outstanding. An additional 6,075,246 shares of our common stock may be issued upon the exercise of options held by employees, management and directors. We also have the authority, as determined by our Board of Directors, to issue up to 1,000,000 shares of preferred stock and additional options to purchase 2,077,459 shares of our common stock without stockholder approval. 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 our subsidiaries or us. 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.

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

As of December 31, 2017, Irvin E. Richter, David L. Richter and other members of the Richter family beneficially owned approximately 16.3% 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 80 operating leases for office facilities throughout the world.

Our principal worldwide office locations and the geographic regions in which we reflect their operations are:

United States	Europe	Middle East
Baltimore, MD	Amsterdam, Netherlands	Abu Dhabi, UAE
Boston, MA	Athens, Greece	Doha, Qatar
Cleveland, OH	Belgrade, Serbia	Dubai, UAE
Columbus, OH	Bucharest, Romania	Jeddah, Saudi Arabia
Houston, TX	Dusseldorf, Germany	Manama, Bahrain
Irvine, CA	Frankfurt, Germany	Muscat, Oman
Irving, TX	Istanbul, Turkey	Riyadh, Saudi Arabia
Jacksonville, FL	Lisbon, Portugal	
Miami, FL	London, UK	Africa
Mission Viejo, CA	Madrid, Spain	Algiers, Algeria
New York, NY	Pristina, Kosovo	Cairo, Egypt
Ontario, CA	Warsaw, Poland	Casablanca, Morocco
Orlando, FL	Wroclaw, Poland	
Philadelphia, PA (Headquarters)		Asia/Pacific
Phoenix, AZ	Latin America	Astana City, Kazakhstan
Pittsburgh, PA	Bogota, Colombia	Gurgaon, India
San Francisco, CA	Mexico City, Mexico	Hong Kong, China
San Jose, CA	Sao Paulo, Brazil	
Seattle, WA		
Spokane, WA		
Toledo, OH		
Woodbridge, NJ		
Washington, DC		

Item 3. Legal Proceedings.

General Litigation

From time to time, the Company is a defendant or plaintiff in various legal proceedings which arise in the normal course of business. As such, the Company is required to assess the likelihood of any adverse outcomes to these proceedings 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 proceeding. 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 proceedings will not have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

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 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, including interest amounting to $1,056, of which $448 had been previously accrued and $608 was charged to expense for the year ended December 31, 2015. The Plaintiff resolved its remaining issues regarding change orders and compensation for delay with DDC. On January 16, 2016, Plaintiff filed a Motion to amend its complaint against the Company claiming that the amounts paid by the Company do not reconcile with the amounts Plaintiff believes the Company received from DDC despite DDC’s records reflecting the same amount as the Company’s. On August 8, 2016, the Plaintiff’s Motion was granted and the parties resolved the matter and entered into a confidential settlement and general release on August 17, 2018. The settlement was accrued for and reflected in the Company's balance sheet and the statement of operations as of and for the year ended December 31, 2017.

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.

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 has historically been traded on the New York Stock Exchange (“NYSE”) under the trading symbol “HIL.” On August 13, 2018, the NYSE suspended the trading of our common stock and commenced proceedings to delist our common stock due to our failure to be current in our periodic reporting obligations with the SEC. As a result, on August 14, 2018, our common stock commenced trading on the OTC Pink Marketplace under the symbol “HILI”. 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
2017		
Fourth Quarter	$5.70	$4.75
Third Quarter	5.70	4.25
Second Quarter	5.30	3.70
First Quarter	5.70	3.85
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

Stockholders

As of December 31, 2017, there were approximately 80 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. There are approximately 2,400 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 of this Form 10-K. 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, 2012 to December 31, 2017 with the comparable cumulative total returns of the Russell 2000 Index (of which the Company was a component stock) and a peer group which consists of the following eight companies: AECOM (ACM), Fluor Corporation (FLR), Granite Construction Incorporated (GVA), Jacobs Engineering Group Inc. (JEC), KBR, Inc. (KBR), NV5 Global, Inc. (NVEE), Tutor Perini Corporation (TPC), and Tetra Tech, Inc. (TTEK).

	2012	2013	2014	2015	2016	2017
Hill International, Inc.	$100.00	$107.91	$104.91	$106.00	$118.81	$148.79
Russell 2000 Index	100.00	136.92	141.74	133.66	159.65	180.60
Peer Group	100.00	128.24	119.82	126.03	177.30	219.52

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 May 5, 2017, the sale of the Construction Claims Group was finalized, which is reported as discontinued operations for each year presented. See Note 2 - "Discontinued Operations" 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,				
	2017	2016	2015	2014	2013
Income Statement Data:					
Revenue	$483,736	$516,012	$544,760	$489,348	$452,602
Direct expenses	336,883	358,943	373,544	322,733	303,918
Gross profit	146,853	157,069	171,216	166,615	148,684
Selling, general and administrative expenses	151,186	170,682	172,649	146,265	125,672
Share of (profit) loss of equity method affiliates	(3,777)	37	237	—	—
Operating profit (loss)	(556)	(13,650)	(1,670)	20,350	23,012
Interest and related financing fees, net	3,031	2,355	3,611	3,099	4,522
(Loss) earnings before income taxes	(3,587)	(16,005)	(5,281)	17,251	18,490
Income tax expense	3,103	5,955	5,833	9,997	6,650
(Loss) earnings from continuing operations	(6,690)	(21,960)	(11,114)	7,254	11,840
Discontinued Operations:					
Loss from discontinued operations	(14,479)	(11,776)	(2,564)	(18,627)	(9,512)
Gain on disposal of discontinued operations , net of tax	48,713	—	—	—	—
Total gain (loss) from discontinued operations	34,234	(11,776)	(2,564)	(18,627)	(9,512)
Net earnings (loss)	27,544	(33,736)	(13,678)	(11,373)	2,328
Less: net earnings - noncontrolling interests	178	76	823	1,304	2,271
Net earnings (loss) attributable to Hill International, Inc.	$27,366	$(33,812)	$(14,501)	$(12,677)	$57
Basic (loss) earnings per common share from continuing operations	$(0.13)	$(0.43)	$(0.24)	$0.13	$0.24
Basic loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)	(0.42)	(0.24)
Basic gain on disposal of discontinued operation, net of tax	0.93	—	—	—	—
Basic earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)	$(0.29)	$—
Basic weighted average common shares outstanding	52,175	51,724	50,874	44,370	39,098
Diluted (loss) earnings per common share from continuing operations	$(0.13)	$(0.43)	$(0.24)	$0.13	$0.24
Diluted loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)	(0.42)	(0.24)
Diluted gain on disposal of discontinued operation, net of tax	0.93	—	—	—	—
Diluted earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)	$(0.29)	$—
Diluted weighted average common shares outstanding	52,175	51,724	50,874	44,370	39,098

	Years Ended December 31,				
	2017	2016	2015	2014	2013
Discontinued Operations Data (1):					
Revenue	$62,149	$169,252	$168,029	$153,839	$124,164
Operating (loss) profit	(4,975)	3,970	10,753	9,842	10,399
Interest and related financing fees, net	8,858	11,271	11,053	27,386	18,343
Gain (Loss) before income taxes	47,610	(7,301)	(300)	(17,544)	(7,944)
Gain (Loss) from discontinued operations	$34,234	$(11,776)	$(2,564)	$(18,627)	$(9,512)

(1) See Note 2 to our consolidated financial statements for further information regarding this statement.

	As of December 31,				
	2017	2016	2015	2014	2013
Selected Balance Sheet Data:					
Cash and cash equivalents	$21,353	$25,637	$24,089	$30,124	$30,381
Accounts receivable, net	156,860	164,844	187,721	146,035	128,241
Current assets held for sale	—	54,651	60,092	53,393	51,071
Current assets	198,411	266,461	295,723	257,294	238,298
Assets held for sale	—	32,091	36,199	37,649	37,817
Total assets	293,295	400,075	426,455	396,072	375,747
Current liabilities held for sale	—	25,888	27,350	28,779	22,258
Current liabilities	125,874	139,525	144,596	139,968	139,788
Liabilities held for sale	—	5,087	6,730	3,787	3,579
Total debt	37,782	144,103	144,983	121,524	131,235
Stockholders’ equity:					
Hill International, Inc. share of equity	$109,075	$74,358	$101,577	$106,710	$80,751
Noncontrolling interests	1,595	1,994	2,360	9,944	12,894
Total equity	$110,670	$76,352	$103,937	$116,654	$93,645

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

Introduction

The discussion and analysis presented below provides information to assist in understanding our financial condition and results of operations and should be read in conjunction with the Company's selected consolidated financial data included in Part II, item 6. Selected Financial Data and the Company's consolidated financial statements included in Part II, Item 8. Financial Statements and Supplementary Data.

See Part I, Item 1A. Risk Factors of this Annual Report on Form 10-K for a description of the risks associated with the Company.

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. The transaction was finalized on May 5, 2017, and as a result of this transaction our management will focus on our Project Management business. See Note 2 of this Annual Report on Form 10-K for a description of the transaction. Subsequent to the sale of Construction Claims Group, Hill International, Inc. currently provides project management, construction management and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets.

2017 Business Overview

Consolidated Results
(In thousands)

	Years Ended December 31,		Change	
	2017	2016	$	%
Income Statement Data:				
Revenue	$ 483,736	$ 516,012	$ (32,276)	(6.3)%
Direct expenses	336,883	358,943	(22,060)	(6.1)%
Gross profit	146,853	157,069	(10,216)	(6.5)%
Selling, general and administrative expenses	151,186	170,682	(19,496)	(11.4)%
Share of (profit) loss of equity method affiliates	(3,777)	37	(3,814)	—
Operating profit (loss)	(556)	(13,650)	13,094	—
Interest and related financing fees, net	3,031	2,355	676	28.7 %
Loss before income taxes	(3,587)	(16,005)	12,418	(77.6)%
Income tax expense	3,103	5,955	(2,852)	(47.9)%
Loss from continuing operations	(6,690)	(21,960)	15,270	(69.5)%
Discontinued operations:				
Loss from discontinued operations	(14,479)	(11,776)	(2,703)	23.0 %
Gain on disposal of discontinued operations, net of tax	48,713	—	48,713	—
Total gain (loss) from discontinued operations	34,234	(11,776)	46,010	—
Net income (loss)	27,544	(33,736)	61,280	—
Less: net earnings - noncontrolling interests	178	76	102	134.2 %
Net income (loss) attributable to Hill International, Inc.	$ 27,366	$ (33,812)	$ 61,178	—

Revenue decreased $32,276, or 6.3%, to $483,736 in 2017, primarily due to the $43,649 decrease in the Middle East as a result of the closeout of projects in United Arab Emirates of $26,564 and Saudi Arabia of $6,167 and a decrease in activity on the Muscat International Airport project in Oman. In addition, Asia Pacific had a decrease of $6,350 primarily from a decrease in activity on large projects in Afghanistan and India. Latin America had a $7,003 decrease in revenue primarily due to weaker economic conditions in Brazil. These reductions were partially offset by increases in the United States of $23,546, which included a Western region revenue increase of approximately $16,759 due to the addition of new projects.

Gross profit decreased $10,216, or 6.5%, to $146,853 in 2017 primarily due to the winding down of major projects in the Middle East, Asia Pacific and Latin America regions. These decreases were partially offset by increases in revenues in the United States primarily related to new work in the Western Region.

SG&A expenses decreased $19,496, or 11.4% in 2017, primarily due to decreases in the Middle East as a result of a $3,663 decrease in unapplied labor from the closeout of projects and a $10,696 decrease in bad debt expense due to the large increase in reserves for certain accounts receivable in the Middle East during 2016. In addition, there was a $10,336 decrease in Europe and a $4,207 decrease in Africa primarily related to a reduction in foreign currency translation expense. Partially offsetting these decreases were cost increases primarily due to expenses related to the Company’s profit improvement plan of approximately $5,019, increased severance costs of approximately $7,078 and restatement expenses of approximately $1,440.

Operating loss was $556 in 2017 compared to a loss of $13,650 in 2016. The decrease in operating loss was primarily due to an increase in operating profit in the United States of approximately $5,449 related to increased revenues in the Western region from new work. The Middle East contributed to the reduction in operating loss primarily from decreases in unapplied labor, bad debt and foreign currency translation expense. Europe also contributed to the decrease in operating loss due to a decrease in foreign currency translation expense. The decrease was partially offset by an increase in Corporate expenses primarily due to the profit improvement plan, restatement expenses and increased severance costs.

Income tax expense was $3,103 for 2017 compared to $5,955 for 2016. The decrease resulted primarily from a release in the valuation allowance and differences in statutory tax rates between foreign and U.S. jurisdictions, offset by the tax impact related to 2017 tax reform (or "2017 Tax Act").

Net income attributable to Hill was $27,366 in 2017 compared to a net loss of $33,812 in 2016. Diluted income per common share attributable to Hill was $0.52 in 2017 compared to a net loss per diluted common share attributable to Hill of $0.65 in 2016. Diluted loss per common share from continuing operations in 2017 was $0.13 compared to a diluted loss per share from continuing operations in 2016 of $0.43.

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. GAAP. 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 under various types of contracts. We evaluate contractual arrangements to determine how to recognize revenue. Below is a description of the basic types of contracts from which we may earn revenue:

Time and Materials Contracts

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-materials method, recognizing revenue as costs are incurred. Some of our time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts is recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion.

Cost Plus Contracts

Under cost plus contracts, we charge our clients for our costs, including both direct and indirect costs, plus a fixed fee or rate. We generally recognize revenue based on the labor and non-labor costs we incur, plus the portion of the fixed fee or rate we have earned to date. Included in the total contract value for cost-plus fee arrangements is the portion of the fee for which receipt is determined to be probable.

Fixed-Price Contracts

Under fixed-price contracts, our clients pay us an agreed amount negotiated in advance for a specified scope of work. We recognize revenue on fixed-price contracts using the percentage-of-completion method where direct costs incurred to date are compared to total projected direct costs at contract completion. Prior to completion, our recognized profit margins on any fixed-price contract depend on the accuracy of our estimates and will increase to the extent that our actual costs are below the original estimated amounts. Conversely, if our costs exceed these estimates, our profit margins will decrease, and we may realize a loss on a project.

For all contract types noted above, change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and when the change order can be estimated. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable. Additional contract revenue related to claims is included in total estimated contract revenue when the amount can be reliably estimated, which is typically evidenced by a contract or other evidence providing a legal basis for the claim.

If estimated total costs on any contract indicate a loss, we charge the entire estimated loss to operations in the period when the loss becomes evident and the amount of loss can be reasonably estimated. Such losses could occur at any time and the effects may be material.

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, 2017 and 2016, the allowance for doubtful accounts was $72,850 and $71,082, respectively.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of the consideration paid over the fair value of identifiable net assets acquired. Goodwill is not amortized, but instead is subject to impairment testing on an annual basis, and between annual tests whenever events or changes in circumstances indicate that the fair value may be below its carrying amount. The Company tests goodwill annually for impairment during the third fiscal quarter. To determine the fair value of our reporting unit, we use the discounted cash flow method and the quoted price method, weighting the results of each method.

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, 2017, the fair value of the Company 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.

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, 2017 Compared to
Year Ended December 31, 2016

Revenues:

	2017		2016		Change	
United States	$227,581	47.1 %	$204,035	39.5 %	$23,546	11.5 %
Latin America	11,772	2.4 %	18,775	3.6 %	(7,003)	(37.3)%
Europe	43,179	8.9 %	41,062	8.0 %	2,117	5.2 %
Middle East	169,964	35.1 %	213,613	41.4 %	(43,649)	(20.4)%
Africa	23,100	4.8 %	24,037	4.7 %	(937)	(3.9)%
Asia/Pacific	8,140	1.7 %	14,490	2.8 %	(6,350)	(43.8)%
Total	$483,736	100.0%	$516,012	100.0%	$(32,276)	(6.3)%

The decrease in revenue for the twelve months ended December 31, 2017 compared to the same period in 2016 was primarily due to the decrease in the Middle East as a result of the closeout of projects in United Arab Emirates of $26,564 and Saudi Arabia of $6,167 and a decrease in activity of the Muscat International Airport project in Oman. In addition, Asia Pacific had a decrease of $6,350 primarily from a decrease in activity of large projects in Afghanistan and India. Latin America had a revenue decline primarily due to weaker economic conditions in Brazil. These reductions were partially offset by increases in the United States primarily in the Western region, were revenue increased approximately $16,759 due to the addition of new projects.

Gross Profit:

	2017			2016			Change	
			% of Revenue			% of Revenue		
United States	$66,117	45.1 %	29.1 %	$60,464	38.4 %	29.6 %	$5,653	9.3 %
Latin America	4,723	3.2 %	40.1 %	7,304	4.7 %	38.9 %	(2,581)	(35.3)%
Europe	13,524	9.2 %	31.3 %	13,465	8.6 %	32.8 %	59	0.4 %
Middle East	48,221	32.8 %	28.4 %	60,079	38.3 %	28.1 %	(11,858)	(19.7)%
Africa	10,284	7.0 %	44.5 %	8,770	5.6 %	36.5 %	1,514	17.3 %
Asia/Pacific	3,984	2.7 %	48.9 %	6,987	4.4 %	48.2 %	(3,003)	(43.0)%
Total	$146,853	100.0%	30.4 %	$157,069	100.0%	30.4 %	$(10,216)	(6.5)%

The decrease in gross profit was primarily due to the winding down of major projects in the Middle East, Asia Pacific and Latin America regions. These decreases were partially offset by increases in gross profit in the United States related to new work in the Western Region.

Selling, General and Administrative Expenses:

SG&A expenses represented 31.3% and 33.1% of revenues in 2017 and 2016, respectively.

SG&A expenses decreased $19,496 from $170,682 in 2016 to $151,186 in 2017. The decrease was primarily due to decreases in the Middle East as a result of a $10,696 decrease in bad debt expense due to the large increase in reserves for certain accounts receivable in the Middle East during 2016 and a $3,663 decrease primarily due to non productive labor costs reduction related to the closeout of projects. In addition, there was a $10,336 decrease in Europe and a $4,207 decrease in Africa primarily related to a reduction in foreign currency translation expense. Partially offsetting these decreases were cost increases primarily due to expenses related to the Company's profit improvement plan of approximately $5,019, increased severance costs of approximately $7,078 and restatement expenses of approximately $1,440.

Operating Profit (Loss):

	2017	% of Revenue	2016	% of Revenue	Change	
United States	$23,191	10.2 %	$17,742	8.7 %	$5,449	30.7 %
Latin America	(3,190)	(27.1)%	1,702	9.1 %	(4,892)	—
Europe	3,221	7.5 %	(8,285)	(20.2)%	11,506	—
Middle East	21,096	12.4 %	15,992	7.5 %	5,104	31.9 %
Africa	(752)	(3.3)%	(7,083)	(29.5)%	6,331	(89.4)%
Asia/Pacific*	(1,378)	(16.9)%	1,097	7.6 %	(2,475)	—
Corporate	(42,744)	—	(34,815)	—	(7,929)	22.8 %
Total	$(556)	(0.1)%	$(13,650)	(2.6)%	$13,094	—

*includes Hill's share of (profits) loss of equity method affiliates on the Consolidated Statements of Operations.

Operating loss decreased primarily due to an increase in operating profit in the United States as a result of increased revenues in the Western region from new work. The Middle East contributed to the decrease in the operating loss primarily from decreases in unapplied labor, bad debt and foreign currency translation expense. Europe also contributed to the decrease in operating loss due to a decrease in foreign currency translation expense. The decrease was partially offset by an increase in Corporate expenses primarily due to the profit improvement plan, restatement expenses and increased severance costs. Corporate expenses increased by $7,929, and represented 8.8% of total revenue in 2017 compared to 6.7% of total revenue in 2016.

Interest and related financing fees, net

Net interest and related financing fees increased $676 to $3,031 in 2017 as compared with $2,355 in 2016 due to the establishment of new credit facilities and long term financing after the Construction Claims Group sale.

Income Taxes

In 2017, income tax expense was $3,103 compared to $5,955 in 2016. The effective income tax rates for 2017, and 2016 were (86.5)% and (37.2)%, respectively. The differences between the federal statutory rate and the effective tax rate are caused by several items including the difference between the U.S. federal statutory rates and the foreign tax rates, the impact of the Tax Reform and Jobs Act, the interaction of losses between continuing and discontinuing operation and other miscellaneous items.

In 2016, the Company's effective tax rate differed from the U.S. federal statutory rate primarily as a result of the inability to record an income tax benefit related to the U.S. net operating loss and increases caused by various foreign withholding taxes.

Net Income (Loss) Attributable to Hill

Net income attributable to Hill International, Inc. for 2017 was $27,366, or $0.52 per diluted common share as compared to a 2016 loss of $33,812, or $0.65 per diluted common share. Net loss from continuing operations for 2017 was $6,690, or $0.13 per diluted share, compared to net loss from continuing operations of $21,960, or $0.43 per diluted share, in 2016.

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

Revenues:

	2016		2015		Change	
United States	$204,035	39.5 %	$187,399	34.4 %	$16,636	8.9 %
Latin America	18,775	3.6 %	26,350	4.8 %	(7,575)	(28.7)%
Europe	41,062	8.0 %	42,635	7.8 %	(1,573)	(3.7)%
Middle East	213,613	41.4 %	248,193	45.6 %	(34,580)	(13.9)%
Africa	24,037	4.7 %	23,935	4.4 %	102	0.4 %
Asia/Pacific	14,490	2.8 %	16,248	3.0 %	(1,758)	(10.8)%
Total	$516,012	100.0%	$544,760	100.0%	$(28,748)	(5.3)%

The primary decrease in revenue occurred in the Middle East with decreases of $14,419 in the United Arab Emirates and $6,687 in Saudi Arabia as economic conditions caused a decrease in funding for projects and a decrease of $7,713 in Oman resulting from the wind-down of a major project. The increase in revenues in the United States occurred throughout all regions. In Latin America, the decrease was primarily in Brazil where revenues decreased by $6,774 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, Greece, Serbia, Portugal and Poland. In Africa, revenues were up slightly where increases in Algeria and Morocco were partially offset by a decrease in Egypt. The decrease in Asia/Pacific occurred primarily in Afghanistan and was partially offset by an increase in India.

Gross Profit:

	2016		% of Revenue	2015		% of Revenue	Change	
United States	$60,464	38.4 %	29.6 %	$55,362	32.2 %	29.5 %	$5,102	9.2 %
Latin America	7,304	4.7 %	38.9 %	11,074	6.5 %	42.0 %	(3,770)	(34.0)%
Europe	13,465	8.6 %	32.8 %	13,664	8.0 %	32.0 %	(199)	(1.5)%
Middle East	60,079	38.3 %	28.1 %	76,816	44.9 %	31.0 %	(16,737)	(21.8)%
Africa	8,770	5.6 %	36.5 %	7,169	4.2 %	30.0 %	1,601	22.3 %
Asia/Pacific	6,987	4.4 %	48.2 %	7,131	4.2 %	43.9 %	(144)	(2.0)%
Total	$157,069	100.0%	30.4 %	$171,216	100.0%	31.4 %	$(14,147)	(8.3)%

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

Selling, General and Administrative (“SG&A”) Expenses

SG&A expenses represented 33.1% and 31.7% of revenues in 2016 and 2015, respectively.

SG&A expenses decreased $1,967 from $172,649 in 2015 to $170,682 in 2016. The decrease was primarily due to the following:

- A net decrease of $4,661 in unapplied and indirect labor primarily due to reductions in staff in Saudi Arabia, Brazil and Spain during 2015 and early 2016, a net decrease in foreign currency transaction losses of $1,867, a net decrease in amortization expense of $1,309 and a net decrease to Corporate selling, general and administrative expenses of $3,180; partially offset by

- A net increase of $8,193 in bad debt expense for certain accounts receivable within primarily the Middle East and Asia Pacific regions.

Operating Profit (Loss):

	2016	% of Revenue	2015	% of Revenue	Change	
United States	$17,742	8.7 %	$14,300	7.6 %	$3,442	24.1 %
Latin America	1,702	9.1 %	(2,384)	(9.0)%	4,086	—
Europe	(8,285)	(20.2)%	(15,180)	(35.6)%	6,895	(45.4)%
Middle East	15,992	7.5 %	36,307	14.6 %	(20,315)	(56.0)%
Africa	(7,083)	(29.5)%	864	3.6 %	(7,947)	—
Asia/Pacific*	1,097	7.6 %	2,418	14.9 %	(1,321)	(54.6)%
Corporate	(34,815)	—	(37,995)	—	3,180	—
Total	$(13,650)	(2.6)%	$(1,670)	(0.3)%	$(11,980)	717.4 %

*includes Hill's share of loss (profits) of equity method affiliates on the Consolidated Statements of Operations.

The decrease in operating profit was primarily due to the decrease in revenues, the increase in bad debt expense in the Middle East and the decrease in gross profit in Africa, partially offset by increases in Europe due to a reduction in direct expenses and in the United States related to higher revenues. Corporate expenses decreased by $3,180, and represented 6.7% of total revenue in 2016 compared to 7.0% of total revenue in 2015.

Interest and related financing fees, net

Net interest and related financing fees decreased $1,256 to $2,355 in 2016 as compared with $3,611 in 2015. The decrease was primarily due to interest of $1,056 paid to a subcontractor as a result of a legal settlement in 2015.

Income Taxes

In 2016, income tax expense was $5,955 compared to $5,833 in 2015. The effective income tax expense rates for 2016 and 2015 were (37.2%) and (110.5%), respectively. The increase 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 $18,000, 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 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 the inability to record an income tax benefit related to the U.S. net operating loss and 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 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 Attributable to Hill

Net loss attributable to Hill International, Inc. for 2016 was $33,812, or $0.65 per diluted common share based on 51,724 diluted common shares outstanding, as compared to net loss for 2015 of $14,501, or $0.29 per diluted common share based upon 50,874 diluted common shares outstanding. Net loss from continuing operations for 2016 was $21,960, or $0.43 per diluted share, compared to net loss from continuing operations of $11,114, or $0.24 per diluted share, in 2015.

Liquidity and Capital Resources

At December 31, 2017, our primary sources of liquidity consisted of $21,353 cash and cash equivalents, of which $21,140 was on deposit in foreign locations, and $19,770 of available borrowing capacity under our various credit facilities. At December 31, 2016, we were in default of our Consolidated Net Leverage Ratio and Excess Account Concentration covenant. On March 27, 2017, we received a waiver of the default from Société Générale. 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.

From July 18, 2018 to August 8, 2018 we were not in compliance with the requirements of our Revolving Credit Facilities, which required the filing of this Annual Report on Form 10-K by July 17, 2018, the Form 10-Q for the first quarter of 2018 by July 30, 2018 and the Form 10-Q for the second quarter of 2018 by August 14, 2018. We obtained a waiver of non-compliance of the related covenants in our Revolving Credit Facilities which require us to file this Annual Report on Form 10-K, the Form 10-Q for the first quarter of 2018 and the Form 10-Q for the second quarter of 2018 by September 30, 2018. If we do not file such reports in accordance with this deadline, we may again be in noncompliance with the requirements of the Revolving Credit Facilities, however we expect to comply with these requirements.

Sources of Additional Capital

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, 2017, we had approximately $79,041 of availability under these arrangements.

If additional financing is required in the future due to changes in strategic or operating plans, 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 Flows

For the year ended December 31, 2017, our cash and cash equivalents decreased by $4,284 to $21,353. This compares to a net increase in cash and cash equivalents of $1,548 during the prior year. Cash used in operating activities was $11,953, cash provided by investing activities was $126,324 and cash used in financing activities was $115,818. We also experienced a net decrease in cash of $2,837 from the effect of foreign currency exchange rate fluctuations.

Operating Activities

Our operations used $11,953 of cash of in 2017, compared with providing cash of $8,898 and $536 in 2016 and 2015, respectively. These amounts include cash used by discontinued operations of $12,634, $7,943 and $5,928 in 2017, 2016 and 2015, respectively.

Our continuing operations had losses of $6,690, $21,960 and $11,114 in 2017, 2016 and 2015, respectively. Depreciation and amortization from continuing operations was $6,523, $7,265 and $7,940 in 2017, 2016 and 2015, respectively.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds, letters of credit and escrow were relatively unchanged between December 31, 2017 and 2016 at $4,407 and $4,312, respectively.

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.

