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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2018

or

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

For the transition period  
from to

Commission File Number: 001-33961

**HILL INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-0953973**

(I.R.S. Employer  
Identification No.)

**One Commerce Square  
2005 Market Street, 17th Floor  
Philadelphia, PA**

(Address of principal executive offices)

**19103**

(Zip Code)

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

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

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

There were 55,294,670 shares of the Registrant's Common Stock outstanding at September 17, 2018.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

Index to Form 10-Q

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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 the Company's 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 the Company's 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 the Company's current expectations, estimates and assumptions and are subject to certain risks and uncertainties. Although the Company believes 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.

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

- The markets for the Company's services;
- Projections of revenues and earnings, anticipated contractual obligations, funding requirements or other financial items;
- Statements concerning the Company's plans, strategies and objectives for future operations; and
- Statements regarding future economic conditions or the Company's performance.

Important factors that could cause the Company's 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,” in the Company's most recent Annual Report on Form 10K;
- Unfavorable global economic conditions may adversely impact its business;
- Backlog, which is subject to unexpected adjustments and cancellations, may not be fully realized as revenue;
- The Company's expenses may be higher than anticipated;
- Modifications and termination of client contracts;
- Control and operational issues pertaining to business activities that the Company conducts pursuant to joint ventures with other parties;
- Difficulties that the Company may incur in implementing its acquisition strategy; and
- The ability to retain and recruit key technical and management personnel.

Other factors that may affect the Company's business, financial position or results of operations include:

- Unexpected delays in collections from clients;
- Risks of the Company's ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;
- Risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and
- Risks of contracts with governmental entities, including the failure of applicable governing authorities to take necessary actions to secure or maintain funding for particular projects with us, the unilateral termination of contracts by the governments and reimbursement obligations to the government for funds previously received.

The Company does not intend, and undertakes 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-Q, in our other filings with the Securities and Exchange Commission (“SEC”) or in materials incorporated therein by reference.

**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

	<b>March 31, 2018</b>	<b>December 31,</b>
	<b>(Unaudited)</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 17,820	\$ 21,353
Cash - restricted	4,535	4,407
Accounts receivable, less allowance for doubtful accounts of \$73,412 and \$72,850	140,408	147,611
Current portion of retainage receivable	10,489	9,249
Accounts receivable - affiliates	6,637	4,599
Prepaid expenses and other current assets	8,612	9,053
Income tax receivable	2,343	2,139
<b>Total current assets</b>	<b>190,844</b>	<b>198,411</b>
Property and equipment, net	12,067	12,004
Cash - restricted, net of current portion	1,160	1,160
Retainage receivable	12,845	13,095
Acquired intangibles, net	3,525	3,908
Goodwill	53,030	52,658
Investments	4,300	3,639
Deferred income tax assets	4,065	4,052
Other assets	3,651	4,368
<b>Total assets</b>	<b>\$ 285,487</b>	<b>\$ 293,295</b>
<b>Liabilities and Stockholders' Equity</b>		
Current maturities of notes payable and long-term debt	\$ 2,782	\$ 3,241
Accounts payable and accrued expenses	78,642	83,221
Income taxes payable	16,590	16,494
Current portion of deferred revenue	8,651	13,945
Other current liabilities	8,494	8,973
<b>Total current liabilities</b>	<b>115,159</b>	<b>125,874</b>
Notes payable and long-term debt, net of current maturities	37,413	34,541
Retainage payable	709	599
Deferred income taxes	942	933
Deferred revenue	11,887	7,212
Other liabilities	14,416	13,466
<b>Total liabilities</b>	<b>180,526</b>	<b>182,625</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.0001 par value; 1,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value; 100,000 shares authorized, 59,938 shares and 59,389 shares issued at March 31, 2018 and December 31, 2017, respectively	6	6
Additional paid-in capital	200,157	197,104
Accumulated deficit	(62,132)	(53,983)
Accumulated other comprehensive loss	(3,590)	(4,011)
Less treasury stock of 6,964 and 6,977 shares at March 31, 2018 and December 31, 2017, respectively	(29,986)	(30,041)
Hill International, Inc. share of equity	104,455	109,075
Noncontrolling interests	506	1,595
<b>Total equity</b>	<b>104,961</b>	<b>110,670</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 285,487</b>	<b>\$ 293,295</b>

See accompanying notes to consolidated financial statements.

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Revenues	\$ 113,897	\$ 116,120
Direct expenses	79,212	78,509
Gross profit	34,685	37,611
Selling, general and administrative expenses	32,787	33,463
Share of profit (loss) of equity method affiliates	800	(34)
Loss on performance bond	7,938	—
Operating profit (loss)	(5,240)	4,114
Interest and related financing fees, net	1,334	749
Earnings (loss) from continuing operations before income taxes	(6,574)	3,365
Income tax expense	1,095	1,349
Earnings (loss) from continuing operations	(7,669)	2,016
Discontinued operations:		
Total loss from discontinued operations	(482)	(4,251)
Net loss	(8,151)	(2,235)
Less: net earnings (loss) - noncontrolling interests	(2)	119
Net loss attributable to Hill International, Inc.	\$ (8,149)	\$ (2,354)
Basic earnings (loss) per common share from continuing operations	\$ (0.14)	\$ 0.04
Basic loss per common share from discontinued operations	(0.01)	(0.09)
Basic loss per common share - Hill International, Inc.	\$ (0.15)	\$ (0.05)
Basic weighted average common shares outstanding	52,992	51,860
Diluted earnings (loss) per common share from continuing operations	\$ (0.14)	\$ 0.04
Diluted loss per common share from discontinued operations	(0.01)	(0.09)
Diluted loss per common share - Hill International, Inc.	\$ (0.15)	\$ (0.05)
Diluted weighted average common shares outstanding	52,992	51,860

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net loss	\$ (8,151)	\$ (2,235)
Foreign currency translation adjustment, net of tax	421	(1,558)
Comprehensive loss	(7,730)	(3,793)
Less: Comprehensive earnings (loss) attributable to non-controlling interests	(2)	119
Comprehensive loss attributable to Hill International, Inc.	\$ (7,728)	\$ (3,912)

See accompanying notes to consolidated financial statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Net loss	\$ (8,151)	\$ (2,235)
Loss from discontinued operations	482	4,251
Earnings (loss) from continuing operations	(7,669)	2,016
Adjustments to reconcile net earnings to net cash provided by (used in):		
Depreciation and amortization	1,291	1,595
Provision for bad debts	24	(526)
Amortization of deferred loan fees	6	444
Deferred tax provision (benefit)	(31)	452
Stock based compensation	451	461
Unrealized foreign exchange gains (losses) on intercompany balances	1,446	(1,831)
Changes in operating assets and liabilities:		
Accounts receivable	7,469	(2,617)
Accounts receivable - affiliate	(2,035)	(1,615)
Prepaid expenses and other current assets	890	(287)
Income taxes receivable	(162)	1,366
Retainage receivable	(725)	(310)
Other assets	(533)	(2,037)
Accounts payable and accrued expenses	(4,836)	2,150
Income taxes payable	99	(328)
Deferred revenue	(641)	(10,010)
Other current liabilities	(1,278)	156
Retainage payable	108	39
Other liabilities	582	185
Net cash used in continuing operations	(5,544)	(10,697)
Net cash used in discontinued operations	(482)	(6,146)
Net cash used in operating activities	(6,026)	(16,843)
Cash flows from investing activities:		
Purchases of business	(122)	(123)
Payments for purchase of property and equipment	(986)	(372)
Net cash used in investing activities	(1,108)	(495)
Cash flows from financing activities:		
Payments on term loans	(89)	(314)
Net borrowings on revolving loans	2,069	10,990
Proceeds from stock issued under employee stock purchase plan	—	49
Proceeds from exercise of stock options	2,350	—
Net cash provided by financing activities	4,330	10,725
Effect of exchange rate changes on cash	(601)	635
Net decrease in cash, cash equivalents and restricted cash	(3,405)	(5,978)
Cash, cash equivalents and restricted cash — beginning of period	26,920	30,262
Cash, cash equivalents and restricted cash — end of period	\$ 23,515	\$ 24,284

See accompanying notes to consolidated financial statements.

**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 - Liquidity**

At March 31, 2018 our principal sources of liquidity consisted of \$17,820 of cash and cash equivalents, \$8,750 of available borrowing capacity under the Domestic Revolving Credit Facility, \$2,475 of available borrowing capacity under the International Revolving Credit Facility and \$2,011 under other foreign credit agreements. Additional information regarding the Company's credit facilities is set forth in Note 9 - Notes Payable and Long-Term Debt.

The Company was not in compliance with the requirements of its Revolving Credit Facilities, which required the filing of its 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 now requires the Company to file its Form 10-Q for the first and second quarters of 2018 by September 30, 2018. If the Company does not file such report in accordance with this deadline, it will again be in noncompliance with the requirements of the Revolving Credit Facilities. The Company believes it will be in compliance with the requirements of its Revolving Credit Facilities upon the filing of its Form 10Q for the second quarter of 2018 by October 30, 2018.

**Note 3 — Basis of Presentation**

**Summary**

The accompanying unaudited interim consolidated financial statements were prepared in accordance with the rules and regulations of the SEC pertaining to reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. In the opinion of management, these statements include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the consolidated financial statements. The consolidated financial statements include the accounts of Hill and its wholly- and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The interim operating results are not necessarily indicative of the results for a full year.

**Reclassification**

A reclassification was made in the presentation of the consolidated balance sheet as of December 31, 2017. The Company adjusted the classification of current portion of retainage receivable from accounts receivable, less allowance for doubtful accounts to a new line item on the balance sheet, "current portion of retainage receivable." Current portion of retainage receivable is reported separately as a result of the Company's adoption of accounting standards update 2014-09, Revenue from Contracts with Customers (Topic 606). As a result, \$9,249 was reclassified from accounts receivable, less allowance for doubtful accounts to current portion of retainage receivable to conform with current period reporting.

Additionally, a reclassification was made in the presentation of the consolidated statement of cash flows for the three months ended March 31, 2017. As a result of the adoption of 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 Company included restricted cash in the opening and closing "cash, cash equivalents and restricted cash" balance in this filing on the consolidated statement of cash flows for the three months ended March 31, 2017.