Investing Activities

Net cash provided by investing activities in 2017 was $126,324 as a result of the disposition of the discontinued operations during the second quarter of 2017 (see Note 2 to our financial statements). Net cash used in investing activities during 2016 was $4,050 for the purchase of leasehold improvements, computers, office equipment and furniture and fixtures. Of this amount, $1,800 was used to implement a database system for our Human Resources department.

Financing Activities

Net cash used in financing activities during 2017 was $115,818, primarily due to the $117,494 pay-off of our 2014 term loan, $25,940 in net payments against our revolving credit facilities and payments of $4,038 for fees associated with our 2017 Credit Facility. These payments were partially offset by $30,000 of proceeds from our new term loans.

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:

	Total (1)	2018	2019-2020	2021-2022	2023 and later
Performance bonds (2)	$50,362	$23,852	$ 9,896	$ 14,404	$2,210
Advance payment guarantee (2)	12,769	7,642	4,389	330	408
Tender bonds (3)	5,176	5,176	—	—	—
Bid bonds (3)	1,319	1,319	—	—	—
Letters of Credit (4)	4,034	4,034	—	—	
Other	949	822	—	127	—
	$74,609	$42,845	$ 14,285	$ 14,861	$2,618

(1) At December 31, 2017, the Company had provided cash collateral amounting to $4,407 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 and advance payments through international banks required under certain international contracts.

(3) Represents tender and bid bonds issued through international banks as part of the bidding process for new work to assure our client that we will enter into the service contract.

(4) Primarily represents the indemnity escrow required in conjunction with the sale of the Claims Group.

Contractual Obligations

The following chart provides information with respect to contractual obligations:

	Total	2018	2019-2020	2021-2022	2023 and later
Long-term debt obligations (1)	$38,674	$3,406	$ 2,028	$ 4,596	$28,644
Interest expense on notes payable (2)	18,036	3,814	6,946	6,076	1,200
Operating lease obligations (3)	32,181	6,981	9,655	6,036	9,509

$88,891	$14,201	$ 18,629	$ 16,708	$39,353

(1) Excludes the amortization of deferred financing costs.
(2) Estimated using the interest rates in effect at December 31, 2017.
(3) Represents future minimum rental commitments under non-cancelable leases. We expect to fund these commitments with existing cash and cash flow from operations.

The liability for unrecognized tax benefits is not included in the table above due to the subjective nature of the costs and timing of anticipated payments.

Subsequent Event

Change in CEO

On August 17, 2018, the Board of Directors appointed Raouf S. Ghali as Chief Executive Officer of the Company effective as of October 1, 2018. In addition to his role as Chief Executive Officer, Mr. Ghali will continue to serve as a member of the Board of Directors.

Payment Agreement of Assessed Tax Liability (Libya)

The Company had an agreement with ODAC in which the ODAC would pay the Libyan government 5,599 LYD (approximately $4,600) for assessed taxes that the Company owed and in return, the Company would reduce the amount ODAC owed the Company by an equal amount. Notice was received subsequent to year end that ODAC had made the agreed upon payment.

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. 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

Our borrowings under our term loan and revolving credit facilities with Société Générale and other U.S. Loan Parties, along with our other revolving credit facilities, bear interest at variable rates. If market interest rates had changed by 100 basis points, our interest expense and cash flows for the twelve months ended December 31, 2017 would have changed by approximately $742.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Hill International, Inc. and Subsidiaries (the “Company") as of December 31, 2017 and 2016, 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, 2017, and the related notes and the financial statement schedule identified in Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated August 31, 2018 disclaimed an opinion on the effectiveness of the Company’s internal control over financial reporting because of a scope limitation.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ EisnerAmper LLP

We have served as the Company’s auditor since 2010.

EISNERAMPER LLP

Iselin, New Jersey
August 31, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Disclaimer of Opinion on Internal Control over Financial Reporting

We were engaged to audit Hill International, Inc. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As described in Item 9 of the Company's Annual Report on Form 10-K, since we were engaged to audit the Company's internal control over financial reporting subsequent to December 31, 2017 and we were unable to apply other procedures to obtain sufficient evidence about the effectiveness of the Company's internal control over financial reporting, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Company's internal control over financial reporting.

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. Item 9A of the Company's Annual Report on Form 10-K describes the material weaknesses that have been identified and included in management's assessment. These material weaknesses were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2017 financial statements, and this report does not affect our report dated August 31, 2018, on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Hill International, Inc. and Subsidiaries as of December 31, 2017 and 2016, 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, 2017, and the related notes and the financial statement schedule identified in Item 15, and our report dated August 31, 2018 expressed an unqualified opinion.

Basis for Disclaimer of Opinion

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. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
August 31, 2018

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2017	2016
Assets		
Cash and cash equivalents	$21,353	$25,637
Cash - restricted	4,407	4,312
Accounts receivable, less allowance for doubtful accounts of $72,850 and $71,082	156,860	164,844
Accounts receivable - affiliates	4,599	5,712
Prepaid expenses and other current assets	9,053	7,751
Income taxes receivable	2,139	3,554
Current assets held for sale	—	54,651
Total current assets	198,411	266,461
Property and equipment, net	12,004	16,389
Cash - restricted, net of current portion	1,160	313
Retainage receivable	13,095	17,225
Acquired intangibles, net	3,908	6,006
Goodwill	52,658	50,665
Investments	3,639	3,501
Deferred income tax assets	4,052	3,200
Other assets	4,368	4,224
Assets held for sale	—	32,091
Total assets	$293,295	$400,075
Liabilities and Stockholders' Equity		
Current maturities of notes payable and long-term debt	$3,241	$1,983
Accounts payable and accrued expenses	83,221	85,680
Income taxes payable	16,494	4,874
Current portion of deferred revenue	13,945	12,943
Other current liabilities	8,973	8,157
Current liabilities held for sale	—	25,888
Total current liabilities	125,874	139,525
Notes payable and long-term debt, net of current maturities	34,541	142,120
Retainage payable	599	961
Deferred income tax liabilities	933	560
Deferred revenue	7,212	22,804
Other liabilities	13,466	12,666
Liabilities held for sale	—	5,087
Total liabilities	182,625	323,723
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, 59,389 shares and 58,835 shares issued at December 31, 2017 and 2016, respectively	6	6
Additional paid-in capital	197,104	190,353
Accumulated deficit	(53,983)	(81,349)
Accumulated other comprehensive loss	(4,011)	(4,611)
Treasury stock of 6,977 shares at December 31, 2017 and 2016	(30,041)	(30,041)
Hill International, Inc. share of equity	109,075	74,358

Noncontrolling interests	1,595	1,994
Total equity	110,670	76,352
Total liabilities and stockholders’ equity	$293,295	$400,075

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,		
	2017	2016	2015
Revenue	$483,736	$516,012	$544,760
Direct expenses	336,883	358,943	373,544
Gross profit	146,853	157,069	171,216
Selling, general and administrative expenses	151,186	170,682	172,649
Share of (profit) loss of equity method affiliates	(3,777)	37	237
Operating loss	(556)	(13,650)	(1,670)
Interest and related financing fees, net	3,031	2,355	3,611
Loss before income taxes	(3,587)	(16,005)	(5,281)
Income tax expense	3,103	5,955	5,833
Loss from continuing operations	(6,690)	(21,960)	(11,114)
Discontinued operations:			
Loss from discontinued operations	(14,479)	(11,776)	(2,564)
Gain on disposal of discontinued operations, net of tax	48,713	—	—
Total earnings (loss) from discontinued operations	34,234	(11,776)	(2,564)
Net earnings (loss)	27,544	(33,736)	(13,678)
Less: net earnings - noncontrolling interests	178	76	823
Net earnings (loss) attributable to Hill International, Inc.	$27,366	$(33,812)	$(14,501)
Basic loss per common share from continuing operations - Hill International Inc.	$(0.13)	$(0.43)	$(0.24)
Basic loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)
Basic gain on disposal of discontinued operation, net of tax	0.93	—	—
Basic earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)
Basic weighted average common shares outstanding	52,175	51,724	50,874
Diluted loss per common share from continuing operations - Hill International Inc.	$(0.13)	$(0.43)	$(0.24)
Diluted loss per common share from discontinued operations	(0.28)	(0.22)	(0.05)
Diluted gain on disposal of discontinued operation, net of tax	0.93	—	—
Diluted earnings (loss) per common share - Hill International, Inc.	$0.52	$(0.65)	$(0.29)
Diluted weighted average common shares outstanding	52,175	51,724	50,874

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Years Ended December 31,		
	2017	2016	2015
Net earnings (loss)	$27,544	$(33,736)	$(13,678)
Foreign currency translation adjustments	1,125	5,062	(2,202)
Other, net of tax	—	585	(226)
Comprehensive earnings (loss)	28,669	(28,089)	(16,106)
Comprehensive earnings attributable to noncontrolling interests	703	(255)	(2,628)
Comprehensive earnings (loss) attributable to Hill International, Inc.	$27,966	$(27,834)	$(13,478)

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2017, 2016, and 2015
(In thousands)

	Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive	Treasury Stock		Hill Share of Stockholders'	Non-controlling	Total Stockholders'
	Shares	Amount	Capital	(Deficit)	(Loss)	Shares	Amount	Equity	Interests	Equity
Balance - December 31, 2014	56,920	$ 6	$ 179,912	$ (33,292)	$ (11,612)	6,546	$ (28,304)	$ 106,710	$ 9,944	$ 116,654
Net (loss) earnings	—	—	—	(14,501)	—	—	—	(14,501)	823	(13,678)
Other comprehensive earnings (loss)	—	—	—	—	1,023	—	—	1,023	(3,451)	(2,428)
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	—	4,703	—	—	—	—	4,703	(4,703)	—
Purchase of treasury stock	—	—	—	—	—	130	(580)	(580)	—	(580)
Balance - December 31, 2015	58,335	6	189,198	(47,793)	(10,589)	6,743	(29,245)	101,577	2,360	103,937
Net (loss) earnings	—	—	—	(33,812)	—	—	—	(33,812)	76	(33,736)
	—	—	—	—	5,978	—	—	5,978	(331)	5,647

Other comprehensive earnings (loss)										
Stock issued to Board of Directors	3	—	10	—	—	—	—	10	—	10
Stock-based compensation expense	—	—	2,486	256	—	—	—	2,742	—	2,742
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	190,353	(81,349)	(4,611)	6,977	(30,041)	74,358	1,994	76,352
Net earnings	—	—	—	27,366	—	—	—	27,366	178	27,544
Other comprehensive earnings (loss)	—	—	—	—	600	—	—	600	525	1,125
Stock-based compensation expense	—	—	3,012	—	—	—	—	3,012	—	3,012
Stock issued under employee stock purchase plan	36	—	139	—	—	—	—	139	—	139
Exercise of stock options	518	—	1,914	—	—	—	—	1,914	—	1,914
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(193)	(193)
Change in estimate of ESA put option price	—	—	777	—	—	—	—	777	—	777
Reversal of accrual for portion of ESA	—	—	1,099	—	—	—	—	1,099	—	1,099

put										
Acquisition of additional interest in ESA	—	—	(190)	—	—	—	—	(190)	(909)	(1,099)
Balance - December 31, 2017	59,389	$ 6	$ 197,104	$ (53,983)	$ (4,011)	6,977	$ (30,041)	$ 109,075	$ 1,595	$ 110,670

See accompanying notes to consolidated financial statements.

HILL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	$27,544	$(33,736)	$(13,678)
Loss from discontinued operations	14,479	11,776	2,564
Gain on sale of discontinued operations, net of taxes (see note 2)	(48,713)	—	—
Loss from continuing operations	(6,690)	(21,960)	(11,114)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,523	7,265	7,940
Provision for bad debts	6,908	14,454	6,262
Amortization of deferred loan fees	961	1,778	1,778
Deferred tax benefit	(1,815)	(692)	(1,786)
Loss on sale of assets	184	—	—
Stock based compensation	2,893	2,496	2,755
Unrealized foreign exchange losses on inter-company balances	834	11,579	13,929
Changes in operating assets and liabilities (net of acquisitions):			
Restricted cash	(921)	22	11,170
Accounts receivable	6,586	5,284	(51,041)
Accounts receivable - equity method affiliate	1,120	3,345	(3,762)
Prepaid expenses and other current assets	(699)	(808)	4,446
Income taxes receivable	1,794	(1,058)	(384)
Retainage receivable	6,725	(14,982)	662
Other assets	(4,131)	5,970	1,717
Accounts payable and accrued expenses	(7,587)	(2,805)	18,704
Income taxes payable	2,025	(3,337)	(50)
Deferred revenue	(17,038)	9,989	1,554
Other current liabilities	692	(84)	(1,423)
Retainage payable	(370)	(968)	(519)
Other liabilities	2,687	1,353	5,626
Net cash provided by continuing operations	681	16,841	6,464
Net cash used in discontinued operations	(12,634)	(7,943)	(5,928)
Net cash provided by (used in) operating activities	(11,953)	8,898	536
Cash flows from investing activities:			
Purchase of businesses, net of cash acquired	—	—	(4,354)
Purchase of additional interest in Engineering S.A.	(1,099)	—	—
Payments for purchase of property and equipment	(1,884)	(2,363)	(10,083)
Proceeds from sale of assets	60	—	—
Net cash used in investing activities of continuing operations	(2,923)	(2,363)	(14,437)
Net cash provided by (used in) investing activities of discontinued operations	129,247	(1,687)	(4,996)
Net cash provided by (used in) investing activities	126,324	(4,050)	(19,433)
Cash flows from financing activities:			
Payments on term loans	(206)	(1,390)	(1,240)
Proceeds from term loan borrowing	30,000	—	23,548
Payoff and termination of term loan	(117,494)	—	—
Net payments on revolving credit facility	(25,940)	(109)	—
Payment of financing fees	(4,038)	—	—

Proceeds from Philadelphia Industrial Development Corporation loan	—	—	750
Payment of holdback purchase price	—	(1,531)	—
Dividends paid to noncontrolling interest	(193)	(111)	(253)
Proceeds from stock issued under employee stock purchase plan	139	182	126
Proceeds from exercise of stock options	1,914	351	272
Purchase of treasury stock	—	—	(580)
Net cash provided by (used in) financing activities	(115,818)	(2,608)	22,623
Effect of exchange rate changes on cash	(2,837)	(692)	(9,761)
Net increase (decrease) in cash and cash equivalents	(4,284)	1,548	(6,035)
Cash and cash equivalents — beginning of year	25,637	24,089	30,124
Cash and cash equivalents — end of year	$21,353	$25,637	$24,089

See accompanying notes to consolidated financial statements.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

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 — Discontinued Operations

The Construction Claims Group sale closed on May 5, 2017 for a total purchase price of $140,000 in cash less: (1) an estimated working capital adjustment at closing amounting to approximately $8,449; and (2) approximately $2,187 of assumed indebtedness. In addition, the Company was required to provide a $3,750 letter of credit into escrow in order to secure certain of the Company's indemnification obligations for 12 months following closing. The funds provided by the sale of the Construction Claims Group and the cash received upon the draw down under the 2017 Term Loan Facility and the amended Revolving Credit Facilities (described below) were required to be used as follows: (a) $117,000 to pay off the 2014 Term Loan Facility; (b) approximately $8,793 to pay down the International Revolver; and (c) approximately $1,214 to pay accrued interest and certain bank fees. The remaining proceeds, along with a portion of the proceeds from the 2017 Term Loan, were used to pay down the $25,000 U.S. Revolver.

The Company and the purchasers of the Construction Claims Group were unable to agree upon a final net working capital amount. After agreeing to a reduction in the proceeds of $3,203 and pursuant to the terms of the agreement, the Company participated in a dispute resolution process by which independent accounting experts determined in June 2018 that the final net working capital should be reduced by an additional $1,876. The total reduction in the proceeds from the buyer of $5,079 was completed and finalized in June 2018 and was included in calculating the gain during the second quarter of 2017.

The Company entered into a transition services agreement (the "TSA") and certain other agreements with the Purchasers that govern the relationships between the Purchasers and the Company following the Construction Claims Group sale. Pursuant to the TSA, the Company provided the Purchasers with certain specified services on a transitional basis following the Construction Claims Group sale, including support in areas such as facilities, finance, human resources, legal, marketing, technology and treasury. In addition, the Company granted the Purchasers a license to use certain office premises as specified in the TSA. The TSA also outlined the services that the Purchasers provided to the Company following the Construction Claims Group sale, including support in areas such as finance, legal and treasury. The charges for the transition services and licensed premises generally allowed the providing company recovery of incremental costs and expenses it actually incurred in connection with providing the services and premises apart from the provision of certain services that are provided at no cost for terms specified in the TSA.

The assets and liabilities of the Construction Claims Group are reflected as held for sale in the Company's Consolidated Balance Sheets, and the operating results and cash flows of the Construction Claims Group are reflected as discontinued operations in the Company's Consolidated Statements of Operations, Consolidated Statements of Comprehensive Earnings, and Consolidated Statements of Cash Flows for all periods presented.

The carrying amounts of assets and liabilities of the discontinued operations which were classified as held for sale are as follows:

	At Closing	December 31, 2016
Accounts receivable, net	$47,611	$ 50,892
Prepaid expenses and other current assets	3,153	3,064
Income taxes receivable	17	695
Total current assets classified as held for sale	$50,781	$ 54,651
Property and equipment, net	5,786	4,617
Acquired intangibles, net	3,289	3,397
Goodwill	23,454	23,461
Investments	5	6
Other assets	2,860	610
Total non-current assets classified as held for sale	$35,394	$ 32,091
Accounts payable and accrued expenses	15,960	21,539
Income taxes payable	—	92
Deferred revenue	—	1,562
Other current liabilities	15,867	2,695
Total current liabilities classified as held for sale	$31,827	$ 25,888
Deferred income taxes	—	385
Deferred revenue	92	1,012
Retained Earnings	—	457
Other liabilities	1,257	3,233
Total non-current liabilities classified as held for sale	$1,349	$ 5,087
Net Assets	$52,999	$ 55,767

The line items constituting earnings from discontinued operations consist of the following:

	Years Ended December 31,		
	2017 (1)	2016	2015
Revenue	$62,149	$169,252	$168,029
Direct expenses	31,339	78,688	78,476
Gross profit	30,810	90,564	89,553
Selling, general and administrative expenses (2)	35,785	86,594	78,800
Operating profit (loss)	(4,975)	3,970	10,753
Interest and related financing fees, net (3)	8,858	11,271	11,053
Loss before income taxes	(13,833)	(7,301)	(300)
Pretax gain on disposal of discontinued operations (4)	61,443	—	—
Earnings (loss) before income taxes	47,610	(7,301)	(300)
Income tax expense (5)	13,376	4,475	2,264
Net earnings (loss) from discontinued operations	$34,234	$(11,776)	$(2,564)

In connection with the sale of the Construction Claims Group, the Company was required to pay off the 2014 Term Loan Facility (See Note 11). Accordingly, the Company has allocated to discontinued operations all interest expense related to the 2014 Term Loan Facility.

(1) Results of operations for the Construction Claims Group are reflected through April 30, 2017, the effective closing date of the Construction Claims Group sale.

(2) No amortization or depreciation expense was recorded by the Company in 2017 as the Construction Claims Group's assets were held for sale as of December 31, 2016.

(3) In connection with the sale of the Construction Claims Group, the Company was required to pay off its existing term loan facility and amend and pay down its existing revolving credit facilities (See Note 11). Interest expense and debt issuance costs attributable to the Construction Claims Group were charged to discontinued operations.

(4) The pretax gain on the sale of the Construction Claims Group was calculated as follows:

Adjusted purchase price	$129,364
Cash transferred to buyer	4,041
Net proceeds from Purchaser	125,323
Less net assets held for sale	52,999
Less other adjustments *	10,881
Pretax gain on disposal	$61,443

* $5,079 represents the net working capital settlement, $2,793 represents corporate costs related to the finalization of the sale and $3,009 represent other sales costs.

(5) The effective tax rates on pretax income from discontinued operations were 28.1%, (61.3)% and (754.7)% for the years ended December 31, 2017, 2016 and 2015, respectively. The 2017 rate differs from the U.S. federal statutory rate of 35% primarily due to the taxability of the gain on the sale in the U.S and foreign jurisdictions.

Note 3 - Liquidity

At December 31, 2017 and 2016 our principal sources of liquidity consisted of $21,353 and $25,637, respectively, of cash and cash equivalents; $11,943 and $8,981, respectively, of available borrowing capacity under the Domestic Revolving Credit Facility; $6,292 and $333, respectively of available borrowing capacity under the International Revolving Credit Facility and $1,534 and $3,862, respectively, under other foreign credit agreements. Additional information regarding the Company's credit facilities is set forth in Note 11 - Notes Payable and Long-Term Debt.

From July 18, 2018 to August 8, 2018 the Company was not in compliance with the requirements of its Revolving Credit Facilities, which required the filing of this Annual Report on Form 10-K by July 17, 2018, the Form 10-Q for the first quarter of 2018 by July 30, 2018 and the Form 10-Q for the second quarter of 2018 by August 14, 2018. The Company obtained a waiver of non-compliance of the related covenants in its Revolving Credit Facilities which require the Company to file this Annual Report on Form 10-K, the Form 10-Q for the first quarter of 2018 and the Form 10-Q for the second quarter of 2018 by September 30, 2018. If the Company does not file such reports in accordance with this deadline, it may again be in noncompliance with the requirements of the Revolving Credit Facilities. As of the filing of this document, the Company believes it will be able to meet these deadlines.

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 ("U.S. 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), including those resulting from intercompany transactions, are reflected in selling, general and administrative expenses in the consolidated statement of operations. The impact of foreign exchange on long-term intercompany loans, for which repayment has not been scheduled or planned, are recorded in accumulated other comprehensive loss on the consolidated balance sheet.

(c) Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. 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 rates are variable and approximates current market levels.

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.

Non-financial 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, 2017 and 2016, 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 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 believes that the financial institutions with which it does business will be able to fulfill their commitments, 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 requires customary retainers where appropriate.

No single client contributed 10% or more to revenue for the years ended December 31, 2017, 2016 and 2015.

The following table presents the number of clients that contributed 10% or more to accounts receivable:

	December 31,	
	2017	2016
Number of 10% clients	2	2
Percentage of accounts receivable	34 %	32 %

(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.

(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

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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 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 the consideration paid over the fair value of identifiable net assets acquired. Goodwill is not amortized, but instead is subject to impairment testing on an annual basis, and between annual tests whenever events or changes in circumstances indicate that the fair value may be below its carrying amount. The Company tests goodwill annually for impairment during the third fiscal quarter. To determine the fair value of our reporting unit, we use the discounted cash flow method and the quoted price method, weighting the results of each method.

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, 2017, the fair value of the Company 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.

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, 2017 and noted no impairment. The Company also determined that no impairment existed at December 31, 2017 and 2016. 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.

(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 when received. The Company's equity method and cost-basis investments at December 31, 2017 and 2016 are as follows:

	December 31,	
	2017	2016
RAMPED Metro Joint Venture (1)	$675	$687
Concessia, Cartera y Gestion de Infrastructuras S.A. (2)	2,870	2,515
Other	94	299
	$3,639	$3,501

(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 that 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. These 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 expense for operating leases is determined by expensing the total amount of cash 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, 2017 and 2016 was $3,211 and $2,830, respectively, and is included in other current liabilities and 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 than not to be realized in future years. If the Company determines in the future that it is more likely than not that the deferred tax assets subject to the valuation allowance will be realized, then the previously provided valuation allowance will be adjusted.

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 under various types of contracts. 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 includes 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.

If estimated total costs on any contract project 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.

The Company evaluates contractual arrangements to determine how to recognize revenue. Below is a description of the basic types of contracts from which the Company may earn revenue:

Time and Materials Contracts

The majority of the Company's contracts are for work where it bills 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 the Company's 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. The Company accounts for these contracts on a time-and-materials method, recognizing revenue as costs are incurred. Some of the Company's time-and-materials contracts are subject to maximum contract values, and accordingly, revenue under these contracts is recognized under the percentage-of-completion method where costs incurred to date are compared to total projected costs at contract completion.

Cost Plus Contracts

Under cost plus contracts, the Company charges its clients for its costs, including both direct and indirect costs, plus a fixed fee or rate. The Company generally recognizes revenue based on the labor and non-labor costs it incurs, plus the portion of the fixed fee or rate it has earned to date. Included in the total contract value for cost-plus fee arrangements is the portion of the fee for which receipt is determined to be probable. The Company invoices for its services as revenue is recognized or in accordance with agreed-upon billing schedules. Aggregate revenue from cost-plus 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").

Fixed-Price Contracts

Under fixed-price contracts, the Company's clients pay an agreed amount negotiated in advance for a specified scope of work. The Company recognizes revenue on fixed-price contracts using the percentage-of-completion method where direct costs incurred to date are compared to total projected direct costs at contract completion. Prior to completion, the Company's recognized profit margins on any fixed-price contract depend on the accuracy of its estimates and will increase to the extent that its actual costs are below the original estimated amounts. Conversely, if its costs exceed these estimates, its profit margins will decrease, and the Company may realize a loss on a project. Losses are recognized immediately upon the determination that a loss will be incurred. In order to increase aggregate revenue on a fixed-price 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

For all contract types noted above, change orders are included in total estimated contract revenue when it is probable that the change order will result in an addition to contract value and when the change order can be estimated. 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, equipment, materials, sites and period of completion of the work. Management evaluates when a change order is probable based upon its experience in negotiating change orders, the customer's written approval of such changes or separate documentation of change order costs that are identifiable.

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. Additional contract revenue related to claims is included in total estimated contract revenue when the amount can be reliably estimated, which is typically evidenced by a contract or other evidence providing a legal basis for the claim.

Change orders and claims occur when changes are experienced once contract performance is underway. Change orders are documented and terms of such change orders are agreed with the client before the work is performed. However, there may be circumstances which require that work progresses before an 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 the Company's 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 because 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 primarily use newly issued shares to satisfy the exercise of stock options.

(s) Advertising Costs

Advertising costs are expensed as incurred and amounted to the following:

Years Ended December 31,		
2017	2016	2015
$ 379	$ 556	$ 421

(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.

Options to purchase 6,075 shares, 6,899 shares and 3,849 shares of the Company’s common stock were not included in the calculation of common shares outstanding for the years ended December 31, 2017, 2016 and 2015, respectively, because they were anti-dilutive.

The following table provides a reconciliation to net loss used in the numerator for loss per share from continuing operations attributable to Hill:

	2017	2016	2015
Loss from continuing operations	$(6,690)	$(21,960)	$(11,114)
Less: net earnings - noncontrolling interest	178	76	823
Net loss from continuing operations attributable to Hill	$(6,868)	$(22,036)	$(11,937)

(u) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”) or Accounting Standards Codification 606 (“ASC 606”). This ASU supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and most industry-specific topics. The new guidance identifies how and when entities should recognize revenue. The new rules establish a core principle requiring the recognition of revenue to depict the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. In connection with this new standard, the FASB has issued several amendments to ASU 2014-09 to provide additional clarification and implementation instructions relating to (i) principal versus agent considerations, (ii) identifying performance obligations and licensing, (iii) narrow-scope improvements and practical expedients and (iv) technical corrections and improvements. However, none of the amendments change the core principle of the guidance in ASU 2014-09.

The new guidance in ASU 2014-09, as well as all amendments, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The new guidance permits two methods of adoption, full retrospective or modified retrospective, and the Company has elected to 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. Management has implemented a plan of adoption and is progressing with its evaluation of the adoption impact on the Company’s financial statements.

The Company’s implementation plan status is as follows:

- Formed an ASU 2014-09 working group comprised of management representatives.
- Analyzed the Company’s revenue streams.
- Selected representative contracts within each revenue stream and evaluated under ASU 2014-09.
- Identified the impact from the standard on current business processes.
- Evaluated additional disclosure requirements and monitoring changes to the Company’s internal controls.

As part of its ASU 2014-09 adoption plan, management has completed its reviews of various types of revenue contracts and disaggregated the revenue into two revenue streams: (i) fixed price and (ii) time and materials. Based on the Company’s completed contract reviews, it does not anticipate a material impact to its results of operations as the pattern of revenue recognition and the measurement of variable consideration is expected to be consistent under the new standard. However, the Company’s current assessment of the impact could change as the adoption plan is concluded. The Company has determined that there will be an impact to financial reporting due to the enhanced revenue disclosures and internal control over financial reporting due to the new disclosure requirements of ASC 606. The Company will adopt the requirements of the new standard effective January 1, 2018 in the Company's Form 10-Q for the three months ended March 31, 2018.