### ***Construction Claims Group Sale***

On December 20, 2016, the Company and its subsidiary Hill International N.V. ("Hill N.V." and, collectively with the Company, the "Sellers") entered into a Stock Purchase Agreement (as amended on May 3, 2017, the "Agreement") with Liberty Mergeco, Inc. (the "US Purchaser") and Liberty Bidco UK Limited (the "UK Purchaser" and, collectively with the US Purchaser, the "Purchasers") pursuant to which the Purchasers were to acquire the Construction Claims Group by the US Purchaser's acquisition of all of the stock of Hill International Consulting, Inc. from the Company and the UK Purchaser's acquisition of all of the stock of Hill International Consulting B.V. from Hill N.V. The Construction Claims Group sale closed on May 5, 2017 with an effective date of April 30, 2017. For a detailed description of the transaction, see "Note 2 Discontinued Operations" in the Company's 2017 Annual Report on Form 10-K for the year ended December 31, 2017 filed with the SEC on August 31, 2018.

### ***Loss on Performance Bond***

On February 8, 2018, the Company received notice from the First Abu Dhabi Bank ("FAB", formerly known as the National Bank of Abu Dhabi) that Public Authority of Housing Welfare of Kuwait submitted a claim for payment on a Performance Guarantee issued by the Company for approximately \$7,938 for a project located in Kuwait. FAB subsequently issued, on behalf of the Company, a payment on February 15, 2018. The Company is taking legal action to recover the full Performance Guarantee amount. On September 20, 2018 the Kuwait First Instance Court dismissed the Company's case. The Company is currently in the process of filing an appeal before the Kuwait Court of Appeals. As a result of the First Instance Court decision, the Company fully reserved the performance guarantee payment above in the first quarter of 2018 and it is presented as "Loss on Performance Bond" on the consolidated statements of operations.

### ***Summary of Significant Accounting Policies***

#### ***(a) Foreign Currency Translations and Transactions***

Assets and liabilities of all foreign operations are translated at period-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.

#### ***(b) 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.

No single client accounted for 10% or more to revenue for the three months ended March 31, 2018 or 2017.

#### ***(c) 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.

**(d) Retainage Receivable**

Retainage receivable represents balances billed but not paid by clients pursuant to retainage provisions in certain 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 current portion of retainage receivable and the long-term portion of retainage receivable is included in retainage receivable in the consolidated balance sheets.

**(e) 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" (i.e., a likelihood greater than 50 percent) to be allowed by the tax jurisdiction based solely on the technical merits of the position, 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 that the benefit will be ultimately realized. 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.

**(f) 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. These loss projects are re-assessed for each subsequent reporting period until the project is complete. Such revisions could occur at any time and the effects may be material.

The Company evaluates contractual arrangements to determine how to recognize revenue. See footnote 4 Revenue from contracts with customers for more detail.

**(g) Earnings per Share**

Basic earnings per common share have been computed using the weighted-average number of shares of common stock outstanding during the period.

Diluted earnings per common share incorporates the incremental shares issuable upon the assumed exercise of stock options or the assumed vesting of stock awards using the treasury stock method, if dilutive. The Company has outstanding options to purchase approximately 5,339 shares and 6,754 shares for the three months ended March 31, 2018 and 2017, respectively. All such options were excluded from the calculation of diluted earnings per share because they were antidilutive due to the Company's net loss from continuing operations.

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

	Three Months Ended March 31,	
	2018	2017
(Loss) earnings from continuing operations	\$ (7,669)	\$ 2,016
Less: net (loss) earnings - noncontrolling interest	(2)	119
Net (loss) earnings from continuing operations attributable to Hill	\$ (7,667)	\$ 1,897

In 2017 the Company's Board of Directors ("Board") approved a monthly grant of Company stock valued at \$80 per month to the Interim Chief Executive Officer ("ICEO") during his term of service, to be delivered to him on the last day of his service as ICEO. There is no circumstance in which these shares will not ultimately be issued, therefore, the shares to be issued under this grant are included in the calculation of basic weighted average shares outstanding. Basic shares outstanding included 42 shares related to this grant in the three months ended March 31, 2018. See Note 11 - Share-Based Compensation for further details of this grant.

**(I) New Accounting Pronouncements**

Changes to U.S. GAAP are typically established by the Financial Accounting Standards Board ("FASB") in the form of accounting standards updates ("ASUs") to the FASB's Accounting Standards Codification ("ASC"). The Company considers the applicability and impact of all ASUs and, based on its assessment, determined that any recently issued or proposed ASUs not listed below are either not applicable to the Company or adoption will have minimal impact on its consolidated financial statements.

For additional 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 of Form 10K for the year ended December 31, 2017 filed with the SEC on August 31, 2018. See update below.

**Recently Adopted Accounting Pronouncements**

In May 2014, the 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 Company adopted this standard effective January 1, 2018. See Note 4 - Revenue from Contracts with Customers for further information regarding implementation and disclosures.

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 was effective for the Company commencing January 1, 2018. The adoption of this ASU did not have a significant impact on the Company's financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. This ASU's amendments add or clarify guidance on eight cash flow issues: debt prepayment, settlement of zero-coupon debt instruments, contingent consideration payments, insurance claim proceeds, life insurance proceeds, distributions from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The Company adopted this ASU effective January 1, 2018. The adoption of this ASU did not have a significant impact on the Company's financial statements.

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 previous 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 Company's adoption of this ASU on January 1, 2018 did not have a material effect on its 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. The Company defines restricted cash as collateral for letters of credit, bonds or guarantees on projects (for further details see Note 4 of the Company's 2017 form 10-K). The Company adopted this ASU on January 1, 2018 which resulted in restricted cash being included in the opening and closing balance of cash and cash equivalents on the cash flow statements.

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 Company adopted the amendments of this ASU on January, 1 2018 and will apply its provisions prospectively to future business combinations.

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 Company adopted this ASU on January 1, 2018 and will prospectively apply its provisions to any future award modifications.

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)* related 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. The Company adopted this ASU on January 1, 2018 and it did not have a significant impact on its financial statements.

### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)*, which will require the Company to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on its consolidated balance sheet for all leases in excess of one year in duration. The ASU will be effective for the Company commencing January 1, 2019. The adoption of this ASU will impact the Company's financial statements in that all existing leases will be recorded as right-of-use assets and liabilities and the timing and classification of associated lease expenses will change. 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 but the Company does not believe this ASU will have a significant impact on its financial statements.

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 its consolidated financial statements.

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 share-based awards 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.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period, for all entities. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements and but does not expect this update to have a material impact on the Company's consolidated financial statements.

### **Note 4 - Revenue from Contracts with Customers**

The Company adopted ASU 2014-09 on January 1, 2018. Under ASC 606, the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods or services.

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. These loss projects are re-assessed for each subsequent reporting period until the project is complete.

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*

Under the time and materials arrangements, there are three different contract types, however all the types of contracts have the same economic factors based upon the time and materials. The contracts may be structured as basic time and materials, cost plus a margin or time and materials subject to a maximum contract value (the "cap value"). The majority of the Company's contracts are for consulting projects where it bills the client monthly at hourly billing rates. The hourly billing rates are determined by contract terms. Under cost plus contracts, the Company charges its clients for its costs, including both direct and indirect costs, plus a fixed fee or rate. Under time and materials contracts with a cap value, the Company charges the clients for time and materials based upon the work performed. When the Company is reaching the cap value, the contract is renegotiated or the Company may cease work when the maximum contract value is reached. The Company is only entitled to consideration for the work it has performed, and the cap value is not a guaranteed contract value.

#### *Fixed Price Contracts*

Under fixed-price contracts, the Company's clients pay an agreed amount negotiated in advance for a specified scope of work. Additionally, as noted under time and materials contracts, there may be instances that a contract is modified to extend the contract value past the cap. As the consideration is variable depending on the outcome of the contract renegotiation, the Company will estimate the total contract price in accordance with the variable consideration guidelines and will only include consideration that it expects to receive from the customer.

#### *Change Orders and Claims*

Change orders are modifications of an original contract that effectively change the provisions of the contract without adding new provisions. Either the Company or its client may initiate change orders. They may include changes in specifications or design, manner of performance, facilities, 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. Change orders are sometimes documented and terms of such change orders are agreed with the client before the work is performed. Sometimes circumstances require that work progresses before an agreement is reached with the client.

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. Costs related to change orders and claims are recognized when they are incurred.

#### *U.S. Federal Acquisition Regulations*

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 federal government. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

Federal government contracts that are subject to the FAR and that are required by state and local governmental agencies to be audited 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 incurred 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. The Company provides for a refund liability to the extent that it expects to refund some of the consideration received from a customer.

*Disaggregation of Revenues*

The Company has one operating segment, the Project Management Group, which reflects how the Company is being managed. Additional information related to the Company’s operating segment is provided in Note 14 - Segment and Related Information. The Project Management Group provides extensive construction and project management services to construction owners worldwide. The Company considered the type of customer, type of contract and geography for disaggregation of revenue. The Company determined that disaggregating by (1) contract type; and (2) geography would provide the most meaningful information to understand the nature, amount, timing, and uncertainty of its revenues. The type of customer does not influence the Company’s revenue generation. Ultimately, the Company is supplying the same services of 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 Company’s contracts are generally long term contracts that are either based upon time and materials incurred or provide for a fixed price. The contract type will determine the level of risk in the contract while the geography will depict the level of global economic factors in relation to revenue recognition.