In January 2016, the FASB issued ASU 2016-1, Financial Instruments — Overall (Topic 825-10), which requires all equity investments to be measured at 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 pronouncement 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 and related disclosures.

In February 2016, the FASB issued ASU 2016-2, 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 and related disclosures.

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 the Company commencing January 1, 2020 with early adoption permitted commencing January 1, 2019. The Company is in the process of assessing the impact of this ASU on our consolidated financial statements and disclosures.

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 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. The Company plans on adopting this ASU effective January 1, 2018 and is in the process of assessing the impact of this ASU on its Statement of 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 U.S. 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 the Company commencing January 1, 2018. The Company does not expect the adoption of this guidance to have a material impact 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. The Company will adopt this ASU effective January 1, 2018 in the Company's Form 10-Q for the three months ended March 31, 2018.

In January 2017, the FASB issued ASU 2017-1, Business Combinations (Topic 805): 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 ASU is effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2017. The amendments are to be applied prospectively to business combinations that occur after the effective date.

In January 2017, the FASB issued ASU 2017-4, Intangibles - Goodwill and Other (Topic 350), which removes step 2 from the goodwill impairment test. As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting units' fair value. The guidance is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017, and the prospective transition method should be applied. The Company does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-9, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting, which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The ASU is effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2017. This ASU will be applied prospectively to any awards modified on or after the adoption date.

In February 2018, the FASB issued ASU No. 2018-3, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, that clarifies the guidance in ASU No. 2016-1, Financial Instruments—Overall (Subtopic 825-10) relate to: Equity Securities without a Readily Determinable Fair Value— Discontinuation, Equity Securities without a Readily Determinable Fair Value— Adjustments, Forward Contracts and Purchased Options, Presentation Requirements for Certain Fair Value Option Liabilities, Fair Value Option Liabilities Denominated in a Foreign Currency and Transition Guidance for Equity Securities without a Readily Determinable Fair Value. For public business entities, ASU 2018-3 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years beginning after June 15, 2018. All entities may early adopt ASU 2018-3 for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, as long as they have adopted ASU 2016-1. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements and related disclosures and will adopt this ASU concurrently with ASU 2016-1.

In June 2018, the FASB issued ASU No. 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting to simplify the accounting for share-based transactions by expanding the scope of Topic 718 from only being applicable to share-based payments to employees to also include share-based payment transactions for acquiring goods and services from nonemployees. As a result, nonemployee share-based transactions will be measured by estimating the fair value of the equity instruments at the grant date, taking into consideration the probability of satisfying performance conditions. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. Our equity incentive plans limit the awards of share-based payments to employees and directors of the Company and we do not expect this update to have a material impact on the Company’s consolidated financial statements.

Note 5 — Acquisitions

For the year ended December 31, 2017 the Company did not enter into any additional acquisitions. The Company's previous years' 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 2017 and 2016 the Company had no acquisition related costs to expense. During 2015, the Company expensed $139 of acquisition-related costs.

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 Turkish Lira (“TRY”) (approximately $4,640 as of the closing date) comprised of TRY 4,139 (approximately $1,547) paid in cash on the closing date plus a second payment of TRY 8,272 (approximately $3,145) which was paid on May 12, 2015; a Holdback Purchase Price of TRY 4,400 (approximately $1,626) 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 (approximately $628) if earnings before interest, income taxes, depreciation and amortization for the twelve month period subsequent to the closing date (“EBITDA”) exceeds TRY 3,500 (approximately $1,294) or (ii) TRY 1,500 ($554) if EBITDA is less than TRY 3,500 but not less than TRY 3,200 ($1,183). 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 to selling, general and administrative expenses for the year ended

December 31, 2016.

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") with approximately 400 professionals. Engineering S.A., headquartered in Sao Paulo, provides project management, construction management and engineering consulting services throughout Brazil. ESA's shareholders entered into an agreement whereby the minority shareholders had 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 had 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.

In April 2015, two shareholders who owned approximately 19% of ESA exercised their ESA Put Options claiming an aggregate value of BRL 10,645. 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) 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 925 shares of its common stock in August 2015. In November 2015, the Company paid approximately $580 to the selling shareholders to repurchase 130 shares of its common stock. The Company then owned 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 (approximately $2,670) 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 transaction was finalized during 2017 with agreement from the minority shareholders to a reduced total payment of BRL 6,084 (approximately $1,893), at which time the Company revised its previous estimate and recorded a reduction to the liability and increase to additional paid in capital. In November 2017, the Company settle with one minority shareholder, acquiring his remaining interest in ESA. The Company reflected such acquisition of additional interest in ESA in its consolidated balance sheet at December 31, 2017. Subsequently, in February 2018 the Company settled with the two remaining minority shareholders acquiring their remaining interests in ESA.

Note 6 — Accounts Receivable

The components of accounts receivable are as follows:

	December 31,	
	2017	2016
Billed	$186,411	$200,134
Retainage, current portion	9,249	10,824
Unbilled	34,050	24,968
	229,710	235,926
Allowance for doubtful accounts	(72,850)	(71,082)
Total	$156,860	$164,844

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

Bad debt expense of $6,908, $14,454 and $6,262 is included in selling, general and administrative expenses in the consolidated statements of operations for the years ended December 31, 2017, 2016 and 2015, respectively.

Note 7 — Property and Equipment

The components of property and equipment are as follows:

	December 31,	
	2017	2016
Furniture and equipment	$10,267	$10,434
Leasehold improvements	8,567	8,615
Automobiles	738	844
Computer equipment and software	27,889	28,881
	47,461	48,774
Less accumulated depreciation and amortization	(35,457)	(32,385)
Property and equipment, net	$12,004	$16,389

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Information with respect to depreciation expense is as follows:

	Years Ended December 31,		
	2017	2016	2015
Total depreciation expense	$ 4,482	$ 4,347	$ 3,715
Portion charged to cost of services	$ 980	$ 890	$ 813
Portion charged to selling, general and administrative expense	$ 3,502	$ 3,457	$ 2,902

Note 8 — Intangible Assets

The following table summarizes the Company's acquired intangible assets:

	December 31,			
	2017		2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Client relationships	$ 16,397	$ 12,862	$ 16,699	$ 11,298
Acquired contract rights	1,007	1,007	2,058	1,912
Trade names	877	504	959	500
Total	$ 18,281	$ 14,373	$ 19,716	$ 13,710
Intangible assets, net	$ 3,908		$ 6,006	

Amortization expense related to intangible assets was as follows:

Years Ended December 31,		
2017	2016	2015
$ 2,041	$ 2,918	$ 4,225

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

Years Ending December 31,	Estimated Amortization Expense
2018	$ 1,087
2019	990
2020	728
2021	338
2022	265

Note 9 — Goodwill

The following table summarizes the changes in the Company’s carrying value of goodwill during 2017 and 2016:

Balance, December 31, 2015	$49,739
Translation adjustments	926
Balance, December 31, 2016	50,665
Translation adjustments	1,993
Balance, December 31, 2017	$52,658

Note 10 — Accounts Payable and Accrued Expenses

Below are the components of accounts payable and accrued expenses:

	December 31,	
	2017	2016
Accounts payable	$32,345	$30,944
Accrued payroll and related expenses	29,569	32,618
Accrued subcontractor fees	10,814	9,188
Accrued agency fees	1,671	5,702
Accrued legal and professional fees	2,983	2,223
Other accrued expenses	5,839	5,005
	$83,221	$85,680

Note 11 — Notes Payable and Long-Term Debt

Outstanding debt obligations are as follows:

	December 31,	
	2017	2016
2014 Term Loan Facility, net of unamortized discount and deferred financing costs of $4,416 at December 31, 2016	$—	$112,884
2017 Term Loan Facility, net of unamortized discount and deferred financing costs of $892 at December 31, 2017	28,958	—
Domestic Revolving Credit Facility	3,300	16,500
International Revolving Credit Facility	—	11,102
Borrowings under revolving credit facilities with a consortium of banks in Spain	2,609	2,962
Borrowing from Philadelphia Industrial Development Corporation	599	655
Borrowings under overdraft credit facilities with the National Bank of Abu Dhabi	2,316	—
	37,782	144,103
Less current maturities	3,241	1,983
Notes payable and long-term debt, net of current maturities	$34,541	$142,120

In conjunction with the sale of its Construction Claims Group on May 5, 2017 (See Note 2), the Company terminated and paid off the 2014 Term Loan Facility and amended and paid down its Domestic and International Revolving Credit Facilities with Société Générale (the “Agent”), and other U.S. Loan Parties (the “U.S. Lenders”). There was approximately $117,000 outstanding under the 2014 Term Loan, $25,000 outstanding on the Domestic Revolving Credit Facility and €8,300 ($8,793) outstanding on the International Revolving Credit Facility prior to the debt modification. In the second quarter of 2017, the Company recorded a charge of approximately $4,024 for the expensing of unamortized debt issuance costs related to the pay off of the 2014 Term Loan Facility and approximately $325 for the expensing of unamortized debt issuance costs related to the modification and change of borrowing capacity of the Domestic Revolving Credit Facility. The expense of unamortized debt issuance costs is included in the results from discontinued operations.

The Company is party to a credit agreement with the Agent and the U.S. Lenders consisting of the $30,000 (the "2017 Term Loan Facility") and a $25,000 U.S. dollar-denominated revolving credit facility (the “Domestic Revolving Credit Facility”, together with the 2017 Term Loan Facility, the “U.S. Credit Facilities”) available to the Company and a credit agreement with the Agent (the “International Lender”) providing a €9,156 ($10,000 at closing) revolving credit facility (the “International Revolving Credit Facility” and together with the Domestic Revolving Credit Facility, the “Revolving Credit Facilities” and, together with the U.S. Credit Facilities, the “Secured Credit Facilities”) which is available to Hill International N.V. The Domestic Revolving Credit Facility and the International Revolving Credit Facility include sub-limits for letters of credit amounting to $20,000 and €8,000 ($9,130 at closing), 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 reporting covenants. The financial covenant is comprised of a maximum Consolidated Net Leverage Ratio of 3.00 to 1.00 for any fiscal quarter ending on or subsequent to March 31, 2017 for the trailing twelve months then-ended. The Consolidated Net Leverage Ratio is the ratio of (a) consolidated total debt (minus unrestricted cash and cash equivalents) to consolidated earnings before interest, taxes, depreciation, amortization, share-based compensation and other non-cash charges, including bad debt expense, certain one-time litigation and transaction related expenses, and restructuring charges for the trailing twelve months. In the event of a default, the U.S. Lender and the International Lender may increase the interest rates by 2.0%. The Company was in compliance with this financial covenant at December 31, 2017.

From July 18, 2018 to August 8, 2018 the Company was not in compliance with the requirements of its Revolving Credit Facilities, which required the filing of this Annual Report on Form 10-K by July 17, 2018, the Form 10-Q for the first quarter of 2018 by July 30, 2018 and the Form 10-Q for the second quarter of 2018 by August 14, 2018. The Company obtained a waiver of non-compliance of the related covenants in its Revolving Credit Facilities which require the Company to file this Annual Report on Form 10-K, the Form 10-Q for the first quarter of 2018 and the Form 10-Q for the second quarter of 2018 by September 30, 2018. If the Company does not file such reports in accordance with this deadline, it may again be in noncompliance with the requirements of the Revolving Credit Facilities, however the Company expects to comply with these requirements.

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.

2017 Term Loan Facility

The disclosures that follow below describe the debt obligations outstanding as of December 31, 2017 under the 2017 Term Loan Facility.

On June 21, 2017, the Company entered into the 2017 Term Loan Facility with a term of 6 years, requiring repayment of 1.0% of the original principal amount annually for the first five years. Any amounts repaid on the 2017 Term Loan Facility will not be available to be re-borrowed.

The 2017 Term Loan Facility was funded net of a 1.0% discount of $300 of the principal amount, which has been deferred. In addition, the Company incurred fees and expenses related to the 2017 Term Loan Facility of approximately $703, which have been deferred. The original issue discount and debt issuance costs are being amortized on a straight-line basis, which approximates the effective interest method, to interest and related financing fees, net over the six years ending June 21, 2023, the loan maturity date. The unamortized original issue discount and debt issuance cost balance of approximately $892 is included as an offset against the notes payable and long-term debt balance in the Consolidated Balance Sheet at December 31, 2017.

The interest rate on the 2017 Term Loan Facility is, at the Company's option, either:

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

- the Base Rate (as described below) plus 4.75% 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 1.00% per annum. Upon a default, the applicable rate of interest under the Secured Credit Facilities may increase by 2.00%. The LIBOR (including when determining the Base Rate) shall in no event be less than 1.00% per annum.

At December 31, 2017, the interest rate on the 2017 Term Loan Facility was 7.32%.

The Company has the right to prepay the 2017 Term Loan Facility in full or in part at any time without premium or penalty (except customary breakage costs). The Company is required to make certain mandatory prepayments, without premium or penalty (except customary breakage costs), including (i) net proceeds of any issuance or incurrence of indebtedness by the Company after the closing, (ii) with net proceeds from certain asset sales outside the ordinary course of business, and (iii) with 50.0% of the excess cash flow for each fiscal year of the Company commencing with the first full fiscal year ending after closing (which percentage would be reduced to 25.0% if the Consolidated Net Leverage Ratio is equal to or less than 2.00 to 1.00).

The 2017 Term Loan Facility (along with interest thereon) 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 and cash proceeds thereof, as to which the 2017 Term Loan Facility (and the interest thereon) is secured by a second-priority security interest.

Revolving Credit Facilities

Simultaneously with the closing of the sale of the Construction Claims Group, the Company amended its Domestic Revolving Credit Facility to reduce the amount available to the Company to $25,000, amended its International Revolving Credit Facility to reduce the amount available to the Company to $10,000, and drew approximately

$25,191 in cash and approximately $9,193 in letters of credit against the amended Revolving Credit Facilities. Deferred fees incurred with establishing the Secured Credit Facilities amounting to approximately $325 were charged to discontinued operations during the quarter of the sale.

The Domestic Revolving Credit Facility and the International Revolving Credit Facility each have a term of five years from the closing and provide for letter of credit sub-limits in amounts of $20,000 and €8,000 ($9,599 at December 31, 2017), respectively. The maximum Consolidated Net Leverage Ratio was increased from the prior credit facilities to 3.00 for all test dates and will not decline. The definition of Consolidated Net Leverage Ratio was amended to (i) remove the cap on the amount of permitted cash netting and (ii) permit netting of unrestricted cash and cash equivalents. The Company incurred fees totaling $1,685 which have been deferred and are being amortized to interest expense over the five-year term of the facilities.

The Revolving Credit Facilities require payment of interest only during the term and were substantially drawn as of the date of modification. 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 May 5, 2022.

The interest rate on borrowings under the Domestic Revolving Credit Facility are, at the Company’s option from time to time, either the LIBOR rate for the relevant interest period plus 3.75% per annum or the Base Rate, plus 2.75% per annum. At December 31, 2017, the interest rate was 5.25%.

The interest rate on borrowings under the International Revolving Credit Facility 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 4.50% per annum. On June 21, 2017, borrowings under the International Revolving Credit Facility were repaid in full at a 4.10% interest rate. There were no subsequent borrowings for the remainder of the year ended December 31, 2017.

The Company has paid commitment fees calculated at 0.50% annually on the average daily unused portion of the Domestic Revolving Credit Facility, and the Subsidiary has paid commitment fees calculated at 0.75% annually on the average daily unused portion of the International Revolving Credit Facility.

The ability to borrow under each of the Domestic Revolving Credit Facility and the International Revolving Credit Facility is subject to a “borrowing base.” The Domestic Revolving Credit Facility borrowing base is calculated using a formula based upon approximately 85% of receivables that meet or satisfy certain criteria (“Eligible Domestic Receivables”). The International Revolving Credit Facility borrowing base is calculated using a different formula based upon approximately 10% of international receivables that meet or satisfy certain criteria.

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, 2017, the domestic borrowing base was $25,000 and the international borrowing base was €9,156 ($10,986 at December 31, 2017). The international borrowing base was recalculated on January 15, 2018, resulting in the lowering of the Company's international borrowing base to €5,601 ($6,720) on that date.

Generally, the obligations of the Company under the Domestic Revolving Credit Facility are secured by a first-priority security interest in the Eligible Domestic Receivables, 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 Revolving Credit Facility are generally secured by a first-priority security interest in substantially all accounts receivable and cash proceeds thereof, 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 Company incurred fees and expenses related to the Revolving Credit Facilities in excess of $3,000, which have been 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 May 5, 2022. The unamortized debt issuance cost balances of $2,400 and $1,650 are included in other assets in the consolidated balance sheet at December 31, 2017 and 2016, respectively.

At December 31, 2017, the Company had $9,757 of outstanding letters of credit and $11,943 of available borrowing capacity under the Domestic Revolving Credit Facility. At December 31, 2017, the Company had $4,694 of outstanding letters of credit and $6,292 of available borrowing capacity under the International Revolving Credit

Facility.

Other Debt Arrangements

The Company's subsidiary, Hill International (Spain) S.A. ("Hill Spain"), maintained a revolving credit facility with three banks in Spain which initially provided for total borrowing of up to €5,640 with an interest rate of 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 (approximately $3,324 as of December 31, 2017) and bears interest rates between 1.85% and 3.37% and is repaid in equal installments over varying expiration dates between 36 and 60 months.

Hill Spain previously maintained an ICO (Official Credit Institute) loan with Bankia Bank in Spain, which expired on August 10, 2017 and was paid in full.

The Company maintains a credit facility with the National Bank of Abu Dhabi which provides for total borrowings of up to AED 11,500 ($3,131 at December 31, 2017), and is collateralized by certain overseas receivables. At December 31, 2017, the balance outstanding was AED 8,504, ($2,316). The credit facility is subject to periodic review by the bank and, accordingly, has been classified as current in the consolidating balance sheet. The interest rate is equal to the one-month Emirates InterBank Offer Rate plus 3.50%, with a maximum all-in interest rate of 5.50%. The interest rate was 5.50% at December 31, 2017. This facility allows for letters of guarantee up to AED 200,000 ($54,459 at December 31, 2017) of which AED 91,317 ($24,865) was outstanding at December 31, 2017.

Engineering S.A. maintains four unsecured revolving credit facilities with two banks in Brazil aggregating 2,380 Brazilian Reais (BRL) ($719 at December 31, 2017), with a weighted average interest rate of 4.76% per month at December 31, 2017. There were no borrowings outstanding on any of these facilities as of December 31, 2017 and 2016. These unsecured revolving credit facilities 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, 2017, the maximum U.S. dollar equivalent of the commitments was $84,739 of which $35,292 is outstanding.

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 which bears interest at 2.75%, is repayable in 144 equal monthly installments of $6 and matures on April 1, 2027.

At December 31, 2017, contractually scheduled maturities of current and long term debt, excluding deferred financing fees, were as follows:

Years Ending December 31,	
2018	$3,406
2019	1,111
2020	917
2021	932
2022	3,664
Thereafter	28,644
Total	$38,674

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 of Directors through the next annual stockholders meeting. See Note 13 for further information with respect to this plan.

Other activity is provided in the following table:

	Years Ended December 31,		
	2017	2016	2015
Interest and related financing fees paid	$6,853	$12,004	$13,180
Income taxes paid	$8,299	$9,523	$5,684
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)
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
Increase (decrease) in additional paid-in capital related to estimated accrual for ESA Put Options	$777	$(2,670)	$—
Increase in additional paid in capital from issuance of shares of common stock related to purchase of CPI	$—	$—	$530
Increase in additional paid in capital from issuance of shares of common stock from cashless exercise of stock options	$—	$796	$361

Note 13 — Share-Based Compensation

2009 Non-Employee Director Stock Grant Plan

The 2009 Non-Employee Director Stock Grant Plan, as amended, covers 400 shares of the Company's common stock. Awards under the plan may take the form of shares 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. No awards were granted in 2017. Information with respect to the plan's activity follows:

	Years Ended December 31,		
	2017	2016	2015
Shares issued	—	3	25
Compensation expense	$ —	$ 10	$ 115
Deferred stock units issued	—	96	—
Compensation expense	$ —	$ 350	$ —

2008 Employee Stock Purchase Plan

The Employee Stock Purchase Plan covers 2,000 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:

	Years Ended December 31,		
	2017	2016	2015
Shares purchased	36	59	43
Aggregate purchase price	$ 139	$ 182	$ 126
Compensation expense	$ 25	$ 32	$ 22

2006 Employee Stock Option Plan

The 2006 Employee Stock Option Plan, as amended, covers 10,000 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, 2017, a total of 2,094 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 2017, 2016 and 2015 and the assumptions used to estimate the fair value:

	December 31,		
	2017	2016	2015
Average expected life (years)	5.00	4.98	4.86
Forfeiture range	0	0	0 - 5.0

Weighted average forfeiture rate	0 %	0 %	0.3 %
Dividends	0 %	0 %	0 %
Volatility range	48.3 %	47.4 - 57.5%	46.9 - 59.9%
Weighted average volatility	48.3 %	56.5 %	58.9 %
Range of risk-free interest rates	2.08 %	0.97% - 1.46%	1.07% - 1.61%
Weighted average risk-free interest rate	2.08 %	1.22 %	1.45 %
Weighted average fair value at grant date	$1.97	$1.52	$2.01

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's stock price. 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 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, 2017, 2016 and 2015 is as follows (in thousands, except exercise price and remaining life data):

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
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		
Granted	716	4.98		
Exercised	(518)	3.84		
Expired	(813)	5.22		
Forfeited	(349)	4.49		
Outstanding, December 31, 2017	6,098	$ 4.45	1.81	$ 931
Exercisable, December 31, 2017	3,707	$ 4.20	0.87	$ 831

Aggregate intrinsic value represents the difference between the exercise prices and the closing stock price on December 31, 2017. At December 31, 2017, the weighted average exercise price of the outstanding options was $4.45 and the closing stock price was $5.45.

For various price ranges, weighted average characteristics of outstanding stock options at December 31, 2017 are as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Outstanding at December 31, 2017	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2017	Weighted Average Exercise Price
$2.89	70	0.43	$ 2.89	56	$ 2.89
3.00	10	3.10	3.00	2	3.00
3.12	6	2.60	3.12	5	3.12
3.46	13	2.89	3.46	5	3.46
3.67	398	2.06	3.67	318	3.67
3.91	500	0.34	3.91	500	3.91
3.95	500	0.34	3.95	500	3.95
4.00	500	2.80	4.00	300	4.00
4.03	341	4.08	4.03	136	4.03
4.04	1,000	0.20	4.04	900	4.04
4.31	80	5.45	4.31	16	4.31
4.35	500	1.01	4.35	300	4.35
4.46	25	5.76	4.46	5	4.46
4.65	482	6.19	4.65	—	4.65
4.84	38	2.60	4.84	38	4.84
4.90	5	4.59	4.90	2	4.90
4.95	347	3.19	4.95	208	4.95
5.00	250	0.34	5.00	250	5.00
5.17	80	5.45	5.17	16	5.17
5.47	440	0.34	5.47	440	5.47
5.73	3	0.84	5.73	3	5.73
5.83	265	0.34	5.83	265	5.83
6.31	85	1.45	6.31	85	6.31
6.61	38	6.19	6.61	38	6.61
7.00	100	6.19	7.00	—	7.00
	6,075	1.81	$ 4.45	4,389	$ 4.41

In the years ended December 31, 2017, 2016 and 2015, the Company recorded share-based compensation related to stock options of approximately $2,990, $2,360 and $2,960, respectively, which is included in selling, general and administrative expenses.

At December 31, 2017, total unrecognized compensation cost related to non-vested options was $1,900 which will be recognized over the remaining weighted-average service period of 2.4 years.

On May 10, 2017 the Company's Board of Directors approved a monthly grant of Company stock valued at $80 per month to the Interim Chief Executive Officer ("ICEO") during his term of service. At the end of each month during such period, the ICEO is entitled to $80 worth of Company stock based on the closing price of the Company's common stock on the last trading day of the month. The aggregate number of shares earned will only be delivered to the ICEO on his last day of service as ICEO. Through December 31, 2017, the ICEO had accumulated 125 shares. The value of the shares accumulated is remeasured each reporting period. The change in value from the previous reporting period is recorded as an adjustment to compensation expense. The Company recorded compensation expense of $681 for the year ended December 31, 2017 related to these monthly grants. The ultimate value of these grants cannot be determined until the shares are delivered, therefore, the accumulated value of these shares is recorded in accrued expenses and will be reclassified to equity when the shares are ultimately delivered on the ICEO's last day of service.

Note 14 — Stockholders' Equity

During the year ended December 31, 2017, the Company received cash proceeds of $1,914 from the exercise of stock options.

During 2016, certain officers exercised 321 options with an exercise price of $2.45 through the Company. The Company withheld 234 shares as payment for the options and placed those shares in treasury. The officers received 88 shares from these transactions.

During May 2015, four of the Company’s directors exercised an aggregate of 85 options with an exercise price of $4.25 through the Company on a cashless basis. The Company withheld 67 shares as payment for the options and placed those shares in treasury. The directors received a total of 17 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 liability with 925 shares of its common stock, of which it repurchased 130 shares for an aggregate price of $580. See Note 5 for further information.

Note 15 — Income Taxes

On December 22, 2017, The Tax Cuts and Jobs Act of 2017 ("2017 Tax Act") was signed into law, which includes a broad range of provisions, many of which significantly differ from those contained in previous U.S. tax law. Changes in tax law are accounted for in the period of enactment. As such, the 2017 consolidated financial statements reflect the immediate tax effect of the 2017 Tax Act, which was enacted on December 22, 2017. The 2017 Tax Act contains several key provisions including, among other things:

- A one-time tax on the mandatory deemed repatriation of post-1986 untaxed foreign earnings and profits ("E&P"), referred to as the toll charge;
- Reduction in the maximum Corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017;
- Introduction of a new U.S. tax on certain off-shore earnings referred to as Global Intangible Low-Taxed Income ("GILTI") at an effective tax rate of 10.5% for tax years beginning after December 31, 2017 (increasing to 13.125% for tax years beginning after December 31, 2025) with a partial offset by foreign tax credits; and
- Introduction of a territorial tax system beginning in 2018 by providing a 100% dividends received deduction on certain qualified dividends from foreign subsidiaries.

During 2017, the Company recorded income tax expense of $3,103, which included a net federal income tax expense of $371 for the one-time deemed repatriation of E&P.

The net charge recorded was based on currently available information and interpretations of applying the provisions of the 2017 Tax Act as of the time of filing this Annual Report on Form 10-K. In accordance with authoritative guidance issued by the Securities and Exchange Commission ("SEC"), the income tax effect for certain aspects of the 2017 Tax Act represent provisional amounts for which the Company's accounting is incomplete but a reasonable estimate could be determined and recorded during the fourth quarter of 2017. The guidance provides for a measurement period, up to one year from the Enactment Date, in which provisional amounts may be adjusted when additional information is obtained, prepared or analyzed about facts and circumstances that existed as of the Enactment Date that, if known, would have affected the amounts that were initially recorded as provisional amounts. Adjustments to provisional amounts identified during the measurement period should be recorded as an income tax expense or benefit in the period the adjustment is determined

The Company continues to evaluate the impacts of the 2017 Tax Act and consider the amounts recorded to be provisional, except for the one-time impact of the change in tax rate on its deferred tax assets and liabilities as of December 31, 2017. In addition, the Company is still evaluating the GILTI provisions of the 2017 Tax Act and its impact, if any, on the Company's consolidated financial statements as of December 31, 2017. The FASB allows companies to adopt an accounting policy to either recognize deferred taxes for GILTI or treat such as a tax cost in the year incurred. The Company has not yet determined its accounting policy because determining the impact of the GILTI provisions requires analysis of its existing legal entity structure, the reversal of the U.S. GAAP and U.S. tax basis differences in the assets and liabilities of the Company's foreign subsidiaries, and its ability to offset any tax with foreign tax credits. As such, the Company did not record a deferred income tax expense or benefit related to the GILTI provisions in its Consolidated Statement of Income for the year ended December 31, 2017 and it will finalize this during the measurement period.

The Company recorded a provisional amount for its toll charge, which represents its reasonable estimate of the liability due for the mandatory deemed repatriation of its post-1986 untaxed foreign E&P. Determining the provisional toll charge liability required a significant effort based on a number of factors including:

- Analyzing accumulated untaxed foreign E&P since 1986 including historical practices and assertions made in determining such;

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- Determining the composition, including intercompany receivables and payables of specified foreign corporations, of post-1986 untaxed foreign E&P that is held in cash or liquid assets and other assets at several measurement dates, as a different tax rate is applied to each when determining the toll charge liability; and
- Assessing the potential impact of existing uncertain tax positions in determining the accumulated undistributed E&P.