The components of the Company’s revenue by contract type and geographic region for the three months ended March 31, 2018 are as follows:

	Three months ended March 31, 2018			
	Fixed Price	T&M	Total	Percent of Revenue
United States	\$ 3,056	\$ 48,516	\$ 51,572	45.2%
Latin America	1,821	991	2,812	2.5%
Europe	4,803	5,654	10,457	9.2%
Middle East	17,804	22,494	40,298	35.4%
Africa	38	6,665	6,703	5.9%
Asia/Pacific	581	1,474	2,055	1.8%
Total	\$ 28,103	\$ 85,794	\$ 113,897	100.0%

The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company exercises judgment in determining if the contractual criteria are met to determine if a contract with a customer exists, specifically in the earlier stages of a project when a formally executed contract may not yet exist. Additionally, the Company considers the contracts with customers to be long-term contracts, however there are often termination provisions that allow the customer to terminate the contract at will. The Company typically has one performance obligation of 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. Performance obligations are delivered over time as the customer receives the service. It is either determined on a T&M right to invoice method or a cost input method for fixed price contracts. There are no significant payment terms in the contract with customers.

The consideration promised within a contract may include fixed amounts, variable amounts, or both. Variable consideration is included in the transaction price only to the extent it is probable, in the Company's judgment, that a significant future reversal in the amount of cumulative revenue recognized under the contract will not occur. In estimating the transaction price for pending change orders, the Company considers all relevant facts, including documented correspondence with the customer regarding acknowledgment and/or agreement with the modification, as well as historical experience with the customer or similar contractual circumstances. The Company transfers control of its service over time and, therefore, satisfies a performance obligation and recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. The Company's fixed price projects generally use a cost-based input method to measure its progress towards complete satisfaction of the performance obligation as the Company believes this best depicts the transfer of control to the customer. Under the cost-based measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Due to the nature of the work required to be performed on many of the Company's performance obligations, estimating total revenue and cost at completion is complex, subject to many variables and requires significant judgment.

The Company recognizes revenue over time by using the date the Company has the right to invoice the client as the triggering event for recognizing revenue for time and materials contracts in which the Company has a right to payment for performance completed to date throughout the contract until contract completion or cancellation.

#### **Accounts Receivable**

Accounts receivable includes amounts billed and currently due from customers and amounts for work performed which have not been billed to date. The amounts due are stated at their net estimated realizable value. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables.

#### **Contract Assets and Liabilities**

Contract assets include unbilled amounts typically resulting from performance under long-term contracts when the revenue recognized exceeds the amount billed to the customer, and where the right to payment is not solely subject to the passage of time. Retainage receivable and current portion of retainage receivable are included in contract assets. The current portion of retainage receivable is a contract asset, which prior to the adoption of ASC 606, had been classified within accounts receivable. For periods beginning after December 31, 2017, amounts representing contract assets, which were previously included in "Accounts receivable" within the Consolidated Balance Sheets, have been reclassified as "Current portion of retainage receivable."

The Company's contract liabilities consist of advance payments and billings in excess of revenue recognized as deferred revenue. The Company may also receive up-front payments related to mobilization costs, which, in most cases, are recognized ratably over the contract term. These contract liabilities are included within the Consolidated Balance Sheets as deferred revenue and current portion of deferred revenue.

The Company classifies advance payments as retainage receivable or current portion of retainage receivable and billings in excess of revenue recognized as deferred revenue as current or noncurrent based on the timing of when revenue is expected to be recognized.

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing of the Company's performance and customer payments. The amount of revenue that was recognized during the three months ended March 31, 2018 that was included in the deferred revenue balance at the beginning of the period was \$5,615.

#### **Remaining Performance Obligations**

The remaining performance obligations represent the aggregate transaction price of executed contracts with customers for which work has partially been performed or not started as of the end of the reporting period. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions. The remaining performance obligations also include transaction prices of contracts with maximum contract values for which the Company is able to reasonably estimate the transaction price. As of March 31, 2018, the aggregate amount of the transaction price allocated to the remaining performance obligations was approximately \$137,978. During the following 12 months, 58.2% of the remaining performance obligations are expected to be recognized as revenue and the balance recognized between 1 to 5 years.

**Note 5 — Accounts Receivable**

The components of accounts receivable are as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Billed	\$ 177,912	\$ 186,411
Unbilled*	35,908	34,050
	<u>213,820</u>	<u>220,461</u>
Allowance for doubtful accounts	(73,412)	(72,850)
Accounts receivable, less allowance for doubtful accounts	<u>\$ 140,408</u>	<u>\$ 147,611</u>

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

**Note 6 — Intangible Assets**

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

	<u>March 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Client relationships	\$ 11,763	\$ 8,595	\$ 16,397	\$ 12,862
Acquired contract rights	1,007	1,007	1,007	1,007
Trade names	890	533	877	504
Total	<u>\$ 13,660</u>	<u>\$ 10,135</u>	<u>\$ 18,281</u>	<u>\$ 14,373</u>
Intangible assets, net	<u>\$ 3,525</u>		<u>\$ 3,908</u>	

Amortization expense related to intangible assets was as follows:

<u>Three Months Ended March 31,</u>	
<u>2018</u>	<u>2017</u>
<u>\$343</u>	<u>\$559</u>

The following table presents the estimated amortization expense for the next five years :

<u>Year ending December 31,</u>	<u>Estimated Amortization Expense</u>
2018 (remaining 9 months)	\$ 726
2019	990
2020	728
2021	338
2022	265

**Note 7 — Goodwill**

The following table summarizes the changes in the Company's carrying value of goodwill during 2018:

<b>Balance, December 31, 2017</b>	\$	52,658
Translation adjustments		372
<b>Balance, March 31, 2018</b>	\$	<u>53,030</u>

## Note 8 — Accounts Payable and Accrued Expenses

Below are the components of accounts payable and accrued expenses:

	March 31, 2018	December 31, 2017
Accounts payable	\$ 26,916	\$ 32,345
Accrued payroll and related expenses	31,385	29,569
Accrued subcontractor fees	12,967	10,814
Accrued profit improvement plan items	3,890	3,425
Accrued agency fees	980	1,671
Accrued legal and professional fees	1,544	2,983
Other accrued expenses	960	2,414
	<u>\$ 78,642</u>	<u>\$ 83,221</u>

## Note 9 — Notes Payable and Long-Term Debt

The table below reflects the Company's credit facilities including notes payable and long-term debt:

Loan	Maturity	Interest Rate Type	Interest Rate <sup>(1)</sup>		Balance Outstanding		
			March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	
<b><u>Secured Credit Facilities</u></b>							
Hill International, Inc. - Société Générale 2017 Term Loan Facility	06/20/2023	Variable	7.10%	7.32%	\$ 29,775	\$ 29,850	
Hill International, Inc. - Société Générale Domestic Revolving Credit Facility	05/04/2022	Variable	6.69%	5.25%	6,400	3,300	
Hill International N.V.. - Société Générale International Revolving Credit Facility	05/04/2022	Variable	N/A	4.10%	—	—	
<b><u>Unsecured Credit Facilities</u></b>							
Hill International, Inc. - First Abu Dhabi Bank PJSC Overdraft Credit Facility (2)	06/30/2018	Variable	5.50%	5.50%	1,841	2,316	
Engineering SA Services Technicos - Consortium of Brazilian Credit Facilities (3)	06/26/2018	Fixed	4.76%	4.76%	—	—	
<b><u>Unsecured Notes Payable and Long-Term Debt</u></b>							
Hill International Spain SA - Bankia, S.A. and Bankinter, S.A (4)	12/31/2021	Fixed	2.17%	2.17%	2,126	2,202	
Hill International Spain SA - IberCaja Banco, S.A. (4)	12/31/2019	Variable	3.44%	3.37%	367	407	
Philadelphia Industrial Development Corporation Loan	03/31/2027	Fixed	2.75%	2.75%	585	599	
Total notes payable and long-term debt, gross					\$ 41,094	\$ 38,674	
Less: unamortized discount and deferred financing costs related to Societe Generale 2017 Term Loan Facility					(899)	(892)	
<b>Notes payable and long-term debt</b>					<b>\$ 40,195</b>	<b>\$ 37,782</b>	
Current portion of notes payable					2,956	3,406	
Current portion of unamortized debt discount and deferred financing costs					(174)	(165)	
<b>Current maturities of notes payable and long-term debt</b>					<b>2,782</b>	<b>3,241</b>	
<b>Notes payable and long-term debt, net of current maturities</b>					<b>37,413</b>	<b>34,541</b>	

(1) Interest rates for variable interest rate debt are reflected on a weighted average basis through March 31, 2018 since inception.

(2) Credit facility lender was formerly known as National Bank of Abu Dhabi. There is no stated maturity date as the loan is subject to periodic review by the bank. Therefore, the amount outstanding is reflected within the current maturities of notes payable and long-term debt. Balances outstanding are reflected in U.S. dollars based on the conversion rates from AED as of March 31, 2018 and December 31, 2017.

(3) The unsecured Engineering SA Services revolving credit facility are subject to automatic renewal every three months.

(4) Balances outstanding are reflected in U.S. dollars based on the conversion rates from Euros as of March 31, 2018 and December 31, 2017.

## **Secured Credit Facilities**

On May 5, 2017 the Company entered into a credit agreement with Société Générale (the “Agent”) and other U.S. Loan Parties (the “U.S. Lenders”) consisting of (1) a \$30,000 term loan (the “2017 Term Loan Facility”); (2) 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”); and (3) 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 calculation for the March 31, 2018 test date.

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.

The Company was not in compliance with the requirements of its Revolving Credit Facilities, which required the filing of its 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 now requires the Company to file its Form 10-Q for the first and second quarters of 2018 by September 30, 2018. If the Company does not file such report in accordance with this deadline, it will again be in noncompliance with the requirements of the Revolving Credit Facilities. The Company believes it will be in compliance with the requirements of its Revolving Credit Facilities upon the filing of its Form 10Q for the second quarter of 2018 by October 30, 2018.

### ***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 (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***

The Domestic Revolving Credit Facility and the International Revolving Credit Facility provide for letter of credit sub-limits in amounts of \$20,000 and €8,000 (\$9,860 at March 31, 2018), respectively. The maximum Consolidated Net Leverage Ratio is 3.00 to 1.00 under the Revolving Credit Facilities for all test dates.

The Revolving Credit Facilities require payment of interest only during the term and 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 the maturity date.

The unamortized debt issuance costs of \$2,300 and \$2,400 are included in other assets in the consolidated balance sheet at March 31, 2018 and December 31, 2017, respectively.

The interest rate on borrowings under the Domestic Revolving Credit Facility are, at the Company’s option, either the LIBOR rate for the relevant interest period plus 3.75% per annum or the Base Rate plus 2.75% per annum.

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 paid in full and there have not been any subsequent borrowings through March 31, 2018.

Commitment fees are calculated at 0.50% annually on the average daily unused portion of the Domestic Revolving Credit Facility, and are calculated at 0.75% annually on the average daily unused portion of the International Revolving Credit Facility.

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.

At March 31, 2018 the Company had \$9,850 of outstanding letters of credit and \$8,750 of available borrowing capacity under the Domestic Revolving Credit Facility. At March 31, 2018, the Company had \$4,428 of outstanding letters of credit and \$2,475 of available borrowing capacity under the International Revolving Credit Facility. The availability under the International Revolving Credit Facility was reduced due to the borrowing base calculated for the three months ended December 31, 2017 from €9,156 (\$11,284 as of March 31, 2018) to €5,601 (\$6,903).

#### Note 10 — Supplemental Cash Flow Information

The following table provides additional cash flow information:

	Three Months Ended March 31,	
	2018	2017
Interest and related financing fees paid	\$ 1,189	\$ 3,500
Income taxes paid	\$ 1,148	\$ 1,194

#### Note 11 — Share-Based Compensation

At March 31, 2018, the Company had approximately 5,339 options outstanding with a weighted average exercise price of \$4.49. The Company did not grant any stock options during the three months ended March 31, 2018. During the three months ended March 31, 2018, options for approximately 30 shares with a weighted average exercise price of \$5.06 lapsed and options for approximately 143 shares with a weighted average exercise price of \$4.59 were forfeited.

The Company recognized share-based compensation expense in selling, general and administrative expenses in the consolidated statement of operations totaling approximately \$408 and \$461 for the three months ended March 31, 2018 and 2017, respectively.

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 be delivered to the ICEO on his last day of service as ICEO. During the three months ended March 31, 2018, the ICEO accumulated 42 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 \$273 for the three months ended March 31, 2018 related to these monthly grants, which is included in the share-based compensation expense total reflected above. The ICEO has accumulated a total of 168 shares under this program. 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 12 — Stockholders’ Equity**

The following table summarizes the changes in stockholders’ equity during the three months ended March 31, 2018:

	Total	Hill International, Inc. Stockholders	Noncontrolling Interest
Stockholders’ equity, December 31, 2017	\$ 110,670	\$ 109,075	\$ 1,595
Net loss	(8,151)	(8,149)	(2)
Other comprehensive earnings	(43)	421	(464)
Comprehensive loss	(8,194)	(7,728)	(466)
Additional paid in capital	135	135	—
Exercise of stock options	2,350	2,350	—
Reversal of accrual for portion of ESA Put	745	745	—
Acquisition of Additional interest in ESA	(745)	(122)	(623)
<b>Stockholders’ equity, March 31, 2018</b>	<b>\$ 104,961</b>	<b>\$ 104,455</b>	<b>\$ 506</b>

**Note 13 — Income Taxes**

The effective tax rates for the three months ended March 31, 2018 and 2017 were (16.7)% and 40.1%, respectively. The Company’s effective tax rate represents the Company’s estimated tax rate for the year based on projected income and mix of income among the various foreign tax jurisdictions, adjusted for discrete transactions occurring during the period. The Company’s effective tax for the three months ended March 31, 2018 is lower than the comparable period of 2017, primarily due to U.S. losses as well as the mix of pretax earnings in jurisdictions included in the estimated annual effective tax rate.

The 2017 Tax Act reduced the U.S. statutory tax rate from 35% to 21% beginning in 2018. The 2017 Tax Act requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and introduces a new U.S. tax on certain off-shore earnings referred to as Global Intangible Low-Taxed Income (GILTI) beginning in 2018.

The Company is applying the guidance issued by the Securities and Exchange Commission in Staff Accounting Bulletin 118 when accounting for the enactment-date effects of the 2017 Tax Act. The guidance provides for a measurement period up to one year in which provisional amounts may be adjusted as an income tax expense or benefit in the period the adjustment is determined.

As of March 31, 2018, the Company has not completed its accounting for the tax effects of the 2017 Tax Act and the provisional amounts recorded at December 31, 2017 were not adjusted during the quarter ended March 31, 2018. The Company will continue to analyze the impact of the 2017 Tax Act during the accounting measurement period. The Company’s actual results may materially differ from the Company’s current estimates due to, among other things, further guidance that may be issued by U.S. tax authorities or regulatory bodies to interpret the 2017 Tax Act.

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 tax accounting policy and the Company has included in current income tax expense an immaterial amount related to its estimate of 2018 current year GILTI.

The components of (loss) earnings before income taxes and the related income tax expense by the United States and foreign jurisdictions were as follows:

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	U.S.	Foreign	Total	U.S.	Foreign	Total
(Loss) earnings before income taxes	(3,324)	\$ (3,250)	\$ (6,574)	\$ (5,475)	\$ 8,840	\$ 3,365
Income tax expense, net	12	\$ 1,083	\$ 1,095	\$ —	\$ 1,349	\$ 1,349

The reserve for uncertain tax positions amounted to \$2,842 and \$2,676 at March 31, 2018 and December 31, 2017, respectively, and is included in “Other liabilities” in the consolidated balance sheet at those dates.

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The Company's policy is to record income tax related interest and penalties in income tax expense which amounted to \$15 and \$22 for the three months ended March 31, 2018 and 2017, respectively.

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

**Note 14 —Segment and Related Information**

The Company operates as one reporting segment, the Project Management Group, which reflects how the Company is managed. The Project Management Group provides construction and project management services to construction owners worldwide. Such services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, labor compliance services and facilities management services.

The following tables present certain information for the Project Management Group's operations:

**Revenue by Geographic Region:**

	<b>Three Months Ended March 31,</b>			
	<b>2018</b>		<b>2017</b>	
United States	\$ 51,572	45.2%	\$ 48,736	42.0%
Latin America	2,812	2.5%	3,043	2.6%
Europe	10,457	9.2%	10,190	8.8%
Middle East	40,298	35.4%	45,776	39.4%
Africa	6,703	5.9%	5,715	4.9%
Asia/Pacific	2,055	1.8%	2,660	2.3%
Total	<u>\$ 113,897</u>	<u>100.0%</u>	<u>\$ 116,120</u>	<u>100.0%</u>

For the three months ended March 31, 2018 and 2017, the United States and the Middle East accounted for more than 10% of consolidated total revenue.

**Operating Profit (Loss):**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
United States	\$ 7,333	\$ 4,274
Latin America	(304)	(373)
Europe	2,158	1,416
Middle East	(4,226)	6,802
Africa	669	780
Asia/Pacific	(337)	124
Corporate	(10,533)	(8,909)
Total	<u>\$ (5,240)</u>	<u>\$ 4,114</u>

**Depreciation and Amortization Expense:**

	Three Months Ended March 31,	
	2018	2017
Project Management	\$ 1,059	\$ 1,522
Corporate	232	73
<b>Total</b>	<b>\$ 1,291</b>	<b>\$ 1,595</b>

**Revenue By Client Type:**

	Three Months Ended March 31,			
	2018		2017	
U.S. federal government	\$ 3,872	3.4%	\$ 3,221	2.8%
U.S. state, regional and local governments	33,551	29.5%	35,240	30.3%
Foreign governments	33,806	29.7%	36,582	31.5%
Private sector	42,668	37.4%	41,077	35.4%
<b>Total</b>	<b>\$ 113,897</b>	<b>100.0%</b>	<b>\$ 116,120</b>	<b>100.0%</b>

**Property, Plant and Equipment, Net, by Geographic Location:**

	March 31, 2018	December 31, 2017
United States	\$ 9,245	\$ 9,434
Latin America	548	546
Europe	1,005	675
Middle East	1,091	1,164
Africa	101	105
Asia/Pacific	77	80
<b>Total</b>	<b>\$ 12,067</b>	<b>\$ 12,004</b>

**Note 15 — Commitments and Contingencies**

*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 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.

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

#### *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 is included in other liabilities in the consolidated balance sheet at March 31, 2018.

#### **Note 16 — Subsequent Events**

On August 17, 2018, the Board appointed Raouf S. Ghali as Chief Executive Officer of Hill International, Inc. (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 (the “Board”).

Also on August 17, 2018, the Board approved the termination of Mr. Ghali’s former Employment Agreement, and the Company and Mr. Ghali entered into a written termination agreement with respect to his former Employment Agreement. Further, the Board approved the following new compensation terms, also effective October 1, 2018: (1) Base Salary of \$650,000 annually; (2) Participation in the Company’s Annual Incentive Bonus Plan with an annual target cash bonus of \$675,000, based on metrics to be determined by the Board; (3) Grant of \$900,000 annually in shares of the Company’s common stock, 50% of which will be performance based (as determined by the Board) and 50% of which will be time vested; and (4) Participation in the Company’s 2016 Executive Retention Plan, pursuant to which Mr. Ghali will be entitled to severance equal to two times his annual base salary under certain circumstances.

#### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations** (in thousands, except per share data).

##### *Overview*

The following discussion should be read in conjunction with the information contained in our unaudited condensed consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management’s plans and objectives and any statements concerning assumptions related to the foregoing contained in Management’s Discussion and Analysis of Financial Condition and Results of Operations constitute forward-looking statements. See our Annual Report on Form 10-K, for the fiscal year ended December 31, 2017 filed with the Securities and Exchange Commission on August 31, 2018, including the factors disclosed therein, as well as “Disclosure Regarding Forward-looking Statements” for certain factors that may cause actual results to vary materially from these forward-looking statements.

The Company operates in one operating segment, the Project Management Group, which reflects how the Company is currently being managed.

Total revenue decreased \$2,223, or 1.9%, to \$113,897 for the first quarter of 2018 from \$116,120 for the first quarter of 2017. The decrease was primarily in the Middle East, which decreased 12.0% from the same period in the prior year primarily due to the winding down of projects. The decrease was partially offset by an increase in the United States, Europe and Africa driven by the addition of several new projects in each area.