For the aforementioned factors as well as the proximity of the enactment of the 2017 Tax Act to the Company's year-end, it had limited time to understand the 2017 Tax Act and its various interpretations (including any additional guidance issued through the time of filing this Annual Report on Form 10-K), to assess how to apply the new law to its specific facts and circumstances and determine the toll charge. These factors also contributed to the tax effects recorded being provisional amounts. In addition, the Company made certain assumptions in determining the provisional toll charge that may result in adjustments when it finalizes the analysis and accounting for the 2017 Tax Act including, but not limited to, the following:

- Finalize the Company's analysis of its post-1986 untaxed foreign E&P;
- Finalize the analysis as to the amounts and nature of, among other items, intercompany transactions and balances as of December 31, 2017, 2016 and 2015 to determine the appropriate composition of post-1986 untaxed E&P as either cash / liquid assets or other assets; and
- Finalize the analysis of the impacts of the Tax Act on accounting for the GILTI provisions.

Certain income tax effects of applying the 2017 Tax Act represent provisional amounts for which the Company's analysis is incomplete but a reasonable estimate could be determined and recorded during the fourth quarter of 2017. The actual results may materially differ from current estimate due to, among other things, further guidance that may be issued by U.S. tax authorities or regulatory bodies including the SEC and the FASB to interpret the 2017 Tax Act. The Company will continue to analyze the 2017 Tax Act and any additional guidance that may be issued so it can finalize the full effects of applying the new legislation on the financial statements in the measurement period.

The effective tax rates for the years ended December 31, 2017, 2016 and 2015 were (86.5)%, (37.2)% and (110.5)% respectively. The Company’s effective tax rate is significantly different than the U.S. federal statutory rate, for the year ended December 31, 2017, primarily from a release in the valuation allowance and differences in statutory tax rates between foreign and U.S. jurisdictions, offset by the tax impact related to 2017 tax reform. The Company’s effective tax rate, for the years ended December 31, 2016 and December 31, 2015, is significantly different 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.

The components of earnings from continuing operations before income taxes by United States and foreign jurisdictions were as follows:

	Years Ended December 31,		
	2017	2016	2015
United States	$(11,825)	$(4,595)	$(12,302)
Foreign jurisdictions	8,238	(11,410)	7,021
	$(3,587)	$(16,005)	$(5,281)

Income tax expense (benefit) consists of the following:

	Current	Deferred	Total
Year ended December 31, 2017:			
U.S. federal	$(3,769)	$—	$(3,769)
State and local	(733)	—	(733)
Foreign jurisdictions	8,207	(602)	7,605
	$3,705	$(602)	$3,103
Year ended December 31, 2016:			
U.S. federal	$—	$—	$—
State and local	—	—	—
Foreign jurisdictions	6,793	(838)	5,955
	$6,793	$(838)	$5,955
Year ended December 31, 2015:			
U.S. federal	$—	$—	$—
State and local	—	—	—
Foreign jurisdictions	6,889	(1,056)	5,833
	$6,889	$(1,056)	$5,833

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:

	Years Ended December 31,		
	2017	2016	2015
Statutory federal income tax	$(1,255)	$(5,602)	$(1,848)
Foreign tax expense	4,178	6,802	922
Change in the valuation allowance	(13,319)	4,269	9,291
Discontinued operations NOL adjustment	—	(4,206)	(2,960)
Tax benefit for discontinued operations use of continuing operations current year loss	(4,967)	—	—
Net liability (reductions) additions for uncertain tax positions	543	(40)	21
Excess compensation	911	513	485
State and local income taxes, net of federal income tax benefit	61	(105)	(519)
Stock options	418	4,354	266
Transition tax due to repatriation	14,633	—	—
Impact due to tax reform	2,534	—	—
Other	(634)	(30)	175
Total	$3,103	$5,955	$5,833

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

	December 31, 2017	December 31, 2016
Deferred tax assets:		
Net operating loss carry forward - U.S. operations	$8,625	$52,401
Amortization of intangibles	1,891	3,984
Net operating loss carry forward - foreign operations	8,951	9,112
Compensated absences	1,033	2,626
Foreign income taxes on currency translation	6,611	1,367
Share based compensation	153	309
Allowance for uncollectible accounts	14,545	13,912
Labor contingencies	187	—
Deferred income	813	1,198
Foreign tax credit	17,374	991
Other	407	1,232
Total gross deferred tax assets	60,590	87,132
Valuation allowances	(52,410)	(73,212)
Net deferred tax assets	8,180	13,920
Deferred tax liabilities:		
Intangible assets	(3,070)	(6,735)
Depreciation	(135)	(2,870)
Prepaid expenses	(837)	(1,036)
Change in tax method	—	(101)
Accrued expenses	(1,019)	(538)
Total gross deferred tax liabilities	(5,061)	(11,280)
Net deferred tax assets	$3,119	$2,640

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

Deferred tax asset	$4,052	$3,200
Deferred tax liability	(933)	(560)
Net deferred tax assets	$3,119	$2,640

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.

Due to the effects of the gain on sale of the Claims business and tax reform, the Company was able to fully utilize its federal net operating loss carry forward in the United States during the year ended December 31, 2017. The Company also released the valuation allowance in the amount of $45,245 related to the federal net operating loss carry forward. During the year ended December 31, 2016, the Company continued to generate net operating losses and recorded additional valuation allowance of $2,518, as management had determined that it was more likely than not that the Company would not be able to utilize its U.S. deferred tax assets. Cumulative State net operating losses at December 31, 2017 were $131,871, which will begin to expire in 2025. There were no cumulative U.S. federal net operating losses at December 31, 2017.

At December 31, 2017 and 2016, there were approximately $35,946 and $38,869, 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 $26,127 and $20,961 were recorded at December 31, 2017 and 2016, 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.

Generally, the foreign earnings subject to the Transition Tax can be distributed without additional U.S. tax, however, any such repatriation of previously unremitted foreign earnings could incur withholding and other foreign taxes in the source and intervening foreign jurisdictions, and certain U.S. state taxes. The Company is in the process of evaluating its cash needs around its global operations and as of year-end will continue to be reinvested indefinitely in its unremitted foreign earnings. The Company has made no provision for US federal and state taxes on unremitted foreign earnings in excess of the amount imposed by the TCJA one-time transition tax on deferred earnings, any incremental foreign income taxes and withholding taxes payable to foreign jurisdictions related to any distributions. Determination of the amount of the unrecognized deferred foreign tax liability for these amounts is not practicable because of the complexities associated with its hypothetical calculation.

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, 2017 and 2016 including interest and penalties:

	Years Ended December 31,	
	2017	2016
Balance, beginning of year	$ 6,735	$ 6,282
Reductions based on tax positions related to prior years	(243)	(40)
Reduction due to settlements with taxing authorities	(4,773)	(172)
Additions based on tax positions related to prior years	957	665
Balance, end of year	$ 2,676	$ 6,735

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 authorities for taxable years prior to 2014. 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 estimated interest and penalties related to uncertain tax positions in income tax expense. At December 31, 2017, 2016 and 2015, the Company’s consolidated balance sheet reflects cumulative provisions for interest and penalties of $390, $206 and $500, 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

From time to time, the Company is a defendant or plaintiff in various legal proceedings that arise in the normal course of business. As such, the Company is required to assess the likelihood of any adverse outcomes to these proceedings 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 proceeding. 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 proceedingss will not have a material adverse effect on the Company’s financial condition, results of operations or cash flows.

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 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, including interest amounting to $1,056, of which $448 had been previously accrued and $608 was charged to expense for the year ended December 31, 2015. The Plaintiff resolved its remaining issues regarding change orders and compensation for delay with DDC. On January 16, 2016, Plaintiff filed a Motion to amend its complaint against the Company claiming that the amounts paid by the Company do not reconcile with the amounts Plaintiff believes the Company received from DDC despite DDC’s records reflecting the same amount as the Company’s. On August 8, 2016, the Plaintiff’s Motion was granted and the parties resolved the matter and entered into a confidential settlement and general release on August 17, 2018. The settlement was accrued for and reflected in the Company's balance sheet and the statement of operations as of and for the year ended December 31, 2017.

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.

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 that 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 that 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. 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, 2017 and 2016 was $74,609 and $105,377, respectively, which reduced the Company's available borrowing capacity on the Domestic and International Revolving Credit Facilities by a total of $14,451.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds, letters of credit and escrow at December 31, 2017 and 2016 was $3,500 and $4,312, respectively.

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 $962 and has reflected that amount in discontinued operations in the consolidated statement of operations for the year ended December 31, 2017 and in other liabilities in the consolidated balance sheet at December 31, 2017.

Note 17 — Operating Leases

The Company has numerous operating leases which have various expiration dates through 2027. Rent expense was approximately $8,940, $9,208 and $8,724 for the years ended December 31, 2017, 2016 and 2015, respectively, which is included in selling, general and administrative expenses in the consolidated statements of earnings. In addition, these leases may require the Company to pay property taxes, utilities and other costs related to several of its leased office facilities.

At December 31, 2017, approximate future minimum payments under these leases that have remaining non-cancelable lease terms in excess of one year are as follows:

Years Ending December 31,	
2018	$6,981
2019	5,199
2020	4,456
2021	3,349
2022	2,687
Thereafter	9,509
Total	$32,181

Note 18 - Benefit Plans

401(k) Retirement Savings Plan

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 who have completed at least one month of service. The Company matches 50% of employee contributions up to 3.0% of employee compensation up to a maximum of approximately $4 annually. For the years ended December 31, 2017, 2016 and 2015, the Company recognized expense amounting to $1,363, $1,005 and $905, respectively, which is included in selling, general and administrative expenses in the consolidated statements of operations.

End of Service Benefits

The Company maintains several End of Service Benefit plans (the "EOSB Plans") that provide lump sum termination benefits to certain employees in the United Arab Emirates, Saudi Arabia, Bahrain, Qatar, Oman, Kuwait, Mexico and Spain. The EOSB Plans are calculated based on tenure of service and may vary depending on the circumstances surrounding the separation. Generally, the plans provide for a lump sum benefit that is based on the employee's salary, years of service and statutory requirements that exist within the employee's office location. The Company calculated the present value of the expected future payments using the Projected Unit Credit Method, which estimates the fair value of the projected benefits that current plan participants will earn and was used to assess the Company's liabilities as of December 31, 2017 and 2016. The baseline assumptions used for the calculation included a discount rate of 3.0%, a salary increase of 2.0% per annum and an employee turnover rate of 18% per annum. The Company recorded liabilities of $13,940 and $13,364 for the EOSB Plans as of December 31, 2017 and 2016, respectively, which are included in accrued payroll and related expenses. For the years ended December 31, 2017, 2016 and 2015, the Company recognized expense for the EOSB Plans of $4,861, $4,327 and $3,540 respectively, which is included in direct expense and selling, general and administrative expense in the consolidated statements of operations.

Note 19 —Segment and Related Information

At December 31, 2017, due to the sale of our Construction Claims Group (see Note 2), the Company has one operating segment, the Project Management Group, which reflects how the Company is being managed. The Company based its determination on how operations are managed, the similarity of the services provided, the methodologies in delivering services and the similarity of the client base. The Project Management Group provides extensive construction and project management services to construction owners worldwide. The 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 following tables present certain information for the Company's operations:

Revenue by Geographic Region:

	2017		2016		2015	
United States	$227,581	47.1 %	$204,035	39.5 %	$187,399	34.4 %
Latin America	11,772	2.4 %	18,775	3.6 %	26,350	4.8 %
Europe	43,179	8.9 %	41,062	8.0 %	42,635	7.8 %
Middle East	169,964	35.1 %	213,613	41.4 %	248,193	45.6 %
Africa	23,100	4.8 %	24,037	4.7 %	23,935	4.4 %
Asia/Pacific	8,140	1.7 %	14,490	2.8 %	16,248	3.0 %
Total	$483,736	100.0%	$516,012	100.0%	$544,760	100.0%

For the twelve months ended December 31, 2017, no other country except for the United States accounted for over 10% of total revenue.

For the twelve months ended December 31, 2016, total revenue for the United Arab Emirates amounted to $73,617 representing 14.3% 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 $88,036 representing 16.2% of the total. No other country except for the United States accounted for over 10% of total revenue.

Operating Profit (Loss):

	2017	2016	2015
United States	$23,191	$17,742	$14,300
Latin America	(3,190)	1,702	(2,384)
Europe	3,221	(8,285)	(15,180)
Middle East	21,096	15,992	36,307
Africa	(752)	(7,083)	864
Asia/Pacific	(1,378)	1,097	2,418
Corporate	(42,744)	(34,815)	(37,995)
Total	$(556)	$(13,650)	$(1,670)

Depreciation and Amortization Expense:

	2017	2016	2015
Project Management	$5,663	$6,635	$7,522
Corporate	860	630	418
Total	$6,523	$7,265	$7,940

Revenue By Client Type:

	2017		2016		2015	
U.S. federal government	$15,105	3.1 %	$12,050	2.3 %	$10,737	2.0 %

U.S. state, regional and local governments	156,183	32.3 %	155,976	30.2 %	139,086	25.5 %
Foreign governments	133,655	27.6 %	170,567	33.1 %	209,468	38.5 %
Private sector	178,793	37.0 %	177,419	34.4 %	185,469	34.0 %
Total	$483,736	100.0%	$516,012	100.0%	$544,760	100.0%

Property, Plant and Equipment, Net by Geographic Location:

	December 31,	
	2017	2016
United States	$9,434	$12,626
Latin America	546	881
Europe	675	218
Middle East	1,164	1,645
Africa	105	169
Asia/Pacific	80	850
Total	$12,004	$16,389

Note 20 - Subsequent Event

Performance Guarantee

On February 8, 2018, the Company received notice from National Bank of Abu Dhabi (NBAD) that Public Authority of Housing Welfare of Kuwait submitted a claim for payment on a Performance Guarantee issued by the Company for approximately $7,927 for a project located in Kuwait. NBAD subsequently issued, on behalf of Company, a payment on February 15, 2018. The Company is taking legal action to recover the full Performance Guarantee amount.

Quarterly Results (Unaudited)

The following is a summary of certain quarterly financial information for fiscal years 2017 and 2016 (in thousands except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 2017:				
Revenue	$116,120	$125,436	$123,192	$118,988
Gross profit	37,611	38,629	37,317	33,296
Operating profit (loss)	4,114	(1,363)	(1,628)	(1,679)
Earnings (loss) from continuing operations	2,016	(996)	(1,595)	(6,115)
Loss from discontinued operations	(4,251)	(7,301)	(752)	(2,175)
Gain (loss) on disposal of discontinued operations, net of tax	—	52,195	(1,892)	(1,590)
Net (loss) earnings attributable to Hill	(2,354)	43,897	(4,294)	(9,883)
Basic earnings (loss) per common share from continuing operations	$0.04	$(0.02)	$(0.03)	$(0.12)
Basic (loss) per common share from discontinued operations	(0.09)	(0.14)	(0.01)	(0.04)
Basic gain on disposal of discontinued operations, net of tax	—	1.00	(0.04)	(0.03)
Basic (loss) earnings per common share - Hill International, Inc.	$(0.05)	$0.84	$(0.08)	$(0.19)
Diluted earnings (loss) per common share from continuing operations	$0.04	$(0.02)	$(0.03)	$(0.12)
Diluted loss per common share from discontinued operations	(0.09)	(0.14)	(0.01)	(0.04)
Diluted gain (loss) on disposal of discontinued operations, net of tax	—	1.00	(0.04)	(0.03)
Diluted (loss) earnings per common share - Hill International, Inc.	$(0.05)	$0.84	$(0.08)	$(0.19)
Year Ended December 31, 2016:				
Revenue	$136,899	$132,709	$121,222	$125,182
Gross profit	43,598	40,355	38,893	34,223
Operating profit (loss)	5,820	6,001	(7,986)	(17,485)
Earnings (loss) from continuing operations	4,736	2,676	(10,910)	(18,461)
Loss from discontinued operations	(1,243)	(574)	(540)	(9,418)
Gain on disposal of discontinued operations, net of tax	—	—	—	—
Net earnings (loss) attributable to Hill	3,504	2,130	(11,546)	(27,898)
Basic earnings (loss) per common share from continuing operations	$0.09	$0.05	$(0.21)	$(0.36)
Basic loss per common share from discontinued operations	(0.02)	(0.01)	(0.01)	(0.18)
Basic earnings (loss) per common share - Hill International, Inc.	$0.07	$0.04	$(0.22)	$(0.54)
Diluted earnings (loss) per common share from continuing operations	$0.09	$0.05	$(0.21)	$(0.36)
Diluted loss per common share from discontinued operations	(0.02)	(0.01)	(0.01)	(0.18)
Diluted earnings (loss) per common share - Hill International, Inc.	$0.07	$0.04	$(0.22)	$(0.54)

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

On April 19, 2017, Hill International, Inc. (the “Company”) dismissed EisnerAmper LLP (“EisnerAmper”) as its independent registered public accounting firm. The decision to change independent registered public accounting firms was approved by the Audit Committee of the Company’s Board of Directors. Such dismissal became effective upon completion by EisnerAmper of its review of the unaudited quarterly financial statements of Hill International, Inc. for the fiscal quarter ended March 31, 2017 and the filing of the related Quarterly Report on Form 10-Q with the SEC on May 10, 2017.

Also on April 19, 2017, after reviewing proposals from several accounting firms, including EisnerAmper, the Audit Committee of the Board of Directors of the Company selected KPMG LLP (“KPMG”) to be appointed following the filing of the Form 10-Q related to the fiscal quarter ended March 31, 2017 to serve as the Company’s independent registered public accounting firm for the fiscal year ended December 31, 2017. During the two fiscal years ended December 31, 2016, and the subsequent interim period through March 31, 2017, the Company did not consult with KPMG regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The audit report of EisnerAmper on the consolidated financial statements of Hill International, Inc. as of and for the years ended December 31, 2016 and 2015, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. The audit report of EisnerAmper LLP on the effectiveness of internal control over financial reporting for the Company as of December 31, 2016 and 2015 did conclude that internal controls over financial reporting were not effective due to identified material weaknesses.

During the two fiscal years ended December 31, 2016, and the subsequent interim period through March 31, 2017, there were no: (1) disagreements with EisnerAmper on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that EisnerAmper advised the Company it agreed with the Company that certain deficiencies in the Company’s internal control over financial reporting discussed with the Company during EisnerAmper’s audits of the Company’s consolidated financial statements for the years ended December 31, 2016 and 2015 constituted material weaknesses.

On March 28, 2018, the Company dismissed KPMG LLP (“KPMG”) as its independent registered public accounting firm. The decision to change independent registered public accounting firms was approved by the Audit Committee of the Company’s Board of Directors (the “Audit Committee”). Also on March 28, 2018, the Audit Committee entered into an agreement with EisnerAmper LLP (“EisnerAmper”) to serve as the Company’s independent registered public accounting firm. Such dismissal and appointment reflects the Audit Committee’s belief that EisnerAmper, who served as the Company’s independent public accounting firm during the restatement, will be able to complete the restatement as well as the audit of the Company’s 2017 financial statements as expeditiously as possible. The Company consulted with EisnerAmper regarding the application of accounting principles in conjunction with the original audit and the restatement; however, the Company did not consult with EisnerAmper regarding any of the matters or events set forth in Item 304(a)(2)(ii) of Regulation S-K other than those related to the restatement.

The Company had no: (1) disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as defined in Item 304(a) (1)(v) of Regulation S-K) other than those related to the restatement in connection with KPMG’s engagement.

As disclosed in Item 9A of this Annual Report on Form 10-K for the year ended December 31, 2017, management identified certain deficiencies that rose to the level of a material weakness related to (i) the estimation of the potential loss on the Company's accounts receivable, (ii) not maintaining effective procedures in the areas of the accounting closing process, accounting estimates and non-routine transactions, and (iii) not having a control in place to identify non-compliance with or the misapplication of local employment related tax laws (collectively, the "Material Weaknesses").

As a result of these Material Weaknesses, management concluded that, as of December 31, 2017, the Company's internal control over financial reporting was not effective.

Item 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

Based upon its evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017, the Company's Interim Chief Executive Officer and Interim Chief Financial Officer have concluded that, because of the material weaknesses in its internal controls over financial reporting described below and the Company's inability to file certain reports required under the Exchange Act within their required time periods, the Company's disclosure controls and procedures were not effective as of December 31, 2017.

The Company's financial statements have been audited by EisnerAmper, LLP, an independent registered public accounting firm, which was engaged on March 28, 2018. EisnerAmper LLP's attestation report on the Company's internal controls overe financial reporting, which disclaims an opinion on the effectiveness of the Company's internal controls over financial reporting, is included herein. EisnerAmper was unable to perform auditing procedures necessary to form an opinion on the Company's internal control over financial reporting as of December 31, 2017 due to the fact that EisnerAmper was engaged after December 31, 2017.

Exchange Act Rules 13a-15(e) and 15d-15(e) define "disclosure controls and procedures" to mean controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The definition further states that disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system was designed under the supervision of our previous Chairman and Chief Executive Officer and our previous Senior Vice President and Chief Financial Officer and with the participation of management in order to provide reasonable assurance regarding the reliability of our financial reporting and our preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("US GAAP").

All internal control systems, no matter how well designed and tested, have inherent limitations, including, among other things, the possibility of human error, circumvention or disregard. Therefore, even those systems of internal control that have been determined to be effective can provide only reasonable assurance that the objectives of the control system are met and 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.

Management, under the supervision of our Interim Chief Executive Officer, and Interim Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting and, based on the criteria established in the applicable "Internal Control-Integrated Framework" issued by the COSO (2013) , determined that the Company had not maintained effective internal controls over financial reporting as of December 31, 2017 due to the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Material Weaknesses

The company previously reported the following material weaknesses in our 2016 Form 10-K/A, which have not been remediated and still exist at December 31, 2017:

1. The Company misapplied US GAAP as it relates to the estimation of the potential loss on the Company's accounts receivable and related balances. Specifically, the Company did not have sufficient procedures and controls in place to enable the proper application of US GAAP and ensure that the company maintained a reasonable level of reserves for potentially uncollectible accounts receivable.

Completed Remedial Actions:

- The Company increased accountability at the operational manager and local finance director levels to closely monitor significantly past due accounts and potential collection issues to regional or upper management on a monthly basis or more frequently, as circumstances require. Required independent and detailed documentation and contracts will be provided to country or regional controllers and headquarters management who will evaluate the collectability of significant and aged client account balances.
- The Company enhanced transparency and active monitoring at the executive level through monthly and/or quarterly meetings to review and assess the proper application of US GAAP in financial reporting and estimates. Material accruals and contingencies (including reserves for potentially uncollectible accounts receivable) will be evaluated objectively by executive management with input from the business segment units prior to the conclusion of quarterly financial reporting processes.
- The Company enhanced transparency and effective monitoring at the Audit Committee, of the Board of Directors, through regular or quarterly meetings of the Audit Committee 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 Remedial Actions:

- The Company plans to continue to enhance the documentation to ensure that it is detailed and supports the amounts recognized as reserves for potentially uncollectible accounts receivable.
- The Company plans to continue to enhance the follow-up process with local operations management and finance director levels to ensure that the most current information is obtained in a timely manner for financial reporting purposes.
- The Company plans to conduct 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.
- The Company plans to implement controls to ensure that accounts receivable and related balances are appropriately reviewed and reserved as necessary.
- The Company plans to implement completeness and accuracy procedures to ensure that the reports utilized to estimate the appropriate reserve balance contain all the necessary and accurate data to calculate a reasonable estimate.

2. The Company either inadequately designed or did not implement controls to accurately determine the Company's liability and ensure compliance with certain tax laws and employment regulations of the jurisdictions in which the Company operates. The Company's Management advises 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 that 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 and related tax laws.

Remedial Action:

- The Company will develop policies, procedures, and controls to ensure that the foreign local management team is properly preparing analytics and assessments to determine compliance with the respective tax laws and employment regulations of the jurisdictions in which the employees are providing services.

3. The Company did not maintain effective controls over the financial reporting process, including the application of relevant accounting standards due to an inappropriate complement of personnel with the necessary level of accounting knowledge, experience, and training in the application of US GAAP commensurate with its financial reporting requirements and the complexity of the Company's operations and transactions.

a.

The Company's finance organization was not structured with appropriate resources to ensure the consistent execution of their responsibility to provide independent and proactive leadership in the areas of monitoring of controls, disclosure committee controls and reviews, and financial reporting.

b. The Company did not design, establish, and maintain effective documented US GAAP compliant financial accounting policies and procedures, nor a formalized process for determining, documenting, communicating, implementing, monitoring, and updating accounting policies and procedures.

This general material weakness contributed to more specific the material weakness discussed in items 4 through 8 below.

Remedial Actions:

- In addition to the senior management changes detailed below, the Company augmented our accounting and finance staff, and in some cases, created new positions to provide additional technical accounting expertise in critical areas, including but not limited to, revenue recognition, consolidation, and income taxes. The Company will continue to recruit qualified professionals with appropriate levels of knowledge and experience to assist in resolving accounting issues in non-routine or complex transactions.
- The Company has retained and intends to continue to retain the services of outside consultants, with relevant accounting experience, skills and knowledge, working under the supervision and direction of the Company's management, to supplement the Company's existing accounting personnel.
- The Company plans to develop policies, procedures, and controls for all key processes including the specific areas identified in this material weakness. In addition, management will train personnel to ensure consistent application of these accounting principles and adherence to the Company's newly adopted policies, procedures, and controls. In conjunction with this restatement, the Company corrected the accounting errors that resulted from the non-compliance with US GAAP identified in this material weakness.
- The Company plans to review the current 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.
- The Company plans to establish a Disclosure Committee which meets on a quarterly basis (or more frequently as circumstances dictate) to assure that our SEC filings and other public disclosures are complete, accurate, and otherwise comply with applicable accounting principles and regulations. The Company's Disclosure Committee will be a management committee reporting to our Interim Chief Executive Officer with oversight provided by our Audit Committee, and it will include individuals knowledgeable about, among other things, SEC rules and regulations, financial reporting, and internal control matters. The Company will also document a formal disclosure policy and procedures to govern the work of the Disclosure Committee.
- The Company plans to further enhance the utilization of the accounting system to increase the number of activities that are automated to reduce the chance of manual errors.

4. The Company did not maintain effective controls over the accurate preparation, recording, and review of foreign currency related transactions in accordance with ASC 830, Foreign Currency Matters. This control deficiency resulted in a restatement of the Company's 2017, 2016, and 2015 consolidated financial statements and specifically related to the Company's accounting for its foreign currency gains and losses on intercompany transactions. The Company did not maintain effective controls to address the following deficiencies in the Company's internal control environment:

a. The Company failed to prevent or detect instances where the assertion that intercompany balances were permanently invested was made in error or no longer applicable; therefore, the related foreign currency translation adjustments were not accurately prepared and recorded in accordance with US GAAP.
b. The Company did not ensure that all foreign currency accounts and transactions were recorded in the appropriate functional currency and re-measured in a timely manner.
c. The Company did not ensure that non-monetary transactions and retained earnings were re-measured and translated utilizing the appropriate exchange rate.
d. The Company failed to ensure that the tax effecting of balances recorded within accumulated other comprehensive income ("AOCI") was performed in accordance with US GAAP.
e. The Company did not analyze the composition of the AOCI account to ensure the completeness and accuracy of the balance.

Remedial Actions:

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- The Company plans to develop and implement improved policies, procedures, processes and controls, as well as, conduct trainings to ensure the proper accounting for foreign currency matters in accordance with ASC 830, Foreign Currency Matters.
- The Company plans to utilize an accounting system to ensure that all transactions are systematically re-measured and translated at the applicable foreign currency exchange rate and the associated gain or loss is appropriately recognized in AOCI or earnings.
- The Company plans to appropriately reconcile the AOCI account, in a timely manner.

5. The Company did not maintain effective controls to ensure the accurate preparation and review of the cash flow statement in accordance with ASC 230, Statement of Cash Flows. The Company did not maintain effective controls to ensure that the statement of cash flows was appropriately prepared first in each functional currency, translated to the reporting currency, and then consolidated. Additionally, the historical process to prepare the consolidated statement of cash flows did not fully consider the US GAAP requirements associated with the appropriate classification of activities as operating, investing, or financing activities. These deficiencies resulted in material line item adjustments to the consolidated statements of cash flows for the years ended December 31, 2017, 2016, and 2015.