Gross profit decreased \$2,926, or 7.8%, to \$34,685 for the first quarter of 2018 from \$37,611 for the first quarter of 2017 primarily due to the winding down of major projects in the Middle East.

Selling, general and administrative (“SG&A”) expenses decreased \$676, or 2.0%, to \$32,787 for the first quarter of 2018 from \$33,463 for the first quarter of 2017 primarily due to the \$1,848 decrease in unapplied labor across the Middle East and United States. Indirect labor was also down \$3,126 across the company due to staff reductions as a result of the company’s profit improvement plan initiated during the prior year. These reductions were partially offset by expenses related to the company’s restatement activities of \$2,071 and profit improvement plan expenses of \$2,125.

We had an operating loss of \$5,240, for the first quarter of 2018 compared to operating profit of \$4,114 for the first quarter of 2017. The decrease in operating profit is primarily the result of decreased revenues in the Middle East and the loss on performance bond.

Income tax expense was \$1,095 for the first quarter of 2018 compared to income tax expense of \$1,349 for the first quarter of 2017.

Net loss attributable to Hill was \$8,149 for the first quarter of 2018, compared to net loss of \$2,354 for the first quarter of 2017. Diluted loss per common share attributable to Hill was \$0.15 for the first quarter of 2018 based upon 52,992 diluted common shares outstanding compared to a diluted loss per common share attributable to Hill of \$0.05 for the first quarter of 2017 based upon 51,860 diluted common shares outstanding.

In the latter part of 2016, we initiated a review of our corporate and operational overhead cost structure. The areas that will be most affected will be overhead personnel and related benefits and expenses. We believe these efforts, combined with the sale of the Construction Claims Group and deleveraging of our balance sheet, should significantly improve profitability and shareholder value.

**Results of Operations**

**Three Months Ended March 31, 2018 Compared to  
Three Months Ended March 31, 2017**

**Revenue by geographic region:**

	Three Months Ended March 31,				Change	
	2018		2017			
United States	\$ 51,572	45.2%	\$ 48,736	42.0%	\$ 2,836	5.8 %
Latin America	2,812	2.5%	3,043	2.6%	(231)	(7.6)%
Europe	10,457	9.2%	10,190	8.8%	267	2.6 %
Middle East	40,298	35.4%	45,776	39.4%	(5,478)	(12.0)%
Africa	6,703	5.9%	5,715	4.9%	988	17.3 %
Asia/Pacific	2,055	1.8%	2,660	2.3%	(605)	(22.7)%
<b>Total</b>	<b>\$ 113,897</b>	<b>100.0%</b>	<b>\$ 116,120</b>	<b>100.0%</b>	<b>\$ (2,223)</b>	<b>(1.9)%</b>

Total Revenue decreased by approximately \$2,223 for the three months ended March 31, 2018 when compared to the same time period in the prior year. Revenues in the Middle East decreased approximately \$5,478 due to the winding down of projects in the region. This was partially offset by an increase in the United States of \$2,836, Europe \$267 and Africa of \$988 as a result of adding new work within each region.

**Gross Profit:**

		Three Months Ended March 31,							
		2018		2017				Change	
			% of Revenue		% of Revenue				
United States	\$ 15,468	44.5%	30.0%	\$ 15,580	41.4%	32.0%	\$ (112)	(0.7)%	
Latin America	1,142	3.3%	40.6%	1,083	2.9%	35.6%	59	5.4 %	
Europe	3,727	10.7%	35.6%	3,290	8.7%	32.3%	437	13.3 %	
Middle East	10,773	31.1%	26.7%	13,839	36.8%	30.2%	(3,066)	(22.2)%	
Africa	2,723	7.9%	40.6%	2,510	6.7%	43.9%	213	8.5 %	
Asia/Pacific	852	2.5%	41.5%	1,309	3.5%	49.2%	(457)	(34.9)%	
<b>Total</b>	<b>\$ 34,685</b>	<b>100.0%</b>	<b>30.5%</b>	<b>\$ 37,611</b>	<b>100.0%</b>	<b>32.4%</b>	<b>\$ (2,926)</b>	<b>(7.8)%</b>	

The Gross Profit for the three months ended March 31, 2018 decreased approximately \$2,926 compared to the same period in the prior year. The decrease was primarily due to a reduction of approximately \$3,066 in the Middle East region as a result of the winding down of projects.

**SG&A expense:**

SG&A expenses for the three months ended March 31, 2018 decreased approximately \$676 when compared to the same period in prior year. The \$1,848 decrease in unapplied labor across the Middle East and United States was a driving factor. Indirect labor was also down \$3,126 across the Company due to staff reductions as a result of the Company's profit improvement plan initiated during the prior year. These reductions were offset by expenses related to the Company's restatement activities of \$2,071 and profit improvement plan expenses of \$2,125. SG&A expenses represented approximately 28.8% of revenue for each of the three months ended March 31, 2018 and 2017.

**Operating Profit (Loss):**

		Three Months Ended March 31,							
		2018		2017				Change	
			% of Revenue		% of Revenue				
United States	\$ 7,333	14.2 %	14.2 %	\$ 4,274	8.8 %	8.8 %	\$ 3,059	71.6 %	
Latin America	(304)	(10.8)%	(10.8)%	(373)	(12.3)%	(12.3)%	69	(18.5)%	
Europe	2,158	20.6 %	20.6 %	1,416	13.9 %	13.9 %	742	52.4 %	
Middle East	(4,226)	(10.5)%	(10.5)%	6,802	14.9 %	14.9 %	(11,028)	(162.1)%	
Africa	669	10.0 %	10.0 %	780	13.6 %	13.6 %	(111)	(14.2)%	
Asia/Pacific	(337)	(16.4)%	(16.4)%	124	4.7 %	4.7 %	(461)	(371.8)%	
Corporate cost	(10,533)	—	—	(8,909)	—	—	(1,624)	18.2 %	
<b>Total</b>	<b>\$ (5,240)</b>	<b>(4.6)%</b>	<b>(4.6)%</b>	<b>\$ 4,114</b>	<b>3.5 %</b>	<b>3.5 %</b>	<b>\$ (9,354)</b>	<b>(227.4)%</b>	

Operating Profit decreased approximately \$9,354 in the three months ended March 31, 2018 compared to the same period in the prior year. The decrease in operating profit is primarily the result of decreased revenues in the Middle East, additional expenses at Corporate related to the 2016 restatement and loss on performance bond.

On February 8, 2018, the Company received notice from the First Abu Dhabi Bank ("FAB", formerly known as the National Bank of Abu Dhabi) that Public Authority of Housing Welfare of Kuwait submitted a claim for payment on a Performance Guarantee issued by the Company for approximately \$7,938 for a project located in Kuwait. FAB subsequently issued, on behalf of the Company, a payment on February 15, 2018. We are taking legal action to recover the full Performance Guarantee amount. On September 20, 2018 the Kuwait First Instance Court dismissed our case. We are currently in the process of filing an appeal before the Kuwait Court of Appeals. As a result of the First Instance Court decision, we fully reserved the performance guarantee payment in the first quarter of 2018 and it is presented as "Loss on Performance Bond" on the consolidated statements of operations.

#### **Interest and Related Financing Fees, net**

Interest and related financing fees increased \$585 to \$1,334 for the three months ended March 31, 2018 as compared with \$749 for three months ended March 31, 2017 due a reduction in interest expense for the three months ended March 31, 2017 related to the reallocation of interest expense during the period to discontinued operations that were subsequently paid down in conjunction with the sale of the Construction Claims Group (see Note 11 - Notes Payable and Long-Term Debt of 2017 Annual Report on Form 10-K).

#### **Income Taxes**

For the three months ended March 31, 2018 and 2017, the Company recognized income tax expense of \$1,095 and \$1,349, respectively.

The effective income tax rates for the three-month periods ended March 31, 2018 and 2017 were (16.7)% and 40.1%, respectively. The Company's effective tax for the three months ended March 31, 2018 is lower than the comparable period of 2017, primarily due to U.S. losses as well as the mix of pretax earnings in jurisdictions included in the estimated annual effective tax rate.

#### **Net Loss Attributable to Hill**

The net loss attributable to Hill International, Inc. for the three months ended March 31, 2018 was \$8,149, or \$0.15 per diluted common share based on 52,992 diluted weighted average common shares outstanding, as compared to net loss for the three months ended March 31, 2017 of \$2,354, or \$0.05 per diluted weighted average common shares based upon 51,860 diluted weighted average common shares outstanding. Loss from continuing operations for the three months ended March 31, 2018 were \$7,669, or \$0.14 per diluted weighted average common share, compared to Net income from continuing operations of \$2,016, or \$0.04 per diluted weighted average common shares, for the three months ended March 31, 2017.

#### **Liquidity and Capital Resources**

At March 31, 2018, our primary sources of liquidity consisted of \$17,820 of cash and cash equivalents and \$13,236 of available borrowing capacity under our various credit facilities. See Note 9 to our consolidated financial statements for a description of our credit facilities and other term loans. We believe that we have sufficient liquidity to support the anticipated cash needs of our operations over the next twelve months. However, significant unforeseen events, such as termination or cancellation of major contracts or further delays in receivable collections, could adversely affect our liquidity and results of operations.

We were not in compliance with the requirements of our Revolving Credit Facilities, which required the filing of our 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 now require us to file our Form 10-Q for the first and second quarters of 2018 by September 30, 2018. If we do not file such report in accordance with this deadline, we will again be in noncompliance with the requirements of the Revolving Credit Facilities. We believe we will be in compliance with the requirements of our Revolving Credit Facilities upon the filing of our Form 10Q for the second quarter of 2018 by October 30, 2018.

#### **Sources of Additional Capital**

We 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 March 31, 2018, we had approximately \$76,409 of availability under these arrangements.

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

### **Cash Flow Activity For the Three Months Ended March 31, 2018**

For the three months ended March 31, 2018, cash, cash equivalents and restricted cash decreased by \$3,405 to \$23,515. Cash used in continuing operations was \$6,026, cash used in investing activities was \$1,108 and cash provided by financing activities was \$4,330. We also experienced decrease in cash of \$601 from the effect of foreign currency exchange rate fluctuations.