Remedial Actions:

- The Company plans to manually prepare the statement of cash flows on a functional currency basis, translate the individual statements to United States dollars (“USD”), and then aggregate each statement into a consolidated statement of cash flows.
- The Company plans to identify systematic controls within the accounting system to automate the process of preparing the statement of cash flows for each functional currency and translating each statement at the appropriate exchange rate to USD.
- The Company plans to ensure that the consolidated statement of cash flows is prepared utilizing the appropriate classification of activities in accordance with ASC 230, Statement of Cash Flows.

6. The Company did not maintain effective policies, procedures, and controls to ensure that the revenue recognition accounting for certain customer contracts was performed in accordance with ASC 605-35, Revenue Recognition. Specifically, the Company failed to apply the required percentage of completion of accounting for certain long-term customer contracts (e.g., fixed fee, lump sum, or maximum contract value).

Remedial Actions:

- The Company plans to develop policies, procedures, and controls to ensure the proper accounting for revenue recognition matters, and the Company will ensure that the appropriate personnel are effectively trained and adhere to the new policies, procedures, and controls.
- The Company plans to further utilize the accounting system to maintain and report the accounting associated with revenue recognition after setup.

7. The Company did not maintain effective controls over its income tax provision and related balance sheet accounts. Specifically, the Company reversed established reserves for uncertain tax positions without meeting the criteria specified within ASC 740, Income Taxes.

Remedial Action:

- The Company plans to develop policies, procedures, and controls to ensure the proper recognition and de-recognition of tax liabilities is performed in accordance with ASC 740, Income Taxes, and the Company will ensure that the policies, procedures, and controls are followed by the appropriate personnel.

8. During the re-evaluation process the Company noted other financial reporting deficiencies as a result of not having the appropriate complement of personnel as described in Item 1 above. These deficiencies are noted as follows:

a. The Company did not maintain effective controls to ensure that books and records were maintained in accordance with US GAAP including adjustment for any foreign entities for which International Financial Reporting Standards ("IFRS") is required for statutory reporting purposes.

b.

Intercompany balances were not appropriately recorded and paired within the system, nor were the intercompany accounts appropriately reconciled on a timely and continuing basis.

c. The Company continued to amortize assets that were held for sale as a component of discontinued operations, which is not in accordance with ASC 205, Presentation of Financial Statements.

d. The Company did not properly account for its investments in joint ventures as required under ASC 323, Equity Method and Joint Ventures.

e. The Company did not design or maintain adequate policies, procedures, and controls to identify potential triggering events which would result in the recognition of an impairment of long lived assets (other than goodwill) in a timely manner in accordance with ASC 350, Intangibles - Goodwill and Other.

f. The Company did not have policies, procedures, and controls in-place to accurately calculate and record the Projected Benefit Obligation for certain End of Service Benefit Plans in accordance with ASC 715, Compensation - Retirement Benefits.

Remedial Action:

- See Remedial Action for Item 2 and 3 above.

(c) Changes in Internal Control Over Financial Reporting

As a result of accounting errors, we restated our consolidated financial statements for fiscal years 2016, 2015, and 2014. Further, we continue to believe that our internal control over financial reporting remained ineffective as of December 31, 2017. Management continues to remediate the material weaknesses, as described in the "Remedial Actions" sections following each material weakness above. As efforts are taken to improve the internal controls over financial reporting, our senior management may determine to take additional measures to address control deficiencies or modify the remediation efforts outlined in Item 9A. These subsequent remediation efforts related to the material weaknesses described above represent changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Item 9B. Other Information.

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information under the heading “Executive Officers” in Part I, Item 1 of this Form 10-K is incorporated by reference into this Item 10 including, but not limited to, information regarding Messrs. Evans and Ghali.

DIRECTORS

In addition to Messrs. Evans and Ghali, our Directors are as follows:

CAMILLE S. ANDREWS has been a director since June 2009. Since 1998, Ms. Andrews has been an Associate Dean, and since 1996 a member of the faculty, of Rutgers University School of Law at Camden. From 2007 to 2015, Ms. Andrews served as Counsel to Context Capital Partners, a private equity firm. Between 1986 and 1996, Ms. Andrews was a Partner with the law firm of Dilworth Paxson LLP, and between 2006 and 2008, she was Of Counsel to that firm, with expertise in antitrust, securities, class actions, derivative and shareholder suits, and other complex litigation matters. Ms. Andrews earned a B.A. magna cum laude in rhetoric and communication from the University of Pittsburgh and a J.D. with honors from Rutgers University School of Law at Camden, where she served on the Law Review. She was a member of the Board of Trustees for the Leap Academy Charter School in Camden, NJ from 2000 to 2007 and has served on a number of charitable boards, including the Walnut Street Theater, ACYO Charitable Foundation (a subsidiary of The Goldman Sachs Group, Inc.), New Jersey Child Cares, and the Philadelphia Zoo Chairman’s Council. She has also served on the New Jersey Supreme Court Committee on Judicial Education. Ms. Andrews is admitted to practice law in New Jersey, Pennsylvania and before the U.S. Supreme Court. Ms. Andrews offers a wealth of legal expertise in commercial matters and her service on the boards of other organizations provides cross-board experience. Age: 58.

BRIAN W. CLYMER has been a director since June 2006. Mr. Clymer retired from Prudential Financial, Inc. where he was Senior Vice President of External Affairs from July 1997 to January 2013. Prior to Prudential, he served as New Jersey State Treasurer under Governor Christine Todd Whitman from 1994 to 1997. Prior to that, Mr. Clymer was President and Chief Executive Officer of Railway System Design, Inc. and Vice President of its parent company, Gannett Fleming, Inc., an engineering design firm, from 1993 to 1994. From 1989 to 1993, he served under President George H.W. Bush as Administrator of the U.S. Federal Transit Administration. Mr. Clymer has served on numerous Boards of Directors, including the New Jersey Sports and Exposition Authority, the New Jersey Casino Reinvestment Development Authority, the New Jersey Performing Arts Center, the Southeastern Pennsylvania Transportation Authority, the American Public Transit Association, Security First Bank, and Motor Coach Industries International, Inc., then a New York Stock Exchange-listed designer and manufacturer of buses and coaches. He also served on the Board of Directors of the New Jersey Alliance for Action from 1997 to 2014 and currently serves on the Board of the Independent College Fund of New Jersey as past Chairman. Mr. Clymer earned his B.S. in business and economics from Lehigh University and holds an honorary doctorate from Drexel University. He is a Certified Public Accountant in the Commonwealth of Pennsylvania. Mr. Clymer has spent almost 20 years in the field of public accounting and brings extensive experience as an executive and board member of various publicly and non-publicly held entities and offers deep knowledge of financial, economic and accounting matters. Age: 71.

STEVEN R. CURTS has been a director since October 2015. Since January 2018, he has been Strategy Advisor for American Express Global Business Travel. He has held other positions with American Express Global Business Travel since May 2014 with the most recent being Chief Strategy Officer. Prior to that, he was a Vice President with Dell, Inc. from November 2009 to December 2013. Before that, he worked for 20 years with Perot Systems Corp. in numerous roles, including President of its Commercial Solutions Group, Vice President of Corporate Planning and Financial Operations, and Vice President of Finance. Mr. Curts received his B.B.A in accounting from Southern Methodist University. Among other things, Mr. Curts brings experience as a senior finance leader with executive roles encompassing financial operations, business development, treasury and corporate planning. Age: 57.

ALAN S. FELLHEIMER has been a director since June 2006. He has been Chairman of the Philadelphia law firm of Fellheimer & Eichen LLP since January 2006. He was Chairman of the Board of the Pennsylvania Business Bank, a state-chartered bank, from 1998, when he founded the bank, until 2008 when the bank was sold. He also served as the bank’s President and Chief Executive Officer from 1998 until 2006. From 1991 to 1998, Mr. Fellheimer was a Partner in the Philadelphia law firm of Fellheimer Eichen Braverman & Kaskey. During 1990, he was a Partner with the Philadelphia law firm of Spector Gadon & Rosen, P.C. From 1985 to 1990, Mr. Fellheimer was Chairman and Chief Executive Officer of Equimark Corp., then a New York Stock Exchange-listed bank holding company. He currently serves as an emeritus member of the Board of Trustees of the Pennsylvania Ballet, a member of the President’s Advisory Board of Temple University and a member of the Dean’s Advisory Board of the School of Social Policy & Practice of the University of Pennsylvania. Mr. Fellheimer is a Trustee of the Law Foundation of Temple University and a Past Master, Past High Priest and Trustee of the Grand Lodge of Pennsylvania, AF&AM. He previously served as a member of the Board of Trustees and Executive Committee of Gratz College. Mr. Fellheimer earned his A.B. in liberal arts and his J.D. summa cum laude from Temple University. He is a member of the New Jersey, New York, Texas and Pennsylvania bars. Mr. Fellheimer has significant banking expertise and brings to the Company experience in leadership positions with public and non-public entities. Age: 75.

CHARLES M. GILLMAN has been a director since August 2016. Mr. Gillman has been the Executive Managing Director of IDWR Multifamily Investment Office since 2013. Earlier in his career he was a consultant at McKinsey and Company, where he worked on operational turnarounds of companies located in the United States and abroad. Mr. Gillman currently serves on the Board of the following public companies: Digirad Corporation, Solitron, and Points International. Previously, he served on the Board of the following public companies: Aetrium, Inc., InfuSystem Holdings, Inc., PMFG Inc., On Track Innovations Ltd., Datawatch, MRV Communications Inc., Littlefield, Hooper Holmes, and Compumed Inc. Mr. Gillman received a B.S. Suma Cum Laude from the Wharton School. Age: 48.

CRAIG L. MARTIN has been our Executive Chairman since May 1, 2017, our Chairman since October 2016 and a director since February 2016. Mr. Martin serves as a director and member of the compensation committee of TEAM Industrial Services Inc. (NYSE: TISI). From 2016 to 2018, Mr. Martin was a director and member of the compensation and nominating & governance committees of CSRA Inc. In December 2014, Mr. Jacobs retired as the President and Chief Executive Officer of Jacobs Engineering Group, Inc. He became President in July 2002 and Chief Executive in April 2006. He also served as a member of Jacobs’ Board of Directors from 2002 until his retirement. Prior to July 2002, he served in several positions, most recently as Executive Vice President of Global Sales and Marketing. Before joining Jacobs in 1994, he worked in various roles at CRSS International Inc. and Martin K. Eby Construction Co. He received his B.S. in civil engineering from the University of Kansas and his M.B.A. from the University of Denver. Mr. Martin has nearly 45 years of experience in the international engineering and construction industry. Age: 68.

DAVID SGRO has been a director since August 2016. Mr. Sgro is a Senior Managing Director of Crescendo Partners, L.P. and has held various positions at Crescendo Partners since May 2005. He is also a Managing Member and Head of Research for Jamarant Capital, a private investment fund. Mr. Sgro also serves as an officer and the Chairman of Allegro Merger Corp. (NASDAQ:ALGRU), a Special Purpose Acquisition Company. Mr. Sgro has been a director and a former chairman of the audit committee of and Pangaea Logistics Solutions Ltd. (NASDAQ:PANL), a provider of seaborne dry bulk transportation services to industrial customers, since October 2014; and a director and chairman of the audit committee of BSM Technologies Inc,. a provider of GPS fleet and asset management solutions, since June 2016. He has also been a director of NextDecade Corporation, a development stage LNG company, from July 2017 to June 2018; a director, and chairman of the audit committee, of ComDev International, a TSX listed designer and manufacturer of space hardware subsystems, from April 2013 to February 2016; a director, and chairman of the audit committee, of SAExploration Holdings, Inc. (NASDAQ:SAEX), a provider of seismic data services to the oil and gas industries, from June 2013 to July 2016; a director of Bridgewater Systems, Inc., a TSX listed telecommunications software company, from June 2008 to August 2011; and a director of Primoris Services Corporation (NASDAQ:PRIM), a specialty construction company, from July 2008 to May 2011. Mr. Sgro also served as an officer and director of Harmony Merger Corp., from March 2015 until its merger with NextDecade in July 2017; Quartet Merger Corp., from October 2013 until its merger with Pangaea Logistics Solutions Ltd. in October 2014, and as an officer and director of Trio Merger Corp., from March 2011 until its merger with SAExploration Holdings in June 2013. Prior to joining Crescendo Partners, Mr. Sgro held analyst positions with Management Planning, Inc. and MPI Securities, Inc. Mr. Sgro is a Chartered Financial Analyst (CFA) Charterholder and holds a B.S. in Finance from The College of New Jersey and an M.B.A. from Columbia Business School. Age: 42.

CORPORATE GOVERNANCE

Pursuant to the Delaware General Corporation Law and the Company’s Amended and Restated Bylaws, the Company’s business, property and affairs are managed by or under the direction of the Board of Directors. Members of the Board are kept informed of the Company’s business through discussions with the Chief Executive Officer and other officers, by reviewing materials provided to them and by participating in meetings of the Board and its committees. We currently have nine members on our Board.

During 2017, the Board held sixteen meetings and the committees held a total of sixteen meetings. Each director attended more than 75% of the total number of meetings of the Board of Directors and the Board committees of which he or she was a member during the period he or she served as a director in 2017. Although we do not have a policy requiring all directors to attend annual meetings of stockholders, we expect all directors to attend, absent extenuating circumstances. Each of our directors attended our 2017 Annual Meeting of Stockholders.

Board Leadership Structure

Our Amended and Restated Bylaws provide that we will have a Chairman who will chair Board meetings and perform such other duties as set forth in our Amended and Restated Bylaws or as otherwise assigned to him by our Board. The Chairman and Chief Executive Officer may be the same person; however, our Board may separate these two positions if it deems it to be in the best interests of our Company and our stockholders to do so. Presently, the Chairman and Chief Executive Officer positions are held by two different individuals. On October 6, 2016, Mr. Craig L. Martin was appointed as Chairman. On May 3, 2017, Mr. Martin was appointed our Executive Chairman. Mr. Martin is not considered an officer or employee of the Company and will not receive any additional compensation in connection with this appointment. Also, on May 3, 2017, the Board established an Office of the Chairman which has such authority as may be delegated by the Board from time to time; as of the date of this proxy statement, the Office of the Chairman is comprised of our Executive Chairman, Craig L. Martin, our Interim Chief Executive Officer and director, Paul J. Evans, our President and Chief Operating Officer and a director, Raouf S. Ghali, and our Executive Vice President and General counsel, William H. Dengler, Jr. Considering the independence of our Executive Chairman (discussed in the section titled “Director Independence”), the Board of Directors amended the Company’s bylaws on

November 3, 2016 to remove provisions with respect to a lead independent director.

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Role of the Board in Risk Oversight

The Board as a whole has responsibility for risk oversight, with reviews of certain areas conducted by relevant Board committees that report on their findings to the Board. The oversight responsibility of the Board and the Board committees is facilitated by management reporting processes designed to provide information to the Board concerning the identification, assessment and management of critical risks and management's risk mitigation strategies and practices. These areas of focus include operational, economic, competitive, financial (including accounting, reporting, credit, liquidity and tax), legal, regulatory, compliance, environmental, political and strategic risks. The full Board (or the appropriate Board committee), in concert with the appropriate management within the Company, reviews management reports to formulate risk identification, risk management and risk mitigation strategies. When a Board committee initially reviews management reports, the Chairman of the relevant Board committee briefs the full Board on the specifics of the matter at the next Board meeting. This process enables the Board to coordinate the risk oversight role, particularly with respect to risks spanning more than one operational area. The Compensation Committee reviews compensation policies to ensure that they do not, among other things, encourage unnecessary or excessive risk-taking.

Corporate Governance Guidelines

The Corporate Governance Guidelines adopted by the Board, which include guidelines for determining director independence, are published on the Company's website at www.hillintl.com, in the "Investors" section, and are available in print to any stockholder upon request. That section of the website makes available the Company's corporate governance materials, including Board committee charters. Those materials are also available in print to any stockholder upon request.

Committees of the Board of Directors

During 2017, the Board had standing Audit, Compensation, and Governance and Nominating Committees. All members of each committee have been determined by the Board of Directors to be "independent" under applicable NYSE rules. In addition, the Board has determined that each member of the Audit Committee meets SEC independence requirements which require that members of the Audit Committee may not accept directly or indirectly any consulting, advisory or other compensatory fee from Hill or any of its subsidiaries other than their directors' compensation. The charter of each committee is available on our website at www.hillintl.com, in the "Investors" section.

Audit Committee

The Audit Committee consists of Brian W. Clymer (Chair), Alan S. Fellheimer and Charles M. Gillman. Mr. Gillman replaced Paul J. Evans as a member of the Audit Committee on May 3, 2017. The Board has determined that each member of the Audit Committee is financially literate. The Board has also determined that Brian W. Clymer possesses accounting or related financial management expertise within the meaning of the NYSE listing standards and qualifies as an "audit committee financial expert," as defined by the rules of the SEC.

The Audit Committee assists the Board in fulfilling its oversight responsibilities by (a) reviewing the financial reports and other financial information provided by Hill to its stockholders, the SEC and others, (b) monitoring the Company's financial reporting processes and internal control systems, (c) retaining Hill's independent registered public accounting firm, (d) overseeing the Company's independent registered public accounting firm and internal auditors and (e) monitoring the Company's compliance with its ethics policies and with applicable legal and regulatory requirements. The Audit Committee also reviews and approves any transactions between Hill and any related parties. During 2017, the Audit Committee met eight times. The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (as amended, the "Exchange Act").

Compensation Committee

The Compensation Committee consists of Steven R. Curts (Chair), Alan S. Fellheimer and David Sgro. Mr. Fellheimer replaced Paul J. Evans as a member of the Compensation Committee on May 3, 2017. Each member of the Compensation Committee is a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Compensation Committee oversees Hill's executive compensation programs. The Compensation Committee reviews and recommends to the Board for approval the compensation arrangements for all of the Company's executive officers. During 2017, the Compensation Committee met seven times. The processes of the Compensation Committee are described below in "Compensation Discussion & Analysis."

Governance and Nominating Committee

The Governance and Nominating Committee consists of Camille S. Andrews (Chair), Charles M. Gillman and David Sgro. The Governance and Nominating Committee oversees matters relating to the evaluation and recommendation to the Board of the persons to be nominated for election as directors at any meeting of stockholders, and the persons to be appointed by the Board to fill any vacancy on the Board.

The Governance and Nominating Committee is responsible for reviewing and assessing with the Board the appropriate skills, experience, and background sought of Board members in the context of our business and the then-current membership on the Board. This assessment includes a consideration of independence, diversity, age, skills, experience, and industry backgrounds in the context of the needs of the Board and the Company, as well as the ability of current and prospective directors to devote sufficient time to performing their duties in an effective manner. Although the Company does not have a formal policy with respect to diversity standards, as a matter of practice, the Governance and Nominating Committee considers matters commonly viewed as matters of diversity in the context of the Board as a whole and, in its effort to select a Board that it believes will best serve the interests of the Company and its stockholders, takes into account the personal characteristics and experience of current and prospective directors to facilitate Board deliberations that reflect a broad range of perspectives.

The Governance and Nominating Committee carefully considers all director candidates recommended by our stockholders, and the Governance and Nominating Committee does not and will not evaluate such candidate recommendations any differently from the way it evaluates other candidates. The Company's Bylaws set forth minimum qualifications for an individual to serve as a director of the Company. These minimum qualifications provide that no person shall qualify for service or serve as a director of the Company: (a) unless such person is in compliance with all applicable laws and regulatory requirements to which the Company's directors may be subject in connection with such person's service as a director, (b) 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, (c) if such person has been convicted of, or entered a plea of nolo contendere with respect to, any felony, (d) if such person serves on the board of directors of more than three other public companies, (e) 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 Company, (f) 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 Company becoming ineligible to conduct its business or any portion thereof, or (g) 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 applicable date of election.

Any stockholder who wishes to recommend an individual as a potential nominee for election to the Board should submit such recommendation in writing by mail to Hill International, Inc., One Commerce Square, 2005 Market Street, 17th Floor, Philadelphia, Pennsylvania 19103, Attn: Chair of Governance and Nominating Committee, together with information regarding the experience, education and general background of the individual and a statement as to why the stockholder believes such individual to be an appropriate candidate for the Board of Directors of Hill. Such recommendation should be provided to Hill no later than the close of business on the 120th day prior to the one-year anniversary of the date the Company's proxy statement was released to stockholders in connection with the previous year's annual meeting. During 2017, the Governance and Nominating Committee held one meeting.

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Majority Voting in Uncontested Elections of Directors

Last year, our Board recommended and the stockholders approved the adoption of majority voting for uncontested elections of directors. Plurality voting continues to apply in contested elections. A contested election is one in which the number of nominees exceeds the number of directors to be elected, and other conditions are met. In an uncontested election, nominees will be elected directors if they receive a majority of the votes cast (i.e., the number of shares voted "for" a director must exceed the number of votes cast "withheld" from that director, without counting abstentions or broker non-votes); if a nominee is an incumbent director but is not elected, such director is required to tender his or her resignation to the Board promptly following the date of the certification of the election results. 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. In a contested election, the nominees who receive a plurality of the votes cast (i.e., more votes in favor of their election than other nominees) will be elected directors.

Communicating Concerns to Directors

The Company encourages all interested persons to communicate any concern that an officer, employee, director or representative of Hill may have engaged in illegal, dishonest or fraudulent activity, or may have violated Hill's Code of Ethics and Business Conduct. Such persons may report their concerns or other communications including suggestions or comments to the Board in one of the following ways: by mail sent to William H. Dengler, Jr., Corporate Secretary, at the Company's principal executive office: One Commerce Square, 2005 Market Street, 17th Floor, Philadelphia, Pennsylvania 19103; by telephone at (866) 352-2792; or by email addressed to hil@openboard.info. All such communications will be referred to Mr. Dengler who will circulate them to the members of the Board, or in the case of potential violations of the Code of Ethics and Business Conduct, to the Chairman of the Audit Committee. If the communication is directed to a particular director, Mr. Dengler will forward the communication to that director. The Board does not screen stockholder communications.

Code of Ethics

All directors, officers and employees of the Company are expected to act ethically at all times and in accordance with the policies comprising Hill's Code of Ethics and Business Conduct (the "Code") which is available on our website at www.hillintl.com, in the "Investor Relations" section, and is available in print to any stockholder upon request. Any waiver or any implicit waiver from a provision of the Code applicable to Hill's chief executive officer, chief financial officer, controller, or any amendment to the Code must be approved by the Board. We will disclose on our website amendments to, and, if any are granted, any such waiver of, the Code. Hill's Audit Committee is responsible for applying the Code to specific situations in which questions are presented to it and has the authority to interpret the Code in any particular situation. If, after investigating any potential breach of the Code reported to it, the Audit Committee determines (by majority decision) that a breach has occurred, it will inform the Board of Directors. Upon being notified that a breach has occurred, the Board (by majority decision) will take or authorize such disciplinary or preventive action as it deems appropriate, after consultation with the Audit Committee and/or the Company's General Counsel, up to and including dismissal or, in the event of criminal or other serious violations of law, notification of the SEC or other appropriate law enforcement authorities.

Director Independence

The standards applied by the Board in affirmatively determining whether a director is "independent," in compliance with the rules of the NYSE, generally provide that a director is not independent if:

(1) the director is, or has been within the last three years, our employee, or an immediate family member (defined as including a person’s spouse, parents, children, siblings, mothers-and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone, other than domestic employees, who shares such person’s home), is, or has been within the last three years, one of our executive officers;

(2) the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than $120,000 per year in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

(3) (a) the director is a current partner or employee of a firm that is our internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and who works on our audit; or (d) the director or an immediate family member was, within the last three years, a partner or employee of such a firm and personally worked on our audit within that time;

(4) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee; or

(5) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to or received payments from us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000 or two percent of such other company's consolidated gross revenues.

In addition to these objective standards, the Board of Directors has adopted a general standard, also in compliance with NYSE rules, to the effect that no director qualifies as independent unless the Board of Directors affirmatively determines that the director has no material relationship with us. In making this determination, the Board considers all relevant facts and circumstances regarding any transactions, relationships and arrangements between Hill and the director, and also between Hill and any company or organization with which the director is affiliated. The Board of Directors has determined that our current independent directors are Camille S. Andrews, Brian W. Clymer, Steven R. Curts, Alan S. Fellheimer, Charles M. Gillman, Craig L. Martin and David Sgro.

Involvement in Certain Legal Proceedings

Charles M. Gillman is subject to an SEC administrative order, dated February 14, 2017 (Securities Exchange Act Release No. 80038), relating to alleged violations of Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules promulgated thereunder, including failing to disclose the members of a stockholder group, and further allegations that Mr. Gillman violated Section 16(a) of the Exchange Act and the rules promulgated thereunder, including failing to timely file initial statements of beneficial ownership on Form 3 and changes thereto on Form 4. Without admitting or denying any violations, Mr. Gillman agreed to cease and desist from committing or causing any violations of (i) Section 13(d) of the Exchange Act and Rules 13d-1 and 13d-2 promulgated thereunder and (ii) Section 16(a) of the Exchange Act and Rules 16a-2 and 16a-3 promulgated thereunder, and paid a $30,000 civil penalty to the SEC.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and changes in ownership with the SEC. To the Company's knowledge based on a review of copies of such reports furnished to Hill and on written representations made by such persons, all of the Company's directors, executive officers and beneficial owners of more than 10% of our common stock have complied with all Section 16(a) filing requirements with respect to 2017 except that, due to administrative oversights, required Form 4 reports were not filed on a timely basis on behalf of Camille S. Andrews (1 transaction).

Item 11. Executive Compensation (in dollars)

Executive Summary

Our Compensation Philosophy and Guiding Principles
In support of our business and our long-term success, the Company's compensation program is designed to attract, motivate, reward and retain high-quality executives necessary to continually improve financial performance, achieve

profitable growth and enhance stockholder value. To that end, our Compensation Committee (the “Committee”) has developed a compensation philosophy designed to reflect the following principles:

- There should be a strong link between pay and performance;
- The interests of our executives should be aligned with those of our stockholders; and
- Compensation programs should reinforce our business strategy, focus the executive team on priorities and ultimately drive growth in stockholder value.

Named Executive Officers

- Paul Evans, Interim Chief Executive Officer;
- Marco Martinez, Senior Vice President and Interim Chief Financial Officer;
- Raouf S. Ghali, President and Chief Operating Officer;
- J. Charles Levergood, Senior Vice President of Business Development (Americas);
- David L. Richter, former Chief Executive Officer;
- John Fanelli III, former Executive Vice President and Chief Financial Officer; and
- Mohammed Al Rais, former Regional President (Middle East), Project Management Group.

Please note that Messrs. Richter, Fanelli, and Al Rais are no longer employees of the Company, effective May 3, 2017, November 10, 2017, and April 19, 2018, respectively. Terms of the Separation Agreements with our former CEO and CFO are set forth on pages 104 and 105.

Change in Chief Executive Officer

On May 2, 2017, David L. Richter resigned from his position as Chief Executive Officer and as a member of the Board of Directors of the Company, effective on May 3, 2017. In connection with Mr. Richter's resignation, the Company entered into a Separation Agreement which is described below in the section titled "Employment Agreement with our Former CEO."

Additionally, on May 3, 2017, Paul J. Evans was named Interim Chief Executive Officer of the Company. On May 10, 2017, the Board of Directors of the Company approved the following compensation terms for Mr. Evans:

- A monthly base salary in the amount of $60,000;
- A target incentive award at the rate of $50,000 per month of service (including any partial month), which will be paid to Mr. Evans at year end or upon completion of his service as Interim Chief Executive Officer and only upon the achievement of targets set by the Board based upon the following:
  - One third (1/3) based on the retention of key employees of the Company as determined by the Board of Directors.
  - One third (1/3) based on achieving a forecasted liquidity metric.
  - One third (1/3) based on achieving a cost savings annual run rate, excluding any one-time items.
- A monthly grant of Company stock valued at $80,000 per month during Mr. Evans' term of service as Interim Chief Executive Officer and based on the closing price of the Company's common stock on the last trading day of the month. The aggregate number of shares granted to Mr. Evans will be delivered on the last day of Mr. Evans' service as Interim Chief Executive Officer and will be fully vested.
- Mr. Evans shall receive a monthly living expense before tax allowance of $5,000 while serving as Interim Chief Executive Officer.
- Mr. Evans shall be entitled to all benefits of employment provided to other employees of the Company in executive positions.
- Mr. Evans shall not be entitled to receive compensation for serving on the Board of Directors of the Company while serving as the Interim Chief Executive Officer.