#### ***Operating Activities***

Our operations used cash of \$6,026 for the three months ended March 31, 2018. This compares to cash used in operating activities of \$16,843 for the three months ended March 31, 2017. We had a consolidated loss from continuing operations for the three months ended March 31, 2018 of \$7,669 compared to earnings of \$2,016 for the three months ended March 31, 2017. Depreciation and amortization was \$1,291 during the three months ended March 31, 2018 compared to \$1,595 during the first three months ended March 31, 2017.

Cash held in restricted accounts as collateral for the issuance of performance and advance payment bonds and letters of credit at March 31, 2018 and December 31, 2017 were \$5,695 and \$5,567, respectively.

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 changes in our receivables and payables relative to the changes in our overall business, as well as our acquisition activity.

#### ***Investing Activities***

Net cash used in investing activities was \$1,108 for the three months ended March 31, 2018, primarily as a result of the routine purchases of property and equipment for operational activities.

#### ***Financing Activities***

Net cash provided by financing activities was \$4,330 for the three months ended March 31, 2018 due to the exercise of employee stock options during the period and net borrowings.

### ***Backlog***

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.

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

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, there can be no assurance that such changes will not be significant in the future. 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	
<b>March 31, 2018</b>				
United States	\$ 475,650	55.2%	\$ 118,385	37.9%
Latin America	17,393	2.0%	9,521	3.0%
Europe	65,889	7.7%	30,707	9.8%
Middle East	210,386	24.5%	125,677	40.2%
Africa	64,331	7.5%	22,449	7.2%
Asia/Pacific	26,401	3.1%	5,877	1.9%
Total	\$ 860,050	100.0%	\$ 312,616	100.0%
<b>December 31, 2017</b>				
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%

At March 31, 2018, our backlog was approximately \$860,050 compared to approximately \$845,799 at December 31, 2017. Our net bookings during the first quarter of 2018 of \$127,361 equates to a book-to-bill ratio of 112.6%. Our book to bill ratio, a non-GAAP measure, is determined by taking our net bookings and dividing by total revenue. During the first quarter of 2018, we were awarded new contracts in Asia/Pacific, Europe and the United States. We estimate that approximately \$312,616 or 36.3% of the backlog at March 31, 2018, will be recognized over the next twelve months.

The difference between the remaining performance obligations of \$137,978 and the backlog of \$860,050 at March 31, 2018 is due to backlog including customer contracts billed on a time and materials basis which can be terminated at will resulting in the client only being obligated to the Company for services provided through the termination date. In addition, backlog includes time and materials contracts with cap values that are not expected to be exceeded, which are treated similarly to time and materials contracts without a cap value.

#### 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.

#### Critical Accounting Policies

The Company's interim financial statements were prepared in accordance with United States generally accepted accounting principles, which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting these judgments increases, such judgments become even more subjective. While management believes its assumptions are reasonable and appropriate, actual results may be materially different than estimated. The critical accounting estimates and assumptions have not materially changed from those identified in the Company's 2017 Annual Report on Form 10-K.

**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 of Form 10K for the year ended December 31, 2017 filed with the SEC on August 31, 2018 and Note 3 to the consolidated financial statements filed herein.

**Subsequent Events**

On August 17, 2018, the Board appointed Raouf S. Ghali as Chief Executive Officer of Hill International, Inc. (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 (the "Board").

Also on August 17, 2018, the Board approved the termination of Mr. Ghali's former Employment Agreement, and the Company and Mr. Ghali entered into a written termination agreement with respect to his former Employment Agreement. Further, the Board approved the following new compensation terms, also effective October 1, 2018: (1) Base Salary of \$650,000 annually; (2) Participation in the Company's Annual Incentive Bonus Plan with an annual target cash bonus of \$675,000, based on metrics to be determined by the Board; (3) Grant of \$900,000 annually in shares of the Company's common stock, 50% of which will be performance based (as determined by the Board) and 50% of which will be time vested; and (4) Participation in the Company's 2016 Executive Retention Plan, pursuant to which Mr. Ghali will be entitled to severance equal to two times his annual base salary under certain circumstances.

Following the appointment of Mr. Ghali as the Company's CEO, Paul J. Evans, the Company's Interim CEO, will continue to serve as an independent director on the Board.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Refer to our 2017 Annual Report on Form 10-K for a complete discussion of the Company's market risk. There have been no material changes to the market risk information included in our 2017 Annual Report on Form 10-K.

#### **Item 4. Controls and Procedures.**

##### **Evaluation of Disclosure Controls and Procedures**

The management of the Company, under the supervision and with the participation of our Interim Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 31, 2018. Management concluded that, due to the on-going remediation associated with the material weakness identified in our 2017 Annual Report on Form 10-K ("2017 Form 10-K"), our disclosure controls and procedures were ineffective as of March 31, 2018 to provide reasonable assurance that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

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.

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.

For a more comprehensive discussion of the material weaknesses in internal control over financial reporting identified by management as of December 31, 2017 and the remedial measures undertaken to address these material weaknesses, investors are encouraged to review Item 9A, Disclosure Controls and Procedures, of our 2017 Form 10-K.

##### **Changes in Internal Control Over Financial Reporting**

Our remediation efforts were ongoing during the three months ended March 31, 2018, and, other than those remediation efforts described in Item 9A of our 2017 Annual Report on Form 10-K, there were no other material changes in our internal control over financial reporting that occurred during the three months ended March 31, 2018 that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

We have continued to monitor the remedial measures through the date of this on Form 10-Q and there were no changes, other than the items discussed in Item 9A of our 2017 Annual Report on Form 10-K, to our internal control over financial reporting during the three months ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II — OTHER INFORMATION

### Item 1. Legal Proceedings.

Information required by this item is incorporated by reference to Part I, item 1, Note 15 — Commitments and Contingencies, *General Litigation*.

### Item 1A. Risk Factors.

There has been no material changes pertaining to risk factors discussed in the Company's 2017 Annual Report on Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

None.

### Item 6. Exhibits

10.1	<a href="#"><u>Nomination and Standstill Agreement by and among the Ajdler Group and Hill International, Inc. (Included as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 9, 2018 and incorporated herein by reference).</u></a>
10.2	<a href="#"><u>Hill International, Inc. 2017 Equity Compensation Plan (amended and restated through March 26, 2018)</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
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.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.

## SIGNATURES

Pursuant to the requirements 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 J. Evans

Paul J. Evans

*Interim Chief Executive Officer*

(Principal Executive Officer)

Dated: September 28, 2018

By: /s/ Marco A. Martinez

Marco A. Martinez

*Senior Vice President and Interim Chief Financial Officer*

(Principal Financial Officer and Principal Accounting Officer)

Dated: September 28, 2018

HILL INTERNATIONAL, INC.

2017 EQUITY COMPENSATION PLAN

(amended and restated through March 26, 2018)

**1. PURPOSE**

The purpose of the Hill International, Inc. 2017 Equity Compensation Plan (the “Plan”) is to enable Hill International, Inc. (the “Company”) to attract, retain, motivate and provide additional incentive to certain directors, officers, employees, consultants and advisors, whose contributions are essential to the growth and success of the Company, by enabling them to participate in the long-term growth of the Company through stock ownership and equity-based incentives. Awards under the Plan may be made in the form of Options (including Stock Appreciation Rights), Restricted Stock, Deferred Stock Units, Restricted Stock Units, Dividend Equivalent Rights and other forms of equity based Awards as contemplated herein.

**2. DEFINITIONS**

As used in the Plan:

(a) “Award” except where referring to a particular category of grant under the Plan, shall include Options, Restricted Stock, RSUs, DSUs, Dividend Equivalent Rights and other equity-based Awards as contemplated herein.

(b) “Award Agreement” means a written agreement in a form approved by the Board, as provided in Section 4. An Award Agreement may be, without limitation, an employment or other similar agreement containing provisions governing grants hereunder, if approved by the Board for use under the Plan.

(c) “Board” means the Board of Directors of the Company.

(d) “Cause” means the termination of a Participant’s employment, consulting or advisory relationship with the Company or the termination of a Participant’s membership on the Board because of the occurrence of any of the following events:

(i) the Participant materially breaches any of his obligations as an employee or director of the Company;

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(ii) the Participant conducts his duties with respect to the Company in a manner that is improper or negligent; or

(iii) the Participant fails to perform his obligations faithfully as provided in any employment agreement executed between the Company and the Participant, engages in habitual drunkenness, drug abuse, or commits a felony, fraud or willful misconduct which has resulted, or is likely to result, in material damage to the Company, or as the Board in its sole discretion may determine.

(e) “Change in Control” shall mean the occurrence of any of the following events:

(i) Any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, excluding the acquisition of additional stock by a person or more than one person acting as a group who is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company;

(ii) A majority of Board members are replaced during a two-year period by directors whose election is not endorsed by a majority of the Board members prior to the election; or

(iii) The consummation of a merger, reorganization, consolidation or similar transaction of the Company, with any other corporation, other than a merger, reorganization, consolidation or similar transaction which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company, or such surviving entity or its parent outstanding immediately after such merger, reorganization, consolidation or similar transaction; or

(iv) A dissolution or liquidation of the Company.

The definition of Change in Control under this Plan will be construed consistent with the definition of “Change in Control” as defined in Section 409A of Code, and the applicable Treasury Regulations, as amended from time to time.

(f) “Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

(g) “Committee” means the Compensation Committee of the Board (or any successor committee of the Board) or such other committee that is responsible for making recommendations to the Board (or for exercising authority delegated to it by the Board pursuant to Section 4 of the

Plan, if any) with respect to the grant and terms of Awards under the Plan; provided, however, that (i) with respect to Awards to any employees who are officers of the Company or members of the Board for purposes of Section 16 of the Exchange Act, Committee means all of the members of the Compensation Committee who are “non-employee directors” within the meaning of Rule 16b-3 adopted under the Exchange Act, or any successor rule, and (ii) with respect to all Awards, the Committee shall be comprised of “independent” directors.

(h) “Common Stock” means the common stock, \$0.0001 par value per share, of the Company.