In determining the recommendation amounts and structure of Mr. Evans' compensation, the Compensation Committee relied upon information provided by its independent compensation consultant regarding the market median of the Company's peer group and made certain adjustments thereto.

Mr. Evans continues to serve as a member of the Board, but has stepped down from all standing Board committees during the term of his service as Interim Chief Executive Officer. Mr. Evans' Board and committee retainers were prorated for 2017 such that he was only paid such retainers for the portion of 2017 during which he was not serving as Interim Chief Executive Officer, and the amount of his annual director stock grant for 2017 was similarly prorated.

Change in Chief Financial Officer

On November 10, 2017, John Fanelli, III notified the Company of his decision to retire and resign, effective on that day, as Executive Vice President and Chief Financial Officer. In connection with Mr. Fanelli's resignation, the Company entered into a Separation Agreement which is described below in the section titled "Employment Agreement with our Former CFO."

Effective as of Mr. Fanelli's resignation, Marco A. Martinez commenced serving as Senior Vice President and Interim Chief Financial Officer of the Company and is expected to serve in such capacity until a successor for Mr. Fanelli is appointed. Mr. Martinez will receive an annual salary of $420,000 and be eligible to participate in bonus and long-term incentive programs beginning in 2018.

2017 Performance-Based Bonuses (Cash)

In 2017, we adopted Annual Incentive Awards for our former CEO and our President and COO entirely based on achieving superior EPS results for the year with target annual incentive awards of $1,820,000 and $300,000, respectively. Target EPS performance was set based on projected revenue growth and related profit from continuing operations and in excess of the prior year's actual EPS results. The overall performance/payout range for 2017 was set as follows:

Level	EPS Performance (% of "Target Performance")	Payout (% of Target Pay Opportunity)
Below Threshold	<80%	0%
Threshold	80%	50%
Target	100%	100%
Superior	120%	150%
Maximum	140%	200%

For 2017, we set a target EPS of $0.30 per share, with a threshold of $0.24 per share. We fell short of the threshold and, consistent with our pay-for-performance philosophy, no bonuses were earned or paid to our former CEO and our President and COO related to 2017 performance.

Pursuant to the terms of his employment, our Interim CEO is eligible to receive a monthly fixed dollar amount of $50,000 which will be paid annually or upon the completion of Mr. Evans' service as Interim CEO and upon the achievement of targets set by the Board. For 2017, Mr. Evans' aggregate target amount was $425,159. Please refer to the section titled "Change in Chief Executive Officer" for information regarding the bonus incentive awards established for our Interim CEO.

We established a bonus pool for our executive officers, including our NEOs other than our COO and President, Interim CEO, Interim CFO, our former CEO and Mr. Levergood, which is equal to ten percent (10%) of the after-tax profit of the Company in 2017 to be distributed in proportion to each bonus pool participant's base salary. No bonuses were earned or paid from the 2017 bonus pool.

2017 Long-Term Incentive Awards (Equity)

The Long-Term Incentive Awards granted to our NEOs in 2017 were comprised of:

- Our former CEO: was granted 100,000 stock options with a premium exercise price of $7.00, representing a 50.5% premium over the $4.65 closing price of our common stock on the date of grant.
- Our President and COO: was granted 250,000 stock options having an exercise price of $4.65, the market price on the date of the grant.

- Certain other named executive officers: were granted stock options for 97,561 shares having an exercise price of $4.65, the market price on the date of the grant.

We awarded the options described above on March 8, 2017 and each had a 5 year vesting schedule and 7 year term. Please refer to the section titled “Change in Chief Executive Officer” on page 86 for information regarding the long-term incentive awards established for our Interim CEO.

2017 Compensation Governance Practices

We are committed to executive compensation practices that drive performance and that align the interests of our leadership team with the interests of our stockholders. We have implemented many best practices with respect to the compensation of our NEOs including:

1. Up to 68.4% of our executives' target compensation opportunity is related to short- and longer-term performance based upon and tied to pre-established performance goals and the performance of our share price;

2. Total direct compensation opportunity for all of our NEOs is targeted at the market median, except for our former Chief Executive Officer, whose compensation was subject to an employment agreement entered into in 2014 (see the section titled "Executive Officer Compensation - Employment Agreement with Our Former CEO" on page 104);

3. Engaged an independent compensation consultant;

4. Maintain a clawback policy covering both cash- and equity-based incentives;

5. "Double-trigger" severance payments for executive officers requiring both a change of control and termination of employment.

6. Robust stock ownership guidelines (CEO at 6x salary).

Practices we avoid with respect to the compensation of our NEOs include:

1. Limited perquisites provided to our executive officers;

2. No excise tax gross-ups related to change-in-control severance benefits;

3. No speculative trading of Company stock;

4. No hedging transactions;

5. No repricing of stock options; and

6. No unapproved pledging of Company stock.

Shareholder Outreach

We conducted a non-binding advisory vote on executive compensation at our 2017 Annual Meeting, which our stockholders voted should be held every three years. At the 2017 Annual Meeting of Stockholders, 59.6% of the votes cast on the advisory vote on executive compensation proposal were in favor of our NEO compensation as disclosed in the 2017 proxy statement. The Committee reviewed these final vote results and determined that it should continue its review of our executive compensation programs to align with Company and stock price performance to meet shareholder expectations.

We expect to continue meeting with many of our stockholders regarding executive and Board compensation throughout 2018 to gather feedback and discuss further possible changes as we continue our strategic review of our compensation programs.

Investor Questions	Our Responses
Why don't we use Total Stockholder Return ("TSR") or other relative performance metrics in our executive compensation program?	While the Committee considers our overall performance relative to external markets when making compensation decisions, the Board believes it is more effective to focus our executives on achieving improvements in our own results rather than to pay them primarily based on how other companies perform. Further, administration of a relative performance plan requires that we identify a peer group of sufficient size and of appropriately comparable companies. For a number of reasons, including our size, our significant international operations and our portfolio of focused services, there are too few companies to construct what we believe to be a viable performance peer group. For these reasons, and as explained more fully below, the Committee believes that the best approach for the Company is to tie our executive compensation to performance metrics that are aligned with our strategy, that can be directly impacted by our executives, and that promote growth in stockholder value over the long term.
Why do we target executive compensation at the 50th percentile of peer companies?	The Committee's compensation philosophy is to target aggregate total compensation opportunity of all executive officers at the market median. We believe that this market median philosophy is aligned with compensation governance best practices and still provides us with sufficient flexibility to reward our leaders.

Actions Related to 2018 Executive and Board Compensation

In addition to the significant actions taken in 2017, the Committee implemented a number of additional decisions for 2018 executive compensation based on the Company's performance in 2017 and stockholder feedback. These decisions were as follows:

1. No salary increases for NEOs in 2018.

2. Established a bonus program for our NEOs that is tied to achieving a balance of metrics aligned with our 2018 financial and strategic priorities: (i) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") performance; (ii) an increase in sales over 2018 budgeted amounts; and (iii) retention of certain key employees (additional details are provided in Part 3 of the Compensation Discussion and Analysis below). No bonus payout for a metric less than 80% of its respective target.

3. Reduced annual bonus max to 150% of target (from 200%).

4. Granted long-term incentive awards in the form of a fixed cash value to each of our NEOs, other than our Interim CEO, which will convert into restricted stock based upon the closing trade price on the date the Company becomes current on its SEC periodic reporting obligations (additional details are provided in Part 3 of the Compensation Discussion and Analysis below and see the section entitled "Change in Chief Executive Officer" for further details regarding Mr. Evans' long-term incentive compensation).

5. No change to the compensation paid to our non-employee directors.

COMPENSATION DISCUSSION AND ANALYSIS

This section discusses our executive compensation programs for 2017, the compensation decisions made under those programs and the factors that were considered by the Committee in making those decisions. It focuses on the compensation for each of our NEOs for 2017.

This Compensation Discussion and Analysis is divided into three parts:

Part 1 discusses our compensation practices and the compensation decisions for our NEOs.

Part 2 discusses our compensation framework in more detail, including how we apply our compensation philosophy and determine competitive positioning of our executive compensation and other policies.

Part 3 discusses certain actions taken by the Committee in 2017 regarding compensation decisions for our NEOs.

Part 1 - Compensation Governance Practices and Decisions

2017 Compensation Governance Practices

We are committed to executive compensation practices that drive performance and that align the interests of our leadership team with the interests of our stockholders. We are considering the appropriateness of these and other policies and practices as part of our comprehensive executive compensation strategic review. Below is a summary of best practices that we have implemented and practices we avoid with respect to the compensation of our NEOs.

What We Do	What We Avoid
Pay for Performance - A significant portion of the compensation paid to our NEOs is related to performance and tied to pre-established performance goals and stock price aligned with our short- and long-term objectives.	Excessive Perquisites - We provide very limited perquisites to our NEOs, other than our former CEO.
Target Market Median - Our compensation philosophy targets NEO total direct compensation opportunity that is competitive with the companies with which we compete for executive talent.	No Speculative Trading - Board members and executive officers are prohibited from short-selling our stock and buying or selling puts and calls on our stock.
Independent Compensation Consultant - The Committee engages an independent outside compensation consultant on a regular basis.	No Hedging - Board members and officers are prohibited from engaging in hedging transactions that could eliminate or limit the risks and rewards of owning our stock.
Clawback - The Committee may cancel or recover any cash- or equity-based incentive compensation based on achievement of specified financial results that are the subject of a subsequent restatement. We will seek repayment of any amount determined to have been inappropriately received due to mathematical errors, fraud, misconduct or gross negligence.	No Repricing of Options/SARs - Our shareholder approved 2017 Equity Compensation Plan does not allow for the repricing of stock options/SARs without stockholder approval, and we have never repriced any stock option grants.
Robust Stock Ownership Guidelines - We require our directors and officers, including our NEOs to own multiples of their current base salary or annual cash retainer, as applicable. Our CEO is required to have six times (6x) his annual salary and our directors are each required to have three times (3x) their annual salary.	No Unapproved Pledging of Hill Stock - The Company’s insider trading policy prohibits pledging of Hill stock without review and prior approval by the Board. There are no current or open pledges of Hill stock by our current NEOs.
Severance Payments Require Double-Trigger - The Company’s 2015 Senior Executive Retention Plan and its 2016 Executive Retention Plan provide change in control severance benefits only upon a double-trigger (change in control and termination of employment).	

2017 Executive Compensation Elements

The following chart summarizes the key features of each element of our executive compensation program: cash (salary and annual bonus); equity (long-term incentive); retirement (401(k) Plan); and other compensation (perquisites). Each type is discussed in detail in the remainder of this Compensation Discussion and Analysis and the accompanying tables.

Element	Type	Key Features
Cash	Salary	Fixed amount of compensation based on experience, contribution and responsibilities. Salaries reviewed annually and adjusted based on market practice, individual responsibility, performance and contribution, length of service and other internal factors including contractual obligations.
	Annual Incentive Award	For 2017, payouts could vary from 50% to 200% of the targeted amount and performance was assessed entirely on EPS. For 2018, payouts can vary from 50% to 150% of certain components of the targeted metrics. For both 2017 and 2018, no annual bonus is awarded if less than 80% of a target is achieved. In 2017, only our former CEO and our President and COO were eligible for an award however neither were paid an award based on 2017 performance.
	Bonus Pool	For NEOs other than our former CEO, President and COO, interim CEO and interim CFO, established a bonus pool which is equal to ten percent (10%) of the after-tax profit of the Company in 2017 to be distributed in proportion to each bonus pool participant's base salary. No bonus pool awards were paid for 2017 performance.
Long-Term (Equity) Incentive Compensation	Stock Options	Former CEO: premium priced options with an exercise price set at a 50.5% premium over the closing price on the date of grant; and Other NEOs, other than Interim CEO and Interim CFO: grant of “at market” options with an exercise price set at the closing price on the date of grant. Stock option awards vest over five years and expire seven years from the grant date.
	Restricted Stock	Interim CEO: under the terms of his employment agreement, entitled to $80,000 worth of Company stock based on the closing price of the Company’s common stock on the last trading day of the month for each month of his service.
Retirement	401(k) Plan	Qualified 401(k) plan offered to all U.S. employees that provides participants the opportunity to defer taxation on a portion of their income, up to code limits, and receive a 50% Company matching contribution up to 2% of the employee’s salary.
Other	Perquisites	Perquisites are generally limited to benefits available to all employees of the Company, including the option to be paid in cash for vacation, sick days and/or personal days not taken. In addition, our former CEO’s employment agreement entitled him to receive two automobiles for his use.

Summary of Key 2017 Compensation Decisions

The following highlights the Committee's key compensation decisions for 2017, as reported in the section below titled "Executive Officer Compensation - Summary Compensation Table."

Interim CEO Compensation

On May 3, 2017, Paul J. Evans was named Interim CEO of the Company. On May 10, 2017, the Board of Directors of the Company approved the following compensation terms for Mr. Evans:

- A monthly base salary in the amount of $60,000;
- A target incentive award at the rate of $50,000 per month of service (including any partial month), which will be paid to Mr. Evans at year ends or upon completion of his service as Interim Chief Executive Officer and only upon the achievement of targets set by the Board based upon the following:
One third (1/3) based on the retention of key employees of the Company as measured on the last day of Mr. Evans' service as Interim Chief Executive Officer.
One third (1/3) based on achieving a forecasted liquidity metric.
One third (1/3) based on achieving a cost savings annual run rate, excluding any one-time items.
- A monthly grant of Company stock valued at $80,000 per month during Mr. Evans' term of service as Interim Chief Executive Officer. At the end of each month during such period, Mr. Evans will be entitled to $80,000 worth of Company stock based on the closing price of the Company's common stock on the last trading day of the month. The aggregate number of shares earned by Mr. Evans will be delivered on the last day of Mr. Evans' service as Interim Chief Executive Officer.
- Mr. Evans shall receive a monthly living expense before tax allowance of $5,000 while serving as Interim Chief Executive Officer.
- Mr. Evans shall be entitled to all benefits of employment provided to other employees of the Company in executive positions.

President and COO Compensation

On August 18, 2016, we entered into an employment agreement with our President and COO, Raouf S. Ghali, for a term of five years. Under this agreement, Mr. Ghali is to receive a base salary to be reviewed annually by the Committee. Mr. Ghali's 2017 compensation opportunity was set as follows:

- Annual base salary was set at $1,135,000 per annum;
- Annual bonus target award opportunity was set at $300,000;
- Long-term (equity) incentive established as 250,000 stock options (market-priced) with a fair value at the grant date of $512,500.

Interim CFO Compensation

On November 10, 2017, Marco A. Martinez was named Interim CFO of the Company. The Board set Mr. Martinez' annual base salary at $420,000 per annum and he is eligible to participate in bonus and long-term incentive programs beginning in 2018.

Former CEO Compensation

On December 31, 2014, David Richter became our CEO and the Company entered into an employment agreement with him at that time. His employment agreement establishes his total direct compensation ("TDC") opportunity, consisting of base salary and annual and long-term incentive opportunities which, in the aggregate, must be not less than the 75th percentile of CEOs in our Selected Peer Group (as defined in Part 2 of the Compensation Discussion and Analysis below). Mr. Richter's 2017 compensation opportunity was set as follows:

- Annual base salary was set at $1,545,000;
- Annual bonus target award opportunity was set at $1,820,000; and
- Long-term (equity) incentive established as 100,000 premium priced stock options with a fair value at the grant date of $163,000 with a premium price set at 50.5% above the fair market value closing price of Hill stock on the date of the grant.

As of May 3, 2017, Mr. Richter is no longer an employee of the Company. Pursuant to the terms of the Separation Agreement with Mr. Richter, the Company agreed, among other things, to pay Mr. Richter $3,300,000 in three annual payments of $1,100,000. Upon execution of the Separation Agreement, the Company is no longer obligated to provide any compensation or benefits to Mr. Richter under his prior employment agreement other than as set forth in the Separation Agreement. For further information regarding the Separation Agreement, please see the section entitled "Employment Agreement with Our Former CEO." (page 104)

Compensation of Other NEOs

For the other NEOs, the Committee made no adjustment to their respective salaries for 2017, established a bonus pool (as detailed below) and, for Messrs. Al Rais and Fanelli, established long-term (equity) incentive comprised of market-priced stock options with an aggregate fair value at the grant date of $200,000 each.
In 2017, the Board established a discretionary bonus pool for our executive officers, including our other NEOs, which is equal to ten percent (10%) of the after-tax profit of the Company in 2017 to be distributed in proportion to each bonus pool participant's base salary. Our Interim CEO and our President and COO only have the option to award either 100% of the participant's entitled proportion of the bonus pool or award no bonus to the participant. If our Interim CEO and our President and COO determine that a participant in the bonus pool will not receive a bonus, their potential share is removed from the pool, i.e., it is not shared among remaining participants. Given Hill's 2017 performance results, no bonus pool payments were made to any participant in the bonus pool.

2017 NEO Base Salaries, Annual Incentive Target and Long-Term Incentive Expected Value

Name	Base Salary(1)	Bonus Target Opportunity (2)	Bonus Target Opportunity as % of Salary	Long-Term Incentive Expected Value (3)	Total Target Direct Compensation (4)
Paul Evans	$720,000	$600,000	83.3%	$960,000	$2,280,000
Marco A. Martinez	420,000	—	—	—	420,000
David L. Richter	1,545,000	1,820,000	117.8%	163,000	3,528,000
John Fanelli III	465,000	—	—	200,000	665,000
Raouf S. Ghali	1,135,000	300,000	26.4%	512,500	1,947,500
Mohammed Al Rais	726,850	—	—	200,000	926,850
J. Charles Levergood	510,000	200,000	—	—	710,000

(1) Except as noted, all base salaries effective as of January 1, 2017. Mr. Evans' base salary is $60,000 per month which has been annualized in the above table. Mr. Martinez became our Interim CFO on November 10, 2017 and his base salary in the above table reflects an annualized amount.

(2) The Board established a monthly $50,000 incentive award for Mr. Evans which has been annualized in the above table; additional details on such incentive award can be found in the section above titled "Change in Chief Executive Officer." Messrs. Fanelli and Al Rais were participants in a bonus pool which would be distributed based upon a proportion of each bonus pool participant's base salary; such bonus payment is excluded from the above table. Under the terms of his employment agreement, Mr. Levergood is eligible to receive (i) a $100,000 bonus related to sales generated by Mr. Levergood and (ii) a $100,000 bonus related to actual revenues exceeding budgeted amounts.

(3) The Board established a monthly grant of Company stock valued at $80,000 per month for Mr. Evans which has been annualized in the above table; additional details on such incentive award can be found in the section above titled "Change in Chief Executive Officer." Other than Mr. Evans, the expected fair value of the long-term incentive award was based on the closing price of the Company's common stock of $4.65 per share on March 8, 2017. For the assumptions made in determining grant date fair values, refer to Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K.

(4) Total target direct compensation consists of base salary, annual incentive bonus target and long-term equity award expected value.

Annual Incentive Plans - Criteria and Rationale

Plan	Participants	Performance Assessment

Interim CEO Bonus Plan	Evans	Key employee retention, liquidity, cost savings
TAIA	Richter, Ghali	EPS
Discretionary Bonus	Fanelli, Al Rais	Discretionary
Executive Leadership Sales Incentive	Levergood	Personal sales and revenue vs. budget

1.Interim CEO Bonus Plan

The target incentive award for our Interim CEO is set at a monthly fixed dollar amount of $50,000 and will be paid upon the achievement of targets set by the Board annually or upon the completion of Mr. Evans' service as Interim CEO. For additional details regarding the targets set for Mr. Evans, see the section titled "Change in Chief Executive Officer" (page 86)

2. Target Annual Incentive Awards ("TAIA")

Only our former CEO and President and COO were eligible to receive TAIA.

In 2017, as in past years, the Committee evaluated the choice of the TAIA financial measure(s) using the following principles:

- Metrics that support achievement of an annual Board-approved budget;
- Metrics that support profitable growth while preserving cash for longer-term investment;
- Metrics that are clearly understood and can be affected by the performance of our executives and employees;
- Metrics that are consistent with market practice and commonly used by analysts in assessing our performance; and
- Metrics that over time, are consistent with the creation of long-term shareholder value.

Following this review, the Committee concluded that the continued use of EPS for 2017 was an appropriate and comprehensive measure of income and provides an emphasis on profitable growth while focusing managers on expense control.

Target Setting
The 2017 target annual incentive awards for our former CEO and our President and COO were set as a fixed dollar amount ($1,820,000 and $300,000, respectively). Target awards are reviewed annually to ensure alignment with our compensation philosophy.
Variances from these target payout values are based upon Company performance against the pre-established EPS goals. The performance/payout relationship around targeted performance levels was set at the beginning of the performance year and reflected our expectation for the year that management should strive to achieve our plan and be held accountable with lower than target payouts if performance fell below plan.
Our 2017 plan used the following performance and payout relationship:

Level	EPS Performance (% of “Target Performance”)	Payout (% of Target Pay Opportunity)
Below Threshold	<80%	0%
Threshold	80%	50%
Target	100%	100%
Superior	120%	150%
Maximum	140%	200%

Financial Results for TAIA Purposes

The Committee set the TAIA target based on its evaluation of the budget-based amount and its assessment that the target contained a sufficient degree of “stretch.” This target, actual 2017 performance and 2017 TAIA bonus payouts for our NEOs are shown in the tables below.

2017 TAIA Performance Metrics, Weight and Achievement

		Financial Objectives				
Metric	Metric Weight	Threshold	Target	Maximum	2017 EPS (GAAP)	Adjusted EPS for TAIA(2)
EPS(1)	100%	$0.24	$0.30	$0.42	$0.52	$ (0.44)

(1) EPS for annual incentive purposes is based on diluted earnings per common share attributable to Hill International, Inc.
(2) The 2017 results include $0.96 per share related to the gain on disposal of discontinued operations which has been excluded for TAIA performance measurement purposes.

2017 TAIA Threshold, Target, Maximum and Actual Payouts

Name	2017 Target Award	2017 Threshold Award (50% of Target Award)	2017 Maximum Award (200% of Target Award)	Bonus Payout Factor	2017 TAIA Award
David L. Richter (1)	$ 1,820,000	$ 910,000	$ 3,640,000	0.0%	Not Applicable
Raouf S. Ghali	300,000	150,000	600,000	0.0%	$0

(1) As of May 3, 2017, Mr. Richter is no longer an employee of the Company and was not eligible to receive a TAIA award for 2017.

3. Discretionary Bonus Pool for Other NEOs
For our other NEOs, the Board established a bonus pool. See the section titled “Compensation of other NEOs” (page 92) for additional details regarding the bonus pool.

4. Executive Leadership Sales Incentive
Mr. Levergood is eligible to receive a bonus based on generating new sales for the Company: for every $1,000,000 of expected consulting fee revenue generated by Mr. Levergood in a calendar year, Mr. Levergood will receive a $2,000 bonus, up to a maximum of $100,000. For 2017, Mr. Levergood earned $100,000 related to this incentive. Mr. Levergood was also eligible to receive an additional bonus of $100,000 in the event that the Company achieves or exceeds its annual sales target.

Our Long-Term Equity Incentive Program

Plan Criteria and Rationale

Long-term incentive compensation for all our executive officers, including our NEOs, is entirely equity-based. Historically, we have delivered this compensation opportunity through the use of stock options.

Stock option awards are used to complement the TAIA financial metric focus and other annual incentive plan performance assessments by aligning the team around actions that will promote the long-term growth of our share price. Historically, our options also have a five-year vesting schedule in order to promote retention of our leaders.

In this way, the combination of our annual incentive plan and long-term equity awards balance the focus of our team in a coordinated way around short-term financial, strategic and longer-term share price performance, both of which are directly linked to value creation for stockholders.

Equity Award Grant Practices

The Committee's equity-based awards policy contains rules on determining the grant date of equity awards and the exercise price of any stock options, which must be at least equal to the fair market value of our stock on the grant date.

2017 Long-Term Equity Awards

In 2017, certain of our NEOs received a grant of equity-based incentives.

The value and form of each award was determined by the Committee after considering company performance, individual impact on our financial results, market norms and relative duties and responsibilities. The value of the grants made during 2017 to our NEOs are shown in the following table.

2017 Long-Term Equity Award Value

Name	Number of Shares Granted or Underlying Stock Options (1)	Aggregate Grant Date Fair Value of Stock Grant or Stock Options (2)	Percentage of TDC (3)	
Paul Evans	125,045	$ 640,000	28.1	%
Marco A. Martinez	—	—	—	
Raouf S. Ghali	250,000	512,500	26.3	%
J. Charles Levergood	—	—	—	
David L. Richter	100,000	163,000	4.6%	
John Fanelli III	97,561	200,000	30.1%	
Mohammed Al Rais	97,561	200,000	17.4%	

(1) For Mr. Evans, the Board established a monthly grant of stock valued at $80,000 per month upon the completion of each month of service as Interim CEO. Amount reflects aggregate number of shares granted during 2017 to Mr. Evans under this agreement. For other executives, amounts reflect the number of stock options granted in 2017.

(2) For Mr. Evans, the Board established a monthly grant of stock options valued at $80,000 per month which has been annualized in the above table; additional details on such incentive award can be found in the section above titled "Change in Chief Executive Officer." (see page 86) Other than Mr. Evans, the expected fair value of the stock options was based on the closing price of the Company's common stock of $4.65 per share on March 8, 2017. For the assumptions made in determining grant date fair values, refer to Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K.

(3) TDC consists of base salary and annual and long-term incentive opportunities.

Part 2 - Compensation Framework

Compensation Philosophy and Objectives

Our compensation philosophy is to provide competitive executive officer pay opportunities tied to our short-term and long-term success. This overriding pay-for-performance approach enables us to attract, motivate and retain the type of executive leadership that will help us achieve our strategic objectives and realize increased stockholder value. To reach these goals, we have adopted the following program objectives:

- Link management compensation with the interests and experience of stockholders.
- Support achievement of operating performance, strategic objectives and share price growth through variable compensation programs.
- Be fair and market-competitive to assure access to needed talent and encourage retention.
- Provide compensation opportunities that are consistent with each executive's responsibilities, experience and performance.
- Design compensation incentive programs that promote a sensible risk/reward balance, and that do not encourage unnecessary or unreasonable risk-taking.

Applying our Compensation Philosophy

We apply our compensation philosophy and objectives as follows:

Compensation Component	Objectives
Base Salary	Fair and competitive compensation to attract, retain and reward executive officers by providing a fixed level of cash compensation tied to experience, skills and capability relative to the market.
Annual Incentive (Non-Equity) Award	Cash bonus aligns executives with annual goals and objectives. Creates direct link to annual financial and operational performance. Provides the opportunity for NEOs to receive market-competitive total cash compensation when commensurate with performance.
Long-Term Incentive Award	Aligns executive officers' interests with those of stockholders by linking compensation with corporate performance that will lead to increased share price for our stockholders. Retains and provides incentives to executive officers through multi-year vesting and holding periods. Promotes a sensible balance of risk and reward, without encouraging unnecessary or unreasonable risk-taking. Provides the opportunity for NEOs to receive market-competitive TDC when commensurate with performance
Change in Control Severance Plan	Minimizes distractions and personal financial uncertainty created by a pending or threatened change in control by providing compensation and benefit arrangements for NEOs who do not have an employment agreement upon termination due to a change in control.
401 (k) Plan	Attracts and retains U.S. executives by providing a level of retirement investment in a tax-efficient manner.
Employee Stock Purchase Plan	Attracts, retains and aligns executives with stockholders by providing an opportunity to be compensated through the benefits of stock ownership and to acquire an interest in the Company.

Competitive Positioning

In support of our compensation philosophy, we target the compensation values consistent with the markets with which we compete for executive talent, capital and business. For our former CEO, this market is defined as our Selected Peer Group as defined in his employment agreement. As our former CEO was no longer an employee of the Company, effective May 3, 2017, the Committee did not re-evaluate the composition of the Selected Peer Group in 2017.

For NEOs other than our former CEO, the Committee references broader survey sources reflecting the practices of other companies of comparable size, scope and complexity, with which we compete for talent and as recommended by our independent compensation consultant. This approach provides the Committee with decision-quality data and context used in the review of competitive pay practices, design approaches and for pay-for-performance comparisons.

Setting Compensation Targets and Performance Goals

The Committee annually reviews the total compensation opportunity of each executive officer-i.e., cash compensation (salary and target annual incentive opportunity) and long-term equity compensation (target long-term equity value).