( i ) “Company” means Hill International, Inc., a Delaware corporation, and any present or future parent or subsidiary corporations (as defined in Section 424 of the Code) or any successor to such corporations.

( j ) “Covered Shares” means any shares acquired by a Participant subject to Section 16 of the Plan pursuant to an Award granted under this Plan, net of taxes and transaction costs. For these purposes, “taxes and transaction costs” include, without limitation: (i) shares retained by the Company to satisfy tax withholding requirements attributable to such Awards, and (ii) any taxes payable by such Participant related to Awards which are in excess of the Fair Market Value of the Shares withheld in accordance with clause (i).

(k) “Deferred Stock Unit” or “DSU” means a deferred award of Shares that are subject to restrictions hereunder.

(l) “Director” means a member of the Board.

(m) “Disability” means permanent and total disability as defined in Section 22(e)(3) of the Code.

(n) “Dividend Equivalent Right” means a right awarded under Section 11 to receive (or have credited) the equivalent value of dividends paid on Common Stock.

(o) “Eligible Person” means (i) an employee, Non-Employee Director, officer, advisor, consultant or other personnel of the Company or other person expected to provide services (of a type expressly approved by the Board as covered services for these purposes) to the Company or (ii) joint venture affiliates of the Company or other entities designated in the discretion of the Board, or officers, directors, employees, members, or managers of the foregoing. In the case of grants directly or indirectly to employees of entities described in clause (ii) of the foregoing sentence, the Board may make arrangements with such entities as it may consider appropriate in its discretion, in light of tax and other considerations.

(p) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(q) “Fair Market Value”, with respect to Common Stock, shall be determined as follows:

(i) If the Common Stock is at the time listed on any stock exchange or the Nasdaq National Market or the Nasdaq SmallCap Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the stock exchange or the Nasdaq Market determined by the Board to be the primary market for the Common Stock, as such price is officially reported on such exchange or market. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time traded on the Over-The-Counter Bulletin Board (“OTCBB”), then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is quoted on the OTCBB or any successor system. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the Common Stock is not listed or traded on any stock exchange or Nasdaq System or the OTCBB, the Fair Market Value shall be determined by the Board in good faith and in the manner established by the Board from time to time using a reasonable valuation method.

(r) “Grantee” means an Eligible Person granted Restricted Stock, RSUs, DSUs, Dividend Equivalent Rights, SARs or such other equity-based Awards (other than an Option) as may be granted.

(s) “Incentive Stock Option” means an option to purchase shares of Common Stock awarded to a Participant under the Plan which is designated as such or is otherwise intended to meet the requirements of Section 422 of the Code or any successor provision.

(t) “Non-Employee Director” means a member of the Board who is not an employee of the Company.

(u) “Non-Qualified Stock Option” means an option to purchase shares of Common Stock granted to a Participant under the Plan which is designated as such or is otherwise not intended to be an Incentive Stock Option.

(v) “Option” means an Incentive Stock Option or a Non-Qualified Stock Option.

(w) “Optionee” means an Eligible Person to whom an Option is granted, or the Successors of the Optionee, as the context so requires.

(x) “Option Price” means the price per Share, determined by the Board or the Committee, at which an Option may be exercised.

(y) “Participant” means an eligible person selected by the Board to receive an Award under the Plan.

(z) “Performance Goals” means the factors selected by the Board and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or subsidiary, either individually, alternatively, or in any combination, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the Performance Goals established by the Board with respect to applicable Awards have been satisfied. Performance Goals may include (but are not limited to) one or more of the following: (i) earnings per Share, (ii) revenues, (iii) cash flow, (iv) cash flow from operations, (v) total stockholder return, (vi) the Company’s stock price, (vii) return on assets, (viii) return on investment, (ix) return on capital, (x) return on equity, (xi) economic value added, (xii) profit (which may include gross, net or operating), (xiii) margin (which may include gross, contribution or net), (xiv) earnings (which may include earnings before interest, taxes, depreciation and amortization, earnings before interest and taxes, earnings before taxes, and net earnings), (xv) earnings per Share, (xvi) measures of earnings or profit as a percentage of revenue, (xvii) contract awards or backlog, (xviii) overhead or other expense reduction, (xix) market share, (xx) change in the Fair Market Value of the Shares, (xxi) individual confidential business objectives, (xxii) strategic plan development and implementation, (xxiii) attainment of objective operating goals and employee metrics, (xxiv) any other metric that is capable of measurement by the Committee, and (xxv) any of the above goals determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor’s 500 Stock Index or a group of comparable companies. Performance Goals may differ for Awards granted to any one Participant or to different Participants.

(aa) “Plan” means the Hill International, Inc. 2017 Equity Compensation Plan.

(bb) “Restricted Stock” means an award of Shares that are subject to restrictions hereunder.

(cc) “Restricted Stock Unit” or “RSU” means a right, pursuant to the Plan, of the Grantee to payment of the RSU Value.

(dd) “RSU Value,” per RSU, means the Fair Market Value of a Share or, if so provided by the Board, such Fair Market Value to the extent in excess of a base value established by the Board at the time of grant.

(ee) “Securities Act” means the Securities Act of 1933, as amended.

(ff) “Settlement Date” means the date determined under Section 9.4(c).

(gg) “Shares” means shares of Common Stock of the Company.

(hh) “Stock Appreciation Right” or “SAR” means a stock appreciation right with respect to a share of Common Stock.

(ii) “Successor of the Optionee” means the legal representative of the estate of a deceased Optionee or the person or persons who shall acquire the right to exercise an Option by bequest or inheritance or by reason of the death of the Optionee.

(jj) “Termination of Service” means a Participant’s termination of employment or other service (as a Director, consultant or otherwise), as applicable, with the Company. For purposes of the Plan, the following events shall not be deemed a Termination of Service of a Participant: (i) a transfer to the employment of the Company from a subsidiary or from the Company to a subsidiary, or from one subsidiary to another, or (ii) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Participant’s right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Board or the Company otherwise so provides in writing. For purposes of the Plan, employees of a subsidiary of the Company shall be deemed to have terminated their employment on the date on which such subsidiary ceases to be a subsidiary of the Company.

### **3. EFFECTIVE DATE AND TERMINATION OF PLAN**

The effective date of the Plan is June 27, 2017, the date of the approval of the Plan by the stockholders of the Company. The Plan shall terminate on, and no Award shall be granted hereunder on or after, the 10-year anniversary of the effective date; provided, however, that the Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no amendment shall be granted without shareholder approval if such approval is necessary to comply with any applicable tax laws or regulatory requirement. Notwithstanding the foregoing, a termination of the Plan that occurs after an Award is made shall not materially impair the rights of a Participant unless the Participant consents. The termination of the Plan shall not impair the power and authority of the Board with respect to an outstanding Award.

### **4. ADMINISTRATION OF PLAN**

(a) The Plan shall be administered by the Board. Among other things, the Board shall have authority, subject to the terms of the Plan including, without limitation, the provisions governing participation in the Plan, to grant Awards, to determine the individuals to whom and the time or times at which Awards may be granted and to determine the terms and conditions of any Award granted hereunder. Subject to paragraph (d) of this Section 4, the Board may solicit the recommendations of the Committee with respect to any of the foregoing, but shall not be bound to follow any such recommendations.

(b) Subject to the provisions of this Plan, the Board shall have authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time consider advisable, to interpret the provisions of the Plan and any Award and to decide all disputes arising in connection with the Plan. The Board's decision and interpretations shall be final and binding. Any action of the Board with respect to the administration of the Plan shall be taken pursuant to a majority vote or by the unanimous written consent of its members.

(c) The Board may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. The Board shall keep minutes of its actions under the Plan.

(d) The Board shall have the authority to delegate all or any portion of the authority granted to it (consistent with applicable law) under this Section 4 or elsewhere under the Plan to the Committee. If such authority is so delegated by Board, the Committee shall have such rights and authority to make determinations and administer the Plan as are specified in the delegation of authority. To the extent that the Board delegates its authority as provided by this Section 4(d), all references in the Plan to the Board's authority to grant Awards and make determinations with respect thereto shall be deemed to include the Committee

(e) The Award Agreement shall contain such other terms, provisions and conditions not inconsistent herewith as shall be determined by the Board. In the event that any Award Agreement or other agreement hereunder provides (without regard to this sentence) for the obligation of the Company to purchase or repurchase Shares from a Participant or any other person, then, notwithstanding the provisions of the Award Agreement or such other agreement, such obligation shall not apply to the extent that the purchase or repurchase would not be permitted under applicable law. The Participant shall take whatever additional actions and execute whatever additional documents the Board may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of the Plan and the Award Agreement.

## **5. ELIGIBILITY**

All officers, employees, consultants and advisors of the Company who are from time to time responsible for the management, growth and protection of the business of the Company, and all directors of the Company, shall be eligible to participate in the Plan. The Participants under the Plan shall be selected from time to time by the Board, in its sole discretion, from among those eligible, and the Board shall determine in its sole discretion the numbers of shares to be covered by the Award or Awards granted to each Participant. Options intended to qualify as Incentive Stock Options shall be granted only to key employees while actually employed by the Company. Non-Employee

Directors, consultants and advisors shall not be entitled to receive Incentive Stock Options under the Plan.

## **6. SHARES AND UNITS SUBJECT TO THE PLAN**

### **6.1 In General.**

(a) Subject to adjustments as provided in Section 18, the total number of Shares subject to Awards granted under the Plan (including securities convertible into or exchangeable for Shares), in the aggregate, may not exceed 4,250,000 Shares, each of which may be issued as Incentive Stock Options. The maximum number of Shares that may underlie Options granted in any calendar year to any Eligible Person other than any Non-Employee Director, shall not exceed 2,500,000 Shares. The maximum number of Shares that may underlie Awards, other than Options, granted in any calendar year to any Eligible Person other than any Non-Employee Director, shall not exceed 1,000,000 Shares. Awards granted to a Non-Employee Director in any calendar year shall not exceed a value of Three Hundred Thousand Dollars (\$300,000) as calculated on the date an Award is granted. Shares of Common Stock issued under the Plan may consist in whole or in part of authorized and unissued shares, shares purchased in the open market or otherwise, treasury shares, or any combination thereof, as the Board may from time to time determine.