The Committee, with input from its independent consultant, then sets the executive's compensation target for the current year. Salary adjustments, if any, typically become effective as of January 1 of each year or upon a promotion. The compensation proposal for our former and interim CEOs and our President and COO is reviewed with and ratified by the independent directors of the Board in executive session.

In making its decisions, the Committee uses several resources and tools, including competitive market information and peer group compensation trends, broader survey sources, the larger executive compensation environment, governance norms and expectations and shareholder feedback.

For 2017, the Committee set target performance levels for the financial objectives used in the Interim CEO Bonus Plan and TAIA and concluded that there was an appropriate correlation between payout and performance levels (at target, threshold and maximum) in light of the business environment, risks associated with achieving our five-year strategic plan and other factors.

Evaluating Performance

For our eligible NEOs, performance determination under the TAIA and our Bonus Pool was 100% based on financial metrics. The Committee also considers competitive market norms in making final compensation decisions.

Role of the Compensation Committee and Management

The Committee reviews all of our compensation and benefit programs. As part of its review of these programs, the Committee evaluates the competitiveness of compensation and benefits packages offered to our named executive officers and other executive officers. In addition, the Committee reviews and approves our corporate incentives, goals and performance objectives as well as the incentives, goals and performance objectives we establish for individuals under our compensation and benefit programs. The Committee evaluates the level of achievement of the corporate incentives, goals and performance objectives set for individuals and, based on the level of achievement, approves any awards dependent on these criteria under our compensation and benefit programs.
Consistent with prior years, as part of the executive compensation decisions made in 2017, our former Chief Executive Officer and our President and Chief Operating Officer made recommendations to the Committee regarding the levels and elements of compensation for the named executive officers, other than themselves, as well as for other executive officers of the Company. The Committee also received a compensation analysis regarding our senior executive officers, including our NEOs, from its compensation consultant, Pay Governance LLC, an executive compensation advisory firm. After considering the analysis prepared by Pay Governance LLC and the recommendations of our former Chief Executive Officer and our President and Chief Operating Officer, the Committee determined its recommendations to the Board for the Board’s approval of the compensation for our NEOs. In determining its recommendations to the Board, the Committee relied considerably on assessments by our former Chief Executive Officer and our President and Chief Operating Officer of the performance and contribution of the other named executive officers and utilized the advice of Pay Governance LLC primarily as an effective “market check” designed to assure that compensation for the other named executive officers would be appropriate in view of other compensation packages that may be offered by the Company’s peers and other prospective employers of these executives.

Post-Employment Compensation Arrangements

Termination Payments

In the event of a change in control, we provide certain senior executive officers with benefits upon termination in various circumstances under our 2015 Senior Executive Retention Plan (the “2015 Retention Plan”) and under our 2016 Executive Retention Plan (the “2016 Retention Plan” and, collectively with the 2015 Retention Plan, the “Retention Plans”). The Retention Plans provide change in control severance benefits only upon the occurrence of a “double-trigger” (change in control and termination of employment). Generally, the benefits under the 2015 Retention Plan provide for one year of salary and benefits continuation; the benefits under our 2016 Retention Plan provide for two years of salary upon termination following a change in control. As of December 31, 2017, Messrs. Al Rais and Ghali were eligible to receive benefits under the 2015 Retention Plan, however Mr. Ghali has an employment agreement (described below) which provides for increased compensatory benefits to Mr. Ghali in certain situations and, accordingly, Mr. Ghali may not receive benefits under the 2015 Retention Plan if his employment agreement provides payment in such situation. As of December 31, 2017, Mr. Al Rais was eligible to receive benefits under the 2016 Retention Plan.

Under his employment agreement, Mr. Ghali is eligible to receive certain benefits if (i) his employment is terminated by the Company without cause, (ii) he terminates his employment for good reason or (iii) he terminates his employment within two years of a change in control of the Company. Generally, these benefits provide for the payment of a lump sum of $2,270,000 (two times his 2017 salary) upon termination.

Messrs. Richter, Fanelli, and Al Rais are no longer employees of the Company, effective May 3, 2017, November 10, 2017, and April 19, 2018, respectively. We detail the compensation estimated to be paid to our NEOs under various termination circumstances as of December 31, 2017 in the section below titled “Executive Officer Compensation - Potential Payments Upon Termination or Change in Control.”

Other Compensation Policies

Personal Benefits

We provide our NEOs with other benefits that we believe are reasonable and competitive so that we may attract and retain talented senior executives. In total, they represent a small percentage of each NEO's overall compensation and generally are identical to the benefits provided to all other Hill employees.

Policy on Hedging and Pledging

Our insider trading policy contains restrictions on certain transactions in Company stock by executive officers and directors. All trades by executive officers and directors must be pre-cleared. The executive officers and directors are prohibited from any trading in puts or calls, from engaging in short sales of Company stock or from hedging Company stock. Making pledges of Company stock or using it as loan collateral or as part of a margin account in the future is prohibited unless expressly approved by the Board.

Risk Considerations in Our Compensation Programs

The Committee has reviewed our compensation policies and practices for the Company's executive officers and concluded that any risks arising from these policies and programs are not reasonably likely to have a material adverse effect. The Committee believes that the mix and design of the elements of our compensation program combined with risk-mitigating features and policies such as stock ownership guidelines and appropriate oversight and governance are appropriate and encourage executive officers and key employees to strive to achieve goals that benefit the Company and our stockholders over the long term. Our compensation policies and procedures are applied uniformly to all eligible participants and when viewed in aggregate, our programs provide sufficient safeguards, balance and governance that does not encourage excessive risk-taking by our employees.

Part 3 - 2018 Compensation Committee Actions

2018 Committee Actions

The Committee continues the process of reviewing the Company's compensation philosophy and evaluating the design and performance of our executive compensation programs to ensure we have a program that aligns with governance and market best practices to the fullest extent possible while ensuring it is structured to best support achievement of our business strategy and human capital needs. As a result of this ongoing review and evaluation, the Committee has already taken the following actions at this point in 2018:

No Salary Increases - Maintained salaries for named executive officers at 2017 amounts; re-affirmed that there will be generally no or limited salary adjustments for this group in the near future.

2018 TAIA Bonus Plan - Adopted 2018 TAIA for ICEO and COO based on achieving a blend of metrics linked to current Hill priorities: (i) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") performance; (ii) sales versus 2018 budget; and (iii) key employee retention. Adopted 2018 TAIA for ICFO based on achieving a blend of metrics linked to current Hill priorities: (i) EBITDA performance and (ii) sales versus 2018 budget. No bonus payout for a metric less than 80% of its respective target. Limited maximum payout to 150% of target (lowered from 200% in 2016).

The overall performance/payout range for 2018 has been set as follows:

Level	Performance on All Metrics (% of "Target Performance")	Payout (% of Target Pay Opportunity)
Below Threshold	<80%	0%
Threshold	80%	50%
Target	100%	100%
Superior	120%	150%

Mr. Levergood is eligible to receive a bonus in 2018 based on generating new sales for the Company: for every $1,000,000 of expected consulting fee revenue generated by Mr. Levergood in the calendar year, Mr. Levergood is eligible to receive a $2,000 bonus, up to a maximum of $100,000. Mr. Levergood is also eligible to receive an additional bonus of $100,000 in the event that the Company achieves or exceeds its annual sales target.

Equity Grants - Granted long-term incentive awards in the form of a fixed cash value to each of our NEOs, other than our Interim CEO, which will convert into restricted stock based upon the closing trade price on the date the Company becomes current on its SEC periodic reporting obligations. The restricted stock awards will vest ratably on March 7, 2021, contingent on EPS performance against pre-set threshold, target and maximum EPS levels.
No Changes to Director Compensation - Made no changes to the compensation paid to our non-employee directors for their service.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with the Company's management. Based on such review and discussion, the Compensation Committee recommended to the Board, and the Board approved, the inclusion of the Compensation Discussion and Analysis in this Proxy Statement.
Compensation Committee
Steven R. Curts (Chairman)
Alan S. Fellheimer
David Sgro

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EXECUTIVE OFFICER COMPENSATION

Summary Compensation Table

The following table contains information concerning the annual compensation for our NEOs during 2017, 2016 and 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary $	Bonus $	Stock Awards $	Option Awards $ (1) (2)	Non-Equity Incentive Plan Compensation $	All Other Compensation $ (3)	Total $
Paul Evans Interim Chief Executive Officer (4)	2017	474,923	425,159	640,000	—	—	17,858	1,557,940
Marco A. Martinez Senior Vice President and Interim Chief Financial Officer (5)	2017	57,346	—	—	—	—	501	57,847
David L. Richter	2017	532,827	—	—	163,000	—	108,413	804,240
Former Chief Executive	2016	1,545,000	—	—	677,500	—	146,301	2,368,801
Officer (6)	2015	1,500,000	—	—	1,010,000	680,583	119,505	3,310,088
John Fanelli III	2017	414,774	—	—	200,000	—	11,495	626,269
Former Executive Vice President	2016	465,000	—	—	96,500	—	16,969	578,469
and Chief Financial Officer (7)	2015	450,000	50,000	—	103,500	—	15,487	618,987
Raouf S. Ghali	2017	1,135,000	—	—	512,500	—	49,547	1,697,047
President and Chief	2016	1,135,000	—	—	362,500	—	51,238	1,548,738
Operating Officer	2015	1,100,000	—	—	414,000	136,117	45,935	1,696,052
Mohammed Al Rais	2017	833,756	—	—	200,000	—	74,210	1,107,966
Regional President (Middle East),	2016	689,744	—	—	144,750	—	42,238	876,732
Project Management Group (8)	2015	684,294	140,028	—	103,500	—	45,919	973,741
J. Charles Levergood Senior Vice President of Business Development (Americas)	2017	510,000	100,000	—	—	—	28,050	638,050

(1) The amounts reported in this column reflect the aggregate grant date fair value of grants of stock options calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"). The calculation of these amounts disregards the estimate of forfeitures related to time-based vesting conditions. The amounts in this column do not reflect compensation actually received by the named executive officer. The actual value, if any, that an executive may realize from an award is contingent upon the satisfaction of

the conditions to vesting in that award, and upon the excess of the stock priced over the exercise price, if any, on the date the award is exercised. Thus, there is no assurance that the value, if any, eventually realized by the named executive officer will correspond to the amount shown.

(2) The Black-Scholes option valuation model is used to estimate the fair value of the options in accordance with ASC 718. For a discussion of the assumptions used, see Note 13 to the Company's 2017 consolidated financial statements included in this Annual Report on Form 10-K.

(3) Hill provides its NEOs, other than its former CEO, with additional benefits, reflected in the table below for 2017, that Hill believes are reasonable, competitive and consistent with the Company's overall executive compensation program. We had an agreement with our former CEO that required the Company to provide certain additional benefits.

(4) Mr. Evans was appointed as Interim CEO on May 3, 2017. During the term of his service as Interim CEO, Mr. Evans will not receive any compensation as a director of the Company. The amounts listed above represent actual amounts earned by Mr. Evans during the year ended December 31, 2017 for his service as interim CEO. Mr. Evan's Stock Award represents 8 months at $80,000 per month.

(5) Mr. Martinez was appointed as Interim CFO on November 10, 2017.

(6) As of May 3, 2017, Mr. Richter is no longer an employee of the Company. The amounts listed above reflect the actual amounts earned by Mr. Richter during the year ended December 31, 2017 for his service as CEO and does not include any amounts paid to Mr. Richter under his Separation Agreement; please refer to the section titled "Employment Agreement with Our Former CEO" for additional details on amounts paid to Mr. Richter under his Separation Agreement.

(7) As of November 10, 2017, Mr. Fanelli is no longer an employee of the Company. The amounts listed above reflect the actual amounts earned by Mr. Fanelli during the year ended December 31, 2017 for his service as CFO and does not include any amounts paid to Mr. Fanelli under his Separation Agreement; please refer to the section titled "Separation Agreement with Our Former CFO" for additional details on amounts paid to Mr. Fanelli under his Separation Agreement.

(8) As of April 19, 2018, Mr. Al Rais is no longer an employee of the Company.

Name	Life Insurance $	Vehicle(s) and Parking $	Private Club $	Medical and Disability $	401 (k) Match $	Accrued Vacation $	Total Other Compensation $
Paul Evans	735	—	—	13,073	4,050	—	17,858
Marco Martinez	88	—	—	413	—	—	501
David L. Richter	525	65,665	4,920	22,111	4,050	11,142	108,413
John Fanelli III	1,074	1,390	—	4,981	4,050	—	11,495
Raouf S. Ghali	1,260	—	—	22,410	4,050	21,827	49,547
Mohammed Al Rais	—	37,105	—	37,105	—	—	74,210
J. Charles Levergood	1,250	970	—	21,780	4,050	—	28,050

Grants of Plan-Based Awards

The following table presents information about plan-based awards made to our named executive officers in 2017:

Name		Estimated Future Payments Under Non-Equity Incentive Plan Awards (1)			All other stock or option awards: number of securities underlying options	Exercise or base price of option awards	Grant date fair value of stock and option awards
	Grant Date	Threshold	Target	Maximum	(#) (2)	(per Sh)	(3)
Paul Evans (4)	Various	$425,159	425,159	425,159	125,045	$ —	$ 640,000
David L. Richter	3/8/17	910,000	1,820,000	3,640,000	100,000	7.00	163,000
John Fanelli III	3/8/17	—	—	—	97,561	4.65	200,000
Raouf S. Ghali	3/8/17	150,000	300,000	600,000	250,000	4.65	512,500
Mohammed Al Rais	3/8/17	—	—	—	97,561	4.65	200,000
J. Charles Levergood	3/8/17	—	200,000	200,000	—	—	—

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(1) The amounts listed for our Interim CEO represent the aggregate monthly bonus that Mr. Evans is eligible to receive for 2017 under the terms of his employment; the bonus will not be paid until the completion of Mr. Evans' service as Interim CEO. For additional details, see the section titled "Change in Chief Executive Officer." The amounts listed represent potential threshold, target and maximum bonuses available to our former CEO and our President and COO under the Annual Incentive Bonus Plan for 2017. The amounts listed for Mr. Levergood represent the potential threshold, target and maximum which may be paid to Mr. Levergood as bonuses under his employment agreement; for additional information, please see the section entitled "Employment Agreement with our Senior Vice President of Business Development (Americas)." The actual payments are reported above in the Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation."

(2) The amounts listed for our Interim CEO represents the aggregate monthly grant of stock that Mr. Evans' is eligible to receive for 2017 under the terms of his employment; the stock will not be issued until the completion of Mr.

Evans' service as Interim CEO. For all individuals other than Mr. Evans, represents options issued under the 2006 Employee Stock Option Plan. Information regarding the vesting schedules and expiration of these options is included in the "Outstanding Equity Awards at Fiscal Year-End" table and the footnotes thereto. Options will vest on an accelerated basis upon the executive's termination of employment under certain circumstances. Additional information regarding the vesting acceleration provisions applicable to equity awards is included under the heading "Potential Payments upon Termination or Change in Control."

(3) See footnotes 1 and 2 to the Summary Compensation Table regarding calculation of these amounts.

(4) The Board established a monthly $50,000 non-equity incentive award and a monthly grant of stock options valued at $80,000 per month for Mr. Evans; additional details on such awards can be found in the section above titled "Change in Chief Executive Officer." These awards will be paid out or issued at the completion of Mr. Evans' service as Interim CEO.

Mr. Martinez was appointed as Interim CFO on November 10, 2017 and did not receive any grants of Plan-Based Awards during 2017.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table presents information with respect to outstanding equity awards held by our named executive officers as of December 31, 2017.

Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable		Option exercise price		Option expiration date
David L. Richter	500,000	0	(1)	4.04	(2)	5/3/2018
	500,000	0	(2)	3.95		5/3/2018
	100,000	0	(3)	3.91		5/3/2018
	250,000	0	(4)	4.00		5/3/2018
	250,000	0	(5)	5.00		5/3/2018
John Fanelli III	10,000	0	(6)	6.31		6/29/2018
	20,000	5,000	(7)	3.67		6/29/2018
	15,000	10,000	(8)	4.95		6/29/2018
	20,000	30,000	(9)	4.03		6/29/2018
	5,000	20,000	(10)	4.31		6/29/2018
	5,000	20,000	(10)	5.17		6/29/2018
	0	97,561	(12)	4.65		6/29/2018
Raouf S. Ghali	50,000	0	(6)	6.31		6/3/2018
	80,000	20,000	(7)	3.67		1/21/2020
	60,000	40,000	(8)	4.95		3/10/2021
	80,000	120,000	(9)	4.03		1/27/2022
	50,000-	200,000	(12)	4.00		4/2/2023
	0	250,000	(12)	4.65		3/08/2024
Mohammed Al Rais	32,000	8,000	(7)	3.67		1/21/2020
	30,000	20,000	(8)	4.95		3/10/2021
	20,000	30,000	(9)	4.03		1/27/2022
	7,500	30,000	(10)	4.31		6/13/2023
	7,500	30,000	(10)	5.17		6/13/2023
	0	97,561	(12)	4.65		3/08/2024
J. Charles Levergood	5,000	20,000	(13)	4.46		10/05/2023

Neither Mr. Evans or Mr. Martinez have outstanding equity awards as of December 31, 2017.

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(1) These options were granted on January 21, 2013 and vest at the rate of 25% per year with vesting dates of January 21, 2014, 2015, 2016 and 2017. Pursuant to the terms of Mr. Richter's Separation Agreement, the Company amended the expiration date of these options to be May 3, 2018. For further information, see the description of Mr. Richter's Separation Agreement in the section titled "Employment Agreement with our Former CEO."

(2) The named executive officer's beneficial ownership of the Company's common stock exceeded 10% on the grant date. The 2006 Employee Stock Option Plan requires that the grant of incentive stock options to a stockholder whose ownership of the Company exceeds 10% at the time of grant be made at an exercise price equal to 110% of

the fair market value of the Company's common stock at the date of grant.

(3) These options were granted on January 2, 2014 and vest at the rate of 20% per year with vesting dates of January 2, 2015, 2016, 2017, 2018 and 2019. Pursuant to the terms of Mr. Richter's Separation Agreement, the Company accelerated the vesting of these options to be fully vested on May 3, 2017 and amended the expiration date of these options to be May 3, 2018. For further information, see the description of Mr. Richter's Separation Agreement in the section titled "Employment Agreement with our Former CEO."

(4) These options were granted on January 2, 2015 and vest at the rate of 20% per year with vesting dates of January 2, 2016, 2017, 2018, 2019 and 2020. Pursuant to the terms of Mr. Richter's Separation Agreement, the Company accelerated the vesting of these options to be fully vested on May 3, 2017 and amended the expiration date of these options to be May 3, 2018. For further information, see the description of Mr. Richter's Separation Agreement in the section titled "Employment Agreement with our Former CEO."

(5) These options were granted on April 2, 2016 and vest at the rate of 20% per year with vesting dates of April 2, 2017, 2018, 2019, 2020 and 2021. Pursuant to the terms of Mr. Richter's Separation Agreement, the Company accelerated the vesting of these options to be fully vested on May 3, 2017 and amended the expiration date of these options to be May 3, 2018. For further information, see the description of Mr. Richter's Separation Agreement in the section titled "Employment Agreement with our Former CEO."

(6) These options were granted on June 3, 2011 and vest at the rate of 20% per year with vesting dates of June 3, 2012, 2013, 2014, 2015 and 2016.

(7) These options were granted on January 21, 2013 and vest at the rate of 20% per year with vesting dates of January 21, 2014, 2015, 2016, 2017 and 2018.

(8) These options were granted on March 10, 2014 and vest at the rate of 20% per year with vesting dates of March 10, 2015, 2016, 2017, 2018 and 2019.

(9) These options were granted on January 27, 2015 and vest at the rate of 20% per year with vesting dates of January 27, 2016, 2017, 2018, 2019 and 2020.

(10) These options were granted on June 13, 2016 and vest at the rate of 20% per year with vesting dates of June 13, 2017, 2018, 2019, 2020 and 2021.

(11) These options were granted on April 2, 2016 and vest at the rate of 20% per year with vesting dates of April 2, 2017, 2018, 2019, 2020 and 2021.

(12) These options were granted on March 8, 2017 and vest at the rate of 20% per year with vesting dates of March 8, 2018, 2019, 2020, 2021 and 2022.

(13) These options were granted on October 5, 2016 and vest at the rate of 20% per year with vesting dates of October 5, 2017, 2018, 2019, 2020 and 2021.

Option Exercises

No NEO exercised stock options during 2017.

Employment Agreement with Our Former CEO

Under an agreement effective December 31, 2014 with a five-year term, our former CEO, David L. Richter, received a base salary of no less than $1,000,000, to be adjusted annually, and was eligible to receive an annual bonus based upon the achievement of performance criteria that was to be established by the Board or its Compensation Committee for the applicable year. He also was eligible to receive an annual long-term incentive award, which may consist of stock options issued by the Company, shares of restricted stock of the Company, and other forms of equity-based, equity-linked or other long-term incentive compensation. The amount and other terms of long-term incentive awards made to him, if any, were determined by the Board or its Compensation Committee. The agreement established his total direct compensation opportunity, consisting of base salary and annual and long-term incentive opportunities at least at the 75th percentile of CEOs in our Selected Peer Group. The agreement further provided that he was entitled to all benefits of employment provided to other employees of the Company and provided Mr. Richter with two vehicles for his use during the employment term.

On May 2, 2017, David L. Richter notified the Company of his decision to resign from his positions as Chief Executive Officer and as a member of the Board, effective on May 3, 2017 ("Effective Date").

The Company and Mr. Richter have entered into a Separation Agreement and General Release of Claims, dated May 2, 2017 (the "Separation Agreement"). Among other matters, the Separation Agreement provides as follows:

- Mr. Richter will receive $3,300,000 in severance which will be paid as follows: (i) $1,100,000 as of the date of the Effective Date (as defined in the Agreement) and (ii) $2,200,000 payable in equal installments over a period of two years from the Effective Date.
- The Company will pay COBRA premiums for health care coverage substantially similar to Mr. Richter's current coverage for a period of 18 months. The Company will also pay $20,000 on the Effective Date to be used to defray the cost of future health care coverage.
- Mr. Richter will receive the right to continue to use one vehicle currently provided to him by the Company until September 1, 2017, with the Company remaining responsible for related costs until such date. Mr. Richter will receive

title to the other vehicle currently provided to him by the Company.

- The Company agree to accelerate the vesting of all options granted to Mr. Richter under the Company's 2006 Employee Stock Option Plan. In addition, the Separation Agreement provides for amendments to the terms applicable to certain of Mr. Richter's options so that all portions of Mr. Richter's options that were vested as of the Effective Date will remain exercisable until May 3, 2018.
- Mr. Richter will receive approximately $256,000 related to accrued vacation.
- The Company will reimburse Mr. Richter for up to $20,000 in legal fees related to the Separation Agreement.

- In exchange for the above benefits and a general release by the Company, Mr. Richter executed a release and waiver of claims in favor of the Company and its affiliates (such release to become effective upon expiration of the applicable revocation period). Pursuant to the Separation Agreement, Mr. Richter agrees to not compete with or the Company or solicit the Company's customers or employees for a period of two years. The Company will be entitled to injunctive relief for any breach of an obligation under the Separation Agreement by Mr. Richter.

Following the entrance into the Separation Agreement, the Company is no longer obligated to provide any compensation or benefits to Mr. Richter under his prior employment agreement other than as set forth in the Separation Agreement.

Separation Agreement with Our Former CFO

On November 10, 2017 ("Separation Date"), the Company and Mr. Fanelli entered into a Separation Agreement which provided, among other things:

- Mr. Fanelli agrees to provide transition services to the Company for up to 10 hours per week through February 9, 2018 (the "Separation Date") at a rate of $233.56 per hour.
- Mr. Fanelli will receive a lump sum, less applicable withholdings and deductions, of (i) $232,500 within 30 days from the date of the Agreement and (ii) $232,500 within 30 days following the Separation Date. The total amount of such payments is equal to the severance amount to which Mr. Fanelli would have been entitled under the Company's 2016 Retention Plan in the event of a termination without cause or change in control of the Company.
- Mr. Fanelli will receive approximately $66,000 related to accrued vacation.

In exchange for the above benefits, Mr. Fanelli executed a release of claims in favor of the Company and its affiliates (such release to become effective upon expiration of the applicable revocation period). Pursuant to the Separation Agreement, Mr. Fanelli agrees to not compete with or the Company or solicit the Company's customers or employees for a period of two years following the Separation Date. The Company will be entitled to injunctive relief for any breach of an obligation under the Separation Agreement by Mr. Fanelli.

Employment Agreement with Our President and COO

Under an agreement effective August 18, 2016 with a five-year term, our President and COO, Raouf S. Ghali, is to receive a base salary the amount of which shall be reviewed annually by the Company's Compensation Committee. Mr. Ghali's current base salary is $1,135,000 per annum. In addition to base salary, Mr. Ghali will be eligible to receive an annual bonus based upon the achievement of performance criteria to be established by the Board or its Compensation Committee for the applicable year. Mr. Ghali also will be eligible to receive an annual long-term incentive award, which may consist of stock options issued by the Company, shares of restricted stock of the Company, and other forms of equity-based, equity-linked or other long-term incentive compensation. The amount and other terms of long-term incentive awards made to Mr. Ghali, if any, will be determined by the Board or its Compensation Committee. The agreement further provides that Mr. Ghali is entitled to all benefits of employment provided to other employees of the Company. Mr. Ghali may terminate the employment agreement at any time upon no less than 30 days prior written notice to the Company of such termination.

Employment Agreement with Our Senior Vice President of Business Development (Americas)

Under an agreement dated August 15, 2016 with a five-year term, our Senior Vice President of Business Development (Americas), J. Charles Levergood, is to receive a base salary of $510,000 per annum. The Company is required to provide Mr. Levergood with severance of one year of base salary if Mr. Levergood is terminated without cause during the first three years of his employment and six months of base salary if Mr. Levergood is terminated without cause thereafter. In addition to base salary, Mr. Levergood will be eligible to receive a bonus based on generating new sales for the Company: for every $1,000,000 of expected consulting fee revenue generated by Mr. Levergood in a calendar year, Mr. Levergood will receive a $2,000 bonus, up to a maximum of $100,000. Mr. Levergood will also be eligible to receive an additional bonus of $100,000 in the event that the Company achieves or exceeds its annual sales target. Payment of bonuses, if any, will be paid on March 15 of the following calendar year.

2015 Senior Executive Retention Plan

On January 27, 2015, the Board adopted the Hill International, Inc. 2015 Senior Executive Retention Plan (the "2015 Retention Plan") which became effective immediately. The Board adopted the 2015 Retention Plan as part of its effort to minimize distractions to certain executives created by a pending or threatened change in control and to provide such executives with compensation and benefit arrangement upon a change in control which ensure that the executives' expectations will be satisfied. The 2015 Retention Plan provides certain severance benefits during the two-year period immediately following a change in control (as defined in the 2015 Retention Plan) to certain senior officers of the Company as selected by the Board, including each of the Company's named executive officers with the exception of those officers who have separate employment agreements or other arrangements with the Company providing for severance, in the event of (i) involuntary termination of employment by the Company other than for certain events constituting "cause" set forth in the 2015 Retention Plan, or (ii) voluntary resignation for good reason (as defined in the 2015 Retention Plan). Under the 2015 Retention Plan, following a qualifying termination, the participant will receive (i) a lump-sum payment of an amount equal to one year of the executive's then base annual salary, payable within 30 days after the effective date of the event giving rise to the benefits under the 2015 Retention Plan, and (ii) if the executive's employment is terminated by the Company "without cause" or by the executive for "good reason" during the two-year period immediately following a change in control, any and all stock options, stock grants or other equity-based compensation granted to such executive will immediately vest. If required by Internal Revenue Code Section 409A, payments or benefits to certain executives may be delayed by up to 6 months from the date of termination. A participant that is a party to any employment agreement or other arrangement with the Company providing for severance is not eligible to receive benefits under the Plan unless he or she waives any rights to such other severance.

As of December 31, 2017, Messrs. Al Rais and Ghali were designated as Participants under the 2015 Retention Plan. As of April 19, 2018, Mr. Al Rais was no longer an employee of the Company. In 2018, Mr. Martinez was designated as a Participant under this plan.

2016 Executive Retention Plan

Effective November 3, 2016, the Board adopted the Company's 2016 Executive Retention Plan (the "2016 Retention Plan") which provides for the payment of severance benefits by the Company to certain designated employees (each a "Participant") whose employment is permanently terminated due to an Involuntary Termination (as defined in the 2016 Retention Plan). Upon termination of a Participant's employment by the Company without "Cause" (as set forth in the 2016 Retention Plan) or by the Participant for "Good Reason" (as defined in the Plan), the Company will be required to pay to the Participant a lump sum cash payment in an amount equal to one times the Participant's base salary at such time; notwithstanding the foregoing, if the termination is within one year following a Change in Control (as defined in the 2016 Retention Plan), the Company will be required to pay to the Participant a lump sum cash payment in an amount equal to two times the Participant's base salary at such time and any and all unvested stock options, stock grants or other stock based compensation granted to the Participant shall then immediately vest.

As of December 31, 2017, Mohammed Al Rais was designated as a participant under the 2016 Retention Plan; effective April 19, 2018, Mr. Al Rais is no longer an employee of the Company. No other NEO was designated as a participant under the 2016 Retention Plan.

Potential Payments Upon Termination or Change in Control

The Company has entered into agreements and maintains plans that will require the Company to provide compensation to certain individuals in the event of a termination of employment and/or a change in control of the Company. The potential amount of compensation payable to each individual in each situation is set forth in the tables below. The amounts shown in the tables assume that termination of the individual and/or a change in control occurred on December 31, 2017 and are based on the closing price per share of Hill common stock on that date of $5.45. The actual amounts to be paid will depend on the circumstances and time of the termination or change in control. Please see "Employment Agreement with Our Former CEO" and "Employment Agreement with our President and COO" for a description of the material terms of the employment agreements we entered into with each of our former CEO and our President and COO. In addition, the Company has change in control arrangements with certain of our other NEOs.

Paul Evans

Mr. Evans became our Interim CEO on May 3, 2017. Pursuant to the terms of his employment as Interim CEO, Mr. Evans is not eligible to receive any payments upon termination or change of control, other than the payments to be issued to Mr. Evans upon completion of his service as Interim CEO. For additional details regarding the terms of Mr. Evans' employment as Interim CEO, please see the section entitled "Change in Chief Executive Officer."

Marco A. Martinez

Mr. Martinez became our Interim CFO on November 10, 2017. As of December 31, 2017, Mr. Martinez was not eligible to receive any payments or benefits upon a potential termination or change of control. In 2018, Mr. Martinez was named a participant in the Company's 2015 Retention Plan and, accordingly, the Company is currently required to make a cash payment to Mr. Martinez of one times Mr. Martinez's base salary as of the effective date of a termination of Mr. Martinez' employment following a Change in Control (as defined in the 2015 Retention Plan).

David L. Richter

As of May 3, 2017, David L. Richter is no longer an employee of the Company. The Company and Mr. Richter entered into a Separation Agreement which set forth the terms of Mr. Richter's separation from the Company. Please see the section titled "Employment Agreement with our Former CEO" for additional details regarding the Separation Agreement.

John Fanelli III

As of November 10, 2017, John Fanelli III is no longer an employee of the Company. The Company and Mr. Fanelli entered into a Separation Agreement which set forth the terms of Mr. Fanelli's separation from the Company. Please see the section titled "Separation Agreement with our Former CFO" for additional details regarding the Separation Agreement.

Raouf S. Ghali

Payments and Benefits	By Company Without Cause		By Executive for Good Reason		By Executive Within Two Years Following a Change in Control	
Cash payment	$2,270,000	(1)	$2,270,000	(1)	$ 2,270,000	(1)
Vesting of stock options	716,000	(2)	0		0	

(1) The Company is required to make this cash payment to Mr. Ghali within thirty days after the effective date of such termination in an amount equal to three years of his then base salary if (i) his employment is terminated by the Company without cause, (ii) he terminates his employment for good reason or (iii) he terminates his employment within two years of a change in control of the Company.

(2) Mr. Ghali's stock options immediately vest if the Company terminates him without cause. As of December 31, 2017, Mr. Ghali had unvested stock options to purchase 20,000 shares at an exercise price of $3.67 per share, 40,000 shares at $4.95 per share, 120,000 shares at $4.03 per share, 200,000 shares at $4.00 per share and 250,000 shares at $4.65 per share. This amount represents the intrinsic value of the award based on the difference between the exercise price and $5.45, the closing price of the Company's common stock on December 31, 2017. The amount reported does not include the value of accelerated options where the exercise price of such options exceeded the closing price of the Company's common stock on December 31, 2017.

Mohammed Al Rais

Payments and Benefits	By Company Without Cause	By Executive for Good Reason	By Executive Within One Year Following a	By Executive Within Two Years Following a

					Change in Control		Change in Control	
Cash payment	$833,756	(1)	$833,756	(1)	$1,667,512	(2)	$ 833,756	(3)
Vesting of stock options	—		—		90,000	(4)	—	

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(1) Pursuant to the 2016 Retention Plan, the Company is required to make this cash payment to Mr. Al Rais at the effective date of such termination in an amount equal to his then base salary. As of April 19, 2018, Mr. Al Rais is no longer an employee of the Company.

(2) Pursuant to the 2016 Retention Plan, the Company is required to make this cash payment to Mr. Al Rais at the effective date of such termination in an amount equal to two times his then base salary. As of April 19, 2018, Mr. Al Rais is no longer an employee of the Company.

(3) Pursuant to the 2015 Retention Plan, the Company is required to make this cash payment to Mr. Al Rais at the effective date of such termination in an amount equal to his then base salary. As of April 19, 2018, Mr. Al Rais is no longer an employee of the Company.

(4) Mr. Al Rais' stock options immediately vest if he is involuntarily terminated within one year following a change in control. As of December 31, 2017, Mr. Al Rais had unvested stock options to purchase 8,000 shares at an exercise price of $3.67 per share, 20,000 shares at $4.95 per share, 30,000 shares at $4.03 per share, 30,000 shares at $4.31 per share, 30,000 shares at $5.17 per share and 97,561 shares at $4.65 per share. This amount represents the intrinsic value of the award base on the difference between the exercise price and $4.45, the closing price of the Company's common stock on December 31, 2017. The amount does not include the value of accelerated options where the exercise price of such options exceeded the closing price of the Company's stock on December 31, 2017. As of April 19, 2018, Mr. Al Rais is no longer an employee of the Company.

J. Charles Levergood

Payments and Benefits	By Company Without Cause		By Executive Within One Year Following a Change in Control	
Cash payment	$510,000	(1)	$ 0	
Vesting of stock options	—		20,000	(2)

(1) Pursuant to his employment agreement, the Company is required to make this cash payment to Mr. Levergood at the effective date of such termination in an amount equal to his then base salary.

(2) Mr. Levergood's stock options immediately vest if he is involuntarily terminated within one year following a change in control. As of December 31, 2017, Mr. Levergood had unvested stock options to purchase 20,000 shares at an exercise price of $4.46 per share. This amount represents the intrinsic value of the award base on the difference between the exercise price and $5.45, the closing price of the Company's common stock on December 31, 2017. The amount does not include the value of accelerated options where the exercise price of such options exceeded the closing price of the Company's stock on December 31, 2017.

PAY RATIO DISCLOSURE

Summary

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the annual total compensation of the principal executive officer. The Company's principal executive officer is Mr. Evans (the "CEO").

Method

To reasonably identify the median employee, the Company prepared a list of all employees (excluding the CEO) as of December 31, 2017. The list included part-time employees. As of December 31, 2017, the Company employed 2,705 persons (other than the CEO) of which 919 were located in the United States, 317 were located in Europe, 1,134 were located in the Middle East and 335 were located in other geographic areas. In certain geographic areas, such as the Middle East, compensation includes allowances (i.e., housing, travel, food, etc.) which are customary in such geographic areas.

To identify the "median employee," the Company extracted the gross wages from the Company's payroll records as well as any allowances paid by the Company or paid the employee for each employee. The Company annualized wages and salaries for those permanent employees that were not employed for the full year of 2017.

The Company then determined the employee on the list who had the median total compensation. The Company identified this employee as the median employee.

Following this, the Company estimated the median employee's annual total compensation in the same manner as the "total" compensation shown for our Interim CEO in the section titled "Summary Compensation Table." However, as our

Interim CEO only served for eight months of 2017, for purposes of calculating his annual total compensation for 2017 for the pay ratio calculation, we annualize the amount listed as the total compensation for our Interim CEO in the section titled "Summary Compensation Table."

2017 Pay Ratio

The median employee's 2017 estimated annual total compensation was $71,400. The CEO's 2017 annual total compensation (as annualized) was $2,299,172. The ratio of the CEO to median employee's 2017 estimated annual total compensation was 32:1.

DIRECTOR COMPENSATION

Other than our Interim CEO, former CEO and our current President and COO whose compensation is reflected on the Summary Compensation Table above, the table below details the compensation paid to our directors for their service as a director in 2017. The Board pays each non-employee director $120,000 for his or her service, of which $80,000 is payable in cash and $40,000 is payable in deferred stock units. Also, the Chairman of the Board receives an additional annual retainer of $60,000, payable as $30,000 in cash and $30,000 in the form of deferred stock units. The Chairman of the Compensation Committee and the Chairman of the Governance and Nominating Committee each continue to receive an additional annual committee chairman's fee of $5,000 payable in cash, and the Chairman of the Audit Committee continues to receive an additional annual committee chairman's fee of $10,000 payable in cash.

	Fees Earned or paid in Cash $	Stock Awards $ (1)	Total $
Craig L. Martin (2)	110,000	70,000	180,000
Camille S. Andrews	85,000	40,000	125,000
Brian W. Clymer	90,000	40,000	130,000
Steven R. Curts	85,000	40,000	125,000
Paul J. Evans (3)	26,667	—	26,667
Alan S. Fellheimer	80,000	40,000	120,000
Charles M. Gillman	80,000	40,000	120,000
David Sgro	80,000	40,000	120,000

(1) The amounts reported in these columns reflect the aggregate grant date fair value of stock awards, grants of stock options and grants of deferred stock units (“DSUs”) calculated in accordance with ASC 718. The amounts for options and DSUs do not reflect compensation actually received by the director. The actual value, if any, that a director may realize from an option award is contingent upon the excess of the stock price over the exercise price, if any, on the date the option is exercised; the actual value that a director may realize from a DSU is contingent upon the stock price on the date the DSU is settled following the termination of a director’s service on the Board. Thus, there is no assurance that the value eventually realized by the director will correspond to the amount shown.

(2) Mr. Martin was appointed as Executive Chairman of the Board on May 3, 2017.

(3) Mr. Evans was appointed as our Interim CEO on May 3, 2017. See the section entitled “Compensation Discussion & Analysis-Change in Chief Executive Officer” for further details regarding Mr. Evans’ compensation as an officer of the Company. The amounts shown in the table reflect the amounts earned by Mr. Evans prior to becoming our Interim CEO.

Employment Agreement with Irvin E. Richter

Under an employment agreement effective December 31, 2014 with a five-year term, Irvin E. Richter receives an annual compensation of $1,400,000 and is eligible to receive an annual bonus in an amount, if any, to be determined by the Board. The agreement further provides that Mr. Richter is entitled to all benefits provided to employees of the Company during the term of the agreement. In addition, the Company agrees to provide him with two vehicles for his use and pays certain life insurance, medical and disability premiums during the term of the agreement. During 2016, Mr. Richter received a base salary of $1,400,000 and no bonus. Mr. Richter is entitled to severance benefits upon the occurrence of certain events as set forth in the agreement, including a termination by the Company without cause, by Mr. Richter for good reason or by Mr. Richter within two years of a change of control. If such an event would have occurred on December 31, 2016, Mr. Richter would have been eligible to receive approximately $4,641,000 in severance benefits.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters (in dollars)

The following table shows information regarding the beneficial ownership of our common stock as of July 17, 2018, unless otherwise stated in a footnote to the table below, by each person or entity known by us to beneficially own more than five percent of our common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. For purposes of the following table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or sole or shared investment power with respect to a security, or any combination thereof, and the right to acquire such power (for example, through the exercise of employee stock options granted by the Company) within 60 days. Unless otherwise indicated, the address of each of the beneficial owners is c/o Hill International, Inc., One Commerce Square, 2005 Market Street, 17th Floor, Philadelphia, PA 19103. As of July 17, 2018, there were 55,135,158 shares of our common stock outstanding.

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Name and Address of Beneficial Owner	Shares of Common Stock Beneficially Owned Number of Shares		Percent
Engine Capital Management 1370 Broadway, 5 Floor, New York, NY 10016	5,179,891	(1)	9.4%
Irvin E. Richter 54 Fries Lane, Cherry Hill, NJ 08003	5,017,013	(2)	8.9%
David L. Richter 274 Carter Road, Princeton, NJ 08540	4,073,467	(3)	7.4%
Bulldog Investors, LLC, Full Value Partners, L.P., Andrew Dakos, Phillip Goldstein and Steven Samuels Park 80 West - Plaza Two, 250 Pehle Avenue, Suite 708, Saddle Brook, NJ 07663	3,949,438	(4)	7.2%
Ancora Advisors, LLC 6060 Parkland Boulevard, Suite 200, Cleveland, OH 44124	2,822,449	(5)	5.1%
Crescendo Partners II, L.P., Series M2, Crescendo Investments II, LLC, Crescendo Partners III, L.P., Crescendo Investments III, LLC, Crescendo Advisors II LLC and Eric Rosenfeld 777 Third Avenue, 37th Floor, New York, NY 10017	2,797,052	(6)	5.1%
Named Executive Officers and Directors:			
Raouf S. Ghali	650,760	(7)	*
Brian W. Clymer	151,372	(8)	*
Alan S. Fellheimer	115,080	(9)	*
Camile S. Andrews	105,481	(10)	*
Mohammed Al Rais	174,344	(11)	*
Steven R. Curts	39,525	(12)	*
Craig L. Martin	51,790	(13)	*
Paul J. Evans	146,958	(14)	*
Charles M. Gillman	21,916	(15)	*
David Sgro	153,110	(16)	*
All directors and executive officers as a group (11 persons)	1,610,336		3.0%

(1) The beneficial ownership information is based solely upon the Schedule 13D/A filed with the SEC on May 19, 2018.
(2) The beneficial ownership information is based upon the schedule 13D/A filed with the SEC on November 30, 2017.
(3) The beneficial ownership information is based upon the schedule 13D/A filed with the SEC on July 10, 2018 which includes 3,002,840 shares held by Richter Capital LLC.
(4) The beneficial ownership information is based solely upon the Schedule 13D/A filed with the SEC on May 19, 2017, by Bulldog Investors, LLC, Full Value Partners, L.P., Andrew Dakos, Phillip Goldstein, Steven Samuels,

Crescendo Partners II, L.P., Series M2, Crescendo Investments II, LLC, Crescendo Partners III, L.P., Crescendo Investments III, LLC, Crescendo Advisors II, LLC, Jamarant Capital, L.P., Jamarant Investors, LLC, Jamarant Advisors, LLC, Eric Rosenfeld, Gregory R. Monahan, David Sgro, Paul J. Evans and Charles Gillman.
(5) The beneficial ownership information is based solely upon the Schedule 12D/A filed with the SEC on April 16, 2018.
(6) The beneficial ownership information is based solely on a Schedule 13D/A filed with the SEC on September 20, 2016.

(7) Includes 450,002 shares issuable upon the exercise of options held by Mr. Ghali, 7,656 shares of common stock held in the Company's 401(k) Plan and 1,847 shares of common stock held in the Company's employee stock purchase plan.
(8) Includes 25,432 shares issuable upon the exercise of options and 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Clymer.
(9) Includes 25,432 shares issuable upon the exercise of options and 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Fellheimer.
(10) Includes 25,432 shares issuable upon the exercise of options and 10,958 shares issuable upon the settlement of deferred stock units held by Ms. Andrews.
(11) Includes 159,512 shares issuable upon the exercise of options held by Mr. Al Rais.
(12) Includes 13,274 shares issuable upon the exercise of options and 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Curts.
(13) Includes 10,101 shares issuable upon the exercise of options and 19,178 shares issuable upon the settlement of deferred stock units held by Mr. Martin.
(14) Includes 125,042 shares issuable upon termination as CEO and 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Evans.
(15) Includes 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Gillman.
(16) Includes 10,958 shares issuable upon the settlement of deferred stock units held by Mr. Sgro.

Equity Compensation Plan Information

The following table provides information as of December 31, 2017 for common shares of the Company that may be issued under our 2008 Employee Stock Purchase Plan and our 2017 Equity Compensation 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	5,135,943 (1)
Equity compensation plans not approved by security holders	—	—	—
Total	7,061,820	$ 4.13	5,135,943

(1) As of December 31, 2017, the Company had 1,274,259 shares remaining available for future issuance under our 2008 Employee Stock Purchase Plan and 5,135,943 shares remaining available for future issuance under our 2017 Equity Compensation Plan.

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

Transactions with Related Persons

On July 14, 2010, Hill International, Inc. ("Hill") entered into an agreement with Mohamed Abdel Barry ("Barry"), whereby Hill agreed to extend a loan to Barry in the sum of Three Hundred Thousand Dollars ($300,000.00) ("Loan"), which Loan is evidenced by that certain Promissory Note made by Barry in favor of Hill dated July 14, 2010. On

March 7, 2013 Irvin E. Richter, former CEO and Chairman of the Board of Directors, made a guarantee to Hill International, Inc. agreeing that if for any reason Hill should fail to collect on the loan and suffer a loss, the Guarantor will within thirty (30) days of receipt of a written demand pay to Hill a sum equal in the amount of the loss suffered. This guarantee shall remain in full force and effective until the loan is repaid.

On August 9, 2010, Hill purchased 2,111,111 shares of common stock of incNetworks, Inc. at a purchase price of $850,000 (the "Investment"). On August 8, 2011 Irvin E. Richter, former CEO and Chairman of the Board of Directors, made a guarantee to Hill International, Inc. agreeing that if for any reason Hill should dispose of the Investment and suffer a loss, the Guarantor will within thirty (30) days of receipt of a written demand pay to Hill a sum equal in the amount of the loss suffered. This guarantee shall remain in full force and effect until Hill has disposed of its interest in incNetworks, Inc.

For the year ended December 31, 2017, there were no transactions, or series of similar transactions, to which the Company was or is to be a party in which the amount exceeded $120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation described in "Executive Compensation" and "Director Compensation."

It is the policy and practice of our Board to review and assess information concerning transactions involving related persons. Related persons include our directors and executive officers and their immediate family members. If the determination is made that a related person has a material interest in a transaction involving us, then the disinterested members of the Board would review and, if appropriate, approve or ratify it, and we would disclose the transaction in accordance with SEC rules and regulations. If the related person is a member of the Board, or a family member of a director, then that director would not participate in any determination involving the transaction at issue.

Our Code of Ethics and Business Conduct prohibits all employees, including our executive officers, from benefitting personally from any transactions with us other than approved compensation benefits.

See the section entitled "Director Independence" in Item 10 of this Form 10-K which is incorporated by reference.

Item 14. Principal Accounting Fees and Services.

On April 19, 2017, Hill International, Inc. (the "Company") dismissed EisnerAmper LLP ("EisnerAmper") as its independent registered public accounting firm. The decision to change independent registered public accounting firms was approved by the Audit Committee of the Company's Board of Directors. Such dismissal became effective upon completion by EisnerAmper of its review of the unaudited quarterly financial statements of Hill International, Inc. for the fiscal quarter ended March 31, 2017 and the filing of the related Quarterly Report on Form 10-Q with the SEC on May 10, 2017.

Also on April 19, 2017, after reviewing proposals from several accounting firms, including EisnerAmper, the Audit Committee of the Board of Directors of the Company selected KPMG LLP ("KPMG") to be appointed following the filing of the Form 10-Q related to the fiscal quarter ended March 31, 2017 to serve as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2017. During the two fiscal years ended December 31, 2016, and the subsequent interim period through March 31, 2017, the Company did not consult with KPMG regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The audit report of EisnerAmper on the consolidated financial statements of Hill International, Inc. as of and for the years ended December 31, 2016 and 2015, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. The audit report of EisnerAmper LLP on the effectiveness of internal control over financial reporting for the Company as of December 31, 2016 and 2015 did conclude that internal controls over financial reporting were not effective due to identified material weaknesses.

During the two fiscal years ended December 31, 2016, and the subsequent interim period through March 31, 2017, there were no: (1) disagreements with EisnerAmper on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that EisnerAmper advised the Company it agreed with the Company that certain deficiencies in the Company's internal control over financial reporting discussed with the Company during EisnerAmper's audits of the Company's consolidated financial statements for the years ended December 31, 2016 and 2015 constituted material weaknesses.

On March 28, 2018, the Company dismissed KPMG as its independent registered public accounting firm. The decision to change independent registered public accounting firms was approved by the Audit Committee of the Company's Board of Directors (the "Audit Committee"). Also on March 28, 2018, the Audit Committee entered into an agreement with EisnerAmper LLP ("EisnerAmper") to serve as the Company's independent registered public accounting firm. Such dismissal and appointment reflects the Audit Committee's belief that EisnerAmper, who served as the Company's independent public accounting firm during the restatement, will be able to complete the restatement as well as the audit of the Company's 2017 financial statements as expeditiously as possible. The Company consulted with EisnerAmper regarding the application of accounting principles in conjunction with the original audit and the restatement; however, the Company did not consult with EisnerAmper regarding any of the matters or events set forth in Item 304(a)(2)(ii) of Regulation S-K other than those related to the restatement.

The Company had no: (1) disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) reportable events (as defined in Item 304(a) (1)(v) of Regulation S-K) other than those related to the restatement in connection with KPMG’s engagement.

The table below reflects the fees (in thousands) and expenses for services rendered by both KPMG for their services rendered for the fiscal year ended December 31, 2017 and EisnerAmper for the two fiscal years ended December 31, 2017 and 2016. The Audit Committee pre-approved all of these services.

	EisnerAmper	KPMG		EisnerAmper	KPMG	
Type of Fees	2017	2017	Total	2016	2016	Total
Audit Fees (1)	$ 3,923	$ 901	$4,824	$ 1,106	$ —	$1,106
Audit - Related Fees (2)	—	—	—	121	—	121
Tax Fees (3)	—	—	—	89	—	89
All Other Fees and Expense Reimbursements	—	25	25	—	—	—
Total Fees	$ 3,923	$ 926	$4,849	$ 1,316	$ —	$1,316

(1) Audit fees consist of fees billed and an estimate of fees to be billed for services for the audit of our financial statements and review of our financial statements included in our quarterly reports on Form 10-Q and services provided in connection with other statutory or regulatory filings. During 2017, audit fees also included amounts billed for services for the audit of the amended 10-K's for the years ended December 31, 2014, 2015 and 2016 and amended 10-Q's for the periods ended March 31, 2017 and other services related to SEC matters.

(2) Audit-related fees consist of assurance and related services rendered by EisnerAmper and KPMG that are reasonably related to the performance of the audit or the review of our financial statements that are not included as audit fees. These services include consultation on accounting matters in foreign jurisdictions, due diligence related to mergers and acquisitions, consultation on financial accounting and reporting.

(3) Tax fees consist of fees for professional service for tax advice and tax planning related to the Company’s international operations.

Pre-Approval Policy of Audit Services and Permitted Non-Audit Services of Independent Auditors

The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services and are pre-approved in one of two methods. Under the first method, the engagement to render the services would be entered into pursuant to pre-approval policies and procedures established by the Audit Committee, provided (i) the policies and procedures are detailed as to the services to be performed, (ii) the Audit Committee is informed of each service, and (iii) such policies and procedures do not include delegation of the Audit Committee’s responsibilities under the Exchange Act to the Company’s management. Under the second method, the engagement to render the services would be presented to and pre-approved by the Audit Committee (subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to the completion of the audit). The Chairman of the Audit Committee will have the authority to grant pre-approvals of audit and permissible non-audit services by the independent auditors, provided that all pre-approvals by the Chairman must be presented to the full Audit Committee at its next scheduled meeting. The Company will provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent registered public accounting firm and to any consultants, experts or advisors engaged by the Audit Committee.

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, 2017, and 2016, 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, 2017, the footnotes thereto, and the report of EisnerAmper LLP, independent auditors, are filed herewith.

Table of Contents

Financial statement schedule:

Schedule II—Valuation and Qualifying Accounts for the years ended December 31, 2017, 2016 and 2015.

(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. (Included as Annex A of the Definitive Proxy Statement (No. 000-50781) filed on June 6, 2006 and incorporated herein by reference.)
3.1	Amended and Restated Certificate of Incorporation of Arpeggio Acquisition Corporation. (Included as Annex B of the Definitive Proxy Statement (No. 000-50781) filed on June 6, 2006 and incorporated herein by reference.)
3.2	Amended and Restated By-laws of Hill International, Inc. (Included as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 filed on March 31, 2017 and incorporated herein by reference.)
3.3	Certificate of First Amendment of Amended and Restated Certificate of Incorporation of Hill International, Inc. (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.)
4.1	Specimen Common Stock Certificate. (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.)
10.1*	Hill International, Inc. 2006 Employee Stock Option Plan (as amended through June 11, 2012). (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.)
10.2*	Employment Agreement between the Company and Irvin E. Richter dated as of December 31, 2014. (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.)
10.3*	Employment Agreement between the Company and David L. Richter dated as of December 31, 2014. (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.)
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. (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.)
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. (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.)
10.6	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 (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.)
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. (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.)
10.8	Intercreditor Agreement, dated as of September 26, 2014, by and among Société Générale, as collateral agent, and the loan parties thereto. (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.)
10.9*	Hill International, Inc. 2009 Non-Employee Director Stock Grant Plan, as amended. (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.)
10.10*	Hill International, Inc. 2007 Restricted Stock Grant Plan. (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.)
10.11*	Hill International, Inc. 2008 Employee Stock Purchase Plan. (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.)

10.12*	Hill International, Inc. 2015 Senior Executive Retention Plan. (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.)
10.13	Hill International, Inc. 2010 Senior Executive Bonus Plan. (Included as Appendix A to the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 30, 2010 and incorporated herein by reference.)
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. (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 as amended by that Amendment of SPA included as Exhibit 2.1 to the Registrant's current report on Form 8-K filed on May 4, 2017 and incorporated by reference.)
10.15*	Employment Agreement between the Company and Raouf S. Ghali dated August 18, 2016. (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.)
10.16*	Hill International, Inc. 2016 Executive Retention Plan. (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.)
10.17*	Form of Hill International, Inc. 2016 Executive Retention Plan Participation Agreement. (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.)
10.18	Settlement Agreement among the Company, Bulldog Investors LLC and certain directors of the Company, dated September 16, 2016. (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.)
10.19	Separation Agreement and General Release of Claims (Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 4, 2017 and incorporated herein by reference.)
10.20*	Hill International, Inc. 2017 Equity Compensation Plan (Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 20, 2017 and incorporated herein by reference.)
10.21*	Hill International Inc. Key Employee Retention Plan (Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 9, 2017 and incorporated herein by reference.)
10.22	Second Amendment to Credit Agreement (Included as Exhibits 10.1 and Exhibit 10.2 to the Registrants Current Report on Form 8-K filed on May 11, 2017 and incorporated herein by reference.)
10.23	Increased Commitment Agreement (Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 23, 2017 and incorporated herein by reference.)
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.

* 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/ Paul Evans Paul Evans Interim Chief Executive Officer
Date:	August 31, 2018

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	By:	/s/ Paul Evans Paul Evans Interim Chief Executive Officer and Director (Principal Executive Officer)
Date:	August 31, 2018	Date:	August 31, 2018
By:	/s/ Raouf S. Ghali Raouf S. Ghali President, Chief Operating Officer and Director	By:	/s/ Brian W. Clymer Brian W. Clymer Director
Date:	August 31, 2018	Date:	August 31, 2018
By:	/s/ Marco A. Martinez Marco A. Martinez Senior Vice President and Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	By:	/s/ Alan S. Fellheimer Alan S. Fellheimer Director
Date:	August 31, 2018	Date:	August 31, 2018
By:	/s/ Camille S. Andrews Camille S. Andrews Director	By:	/s/ David D. Sgro David Sgro Director
Date:	August 31, 2018	Date:	August 31, 2018
By:	/s/ Steven R. Curts Steven R. Curts Director		
Date:	August 31, 2018		
By:	/s/ Charles M. Gillman Charles M. Gillman		

Director

Date: August 31, 2018

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Schedule II

Hill International, Inc. and Subsidiaries

Valuation and Qualifying Accounts

(Allowance for Uncollectible Receivables — in thousands)

(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, 2017	$ 71,082	$ 6,913	$ —	$ (5,145)	$ 72,850
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