(b) Any Shares that have been granted as Restricted Stock or that have been reserved for distribution in payment for Options, RSUs, DSUs or other equity-based Awards but are later forfeited or for any other reason are not payable under the Plan shall again be available for grant under the Plan. For purposes of clarification, (i) any Shares that are tendered as payment or withheld to cover taxes due on an Award shall not again be available for grant under the Plan, (ii) any Shares that are repurchased by the Company using Option exercise proceeds shall not again be available for grant under the Plan and (iii) stock-settled SARs shall be counted against the share reserve set forth in Section 6.1(a) above on a gross basis, regardless of the number of Shares issued to settle the Award.

(c) Shares subject to Dividend Equivalent Rights, other than Dividend Equivalent Rights based directly on the dividends payable with respect to Shares subject to Options or the dividends payable on a number of Shares corresponding to the number of RSUs or DSUs awarded, shall be subject to the limitation of Section 6.1(a). Notwithstanding Section 6.1(a), there shall be no limit on the number of RSUs or Dividend Equivalent Rights to the extent they are paid out in cash that may be granted under the Plan. If any RSUs, Dividend Equivalent Rights or other equity-based Awards under Section 13 are paid out in cash, then, notwithstanding the first sentence of Section 6.1(a) above (but subject to the second sentence thereof) the underlying Shares may again be made the subject of Awards under the Plan. Notwithstanding the foregoing or any provision of this Plan, no dividends or Dividend Equivalent Rights shall be paid on unvested Awards under the Plan. Subject to the terms of an individual Award Agreement and in the discretion of the Board,

dividends or Dividend Equivalent Rights may be accrued during the applicable vesting period and become payable upon the vesting of the Award.

(d) The certificates for Shares issued hereunder may include any legend which the Board deems appropriate to reflect any rights of first refusal or restrictions on transfer hereunder or under the Award Agreement, or as the Board may otherwise deem appropriate.

(e) In the event that the Board determines, in its sole discretion, that any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reclassification, reorganization, merger, consolidation, stock split, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below Fair Market Value, or other similar transaction affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be granted under the Plan to Participants, the Board shall have the right to adjust equitably any or all of (i) the number of shares of Common Stock in respect of which Awards may be granted under the Plan to Participants, (ii) the number and kind of shares subject to outstanding Awards held by Participants, and (iii) the exercise price with respect to any Awards held by Participants, and if considered appropriate, the Board may make provision for a cash payment with respect to any outstanding Awards held by a Participant, provided that the number of shares subject to any Award shall always be a whole number.

(f) Awards granted under the Plan shall be subject to a one-year minimum vesting requirement. Notwithstanding the foregoing, and subject to adjustments as provided in Section 18, Awards which are not subject to the one-year minimum vesting requirement set forth in this Section 6.1(f) may be granted to an individual as an inducement to be hired as an employee of the Company, provided that the total number of Shares available to be granted or underlying such Awards pursuant to this sentence shall be less than 212,458 Shares. Except as otherwise permitted in the Plan, the requirements of this Section 6.1(f) may not be overridden by Board discretion or in an individual Grantee's or Optionee's Award Agreement.

## **7. PROVISIONS APPLICABLE TO OPTIONS**

### **7.1 Grant of Option.**

Subject to the other terms of the Plan, the Board may, in its discretion as reflected by the terms of the applicable Award Agreement: (i) determine and designate from time to time those Eligible Persons to whom Options are to be granted and the number of Shares to be optioned to each Eligible Person; (ii) determine whether to grant Options intended to be Incentive Stock Options, or to grant Non-Qualified Stock Options, or both; provided that Incentive Stock Options may only be granted to key employees of the Company; (iii) determine the time or times when and the manner and condition in which each Option shall be exercisable and the duration of the exercise period; (iv) designate each Option as one intended to be an Incentive Stock Option or as a Non-Qualified

Stock Option; and (v) determine or impose other conditions to the grant or exercise of Options under the Plan as it may deem appropriate. Notwithstanding anything to the contrary in this Plan, to the extent that any Option does not qualify as an Incentive Stock Option, it shall constitute a separate Non-Qualified Stock Option.

## **7.2 Option Price.**

The Option Price shall be determined by the Board on the date the Option is granted and reflected in the Award Agreement, as the same may be amended from time to time. Any particular Award Agreement may provide for different Option Prices for specified amounts of Shares subject to the Option; provided that the Option Price shall not be less than 100% of the Fair Market Value of a Share on the day the Option is granted.

## **7.3 Period of Option and Vesting.**

(a) Unless earlier expired, forfeited or otherwise terminated, each Option shall expire in its entirety upon the tenth (10<sup>th</sup>) anniversary of the date of grant or shall have such other term as is set forth in the applicable Award Agreement. The Option shall also expire, be forfeited and terminate at such times and in such circumstances as otherwise provided hereunder or under the Award Agreement.

(b) Each Option, to the extent that the Optionee has not had a Termination of Service and the Option has not otherwise lapsed, expired, terminated or been forfeited, shall first become exercisable according to the terms and conditions set forth in the Award Agreement, as determined by the Board at the time of grant. Unless otherwise provided in the Plan or the Award Agreement, no Option (or portion thereof) shall ever be exercisable if the Optionee has a Termination of Service before the time at which such Option (or portion thereof) would otherwise have become exercisable, and any Option that would otherwise become exercisable after such Termination of Service shall not become exercisable and shall be forfeited upon such termination. Notwithstanding the foregoing provisions of this Section 7.3(b), Options exercisable pursuant to the schedule set forth by the Board at the time of the grant may be fully or more rapidly exercisable or otherwise vested in the discretion of the Board upon the occurrence of a Change in Control or an individual Optionee's death or Disability. Upon and after the death of an Optionee, such Optionee's Options, if and to the extent otherwise exercisable hereunder or under the applicable Award Agreement after the Optionee's death, may be exercised by the Successors of the Optionee. Subject to the provisions of an Optionee's Award Agreement, as determined in the discretion of the Board, in the event of a Change in Control, an Optionee's Options shall be fully vested and exercisable.

## **7.4 Exercisability Upon and After Termination of Optionee.**

(a) Subject to provisions of the Award Agreement, if an Optionee has a Termination of Service other than by the Company for Cause, or other than by reason of death or

Disability, then no exercise of an Option may occur after the expiration of the three-month period to follow the termination, or if earlier, the expiration of the term of the Option as provided under Section 7.3(a); provided that, if the Optionee should die after the Termination of Service, but while the Option is still in effect, the Option (if and to the extent otherwise exercisable by the Optionee at the time of death) may be exercised until the earlier of (i) twelve (12) months from the date of the Termination of Service of the Optionee, or (ii) the date on which the term of the Option expires in accordance with Section 7.3(a).

(b) Subject to provisions of the Award Agreement, in the event the Optionee has a Termination of Service on account of death or Disability, the Option (whether or not otherwise exercisable) may be exercised until the earlier of (i) twelve (12) months from the date of the Termination of Service of the Optionee, or (ii) the date on which the term of the Option expires in accordance with Section 7.3.

(c) Notwithstanding any other provision hereof, unless otherwise provided in the Award Agreement, if the Optionee has a Termination of Service for Cause, the Optionee's Options, to the extent then unexercised, shall thereupon cease to be exercisable and shall be forfeited forthwith.

### **7.5 Exercise of Options.**

(a) Subject to vesting, restrictions on exercisability and other restrictions provided for hereunder or otherwise imposed in accordance herewith, an Option may be exercised, and payment in full of the aggregate Option Price made, by an Optionee only by written notice (in the form prescribed by the Board) to the Company or its designee specifying the number of Shares to be purchased.

(b) Without limiting the scope of the Board's discretion hereunder, the Board may impose such other restrictions on the exercise of Options (whether or not in the nature of the foregoing restrictions) as it may deem necessary or appropriate.

### **7.6 Payment.**

(a) The Board shall determine whether Options are settled in whole or in part in cash, Common Stock, other securities of the Company, or other property, and may, in its discretion, permit "cashless exercises" pursuant to such procedures as may be established by the Board.

(b) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Company. Such payment may be made in whole or in part in cash or by certified or bank check or, to the extent permitted by the Board at or after the grant of the Option, by delivery of shares of Common Stock owned by the

Participant valued at their Fair Market Value on the date of delivery, or such other lawful consideration as the Board may in its sole discretion determine.

(c) The Board may impose limitations and prohibitions on the exercise of Options as it deems appropriate, including, without limitation, any limitation or prohibition designed to avoid accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option.

(d) The Board may provide that no Option may be exercised with respect to any fractional Share. Any fractional Shares resulting from an Optionee's exercise that is accepted by the Company shall in the discretion of the Board be paid in cash.

#### **7.7 Exercise by Successors.**

An Option may be exercised, and payment in full of the aggregate Option Price made, by the Successors of the Optionee only by written notice (in the form prescribed by the Board) to the Company specifying the number of Shares to be purchased. Such notice shall state that the aggregate Option Price will be paid in full, or that the Option will be exercised as otherwise provided hereunder, in the discretion of the Company or the Board, if and as applicable.

#### **7.8 Nontransferability of Option.**

Each Option granted under the Plan shall be nontransferable by the Optionee except by will or the laws of descent and distribution of the state wherein the Optionee is domiciled at the time of his death; provided, however, that the Board may (but need not) permit other transfers, where the Board concludes that such transferability (i) does not result in accelerated U.S. federal income taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Section 422(b) of the Code, (iii) complies with applicable law, including securities laws, and (iv) is otherwise appropriate and desirable. In no event may an Option be transferred by an Optionee for consideration without the prior approval of the Company's stockholders.

#### **7.9 Certain Incentive Stock Option Provisions.**

(a) In no event may an Incentive Stock Option be granted other than to employees of the Company or a "subsidiary corporation" or a "parent corporation," as each is defined in Section 424(f) of the Code, with respect to the Company. The aggregate Fair Market Value, determined as of the date an Option is granted, of the Common Stock for which any Optionee may be awarded Incentive Stock Options which are first exercisable by the Optionee during any calendar year under the Plan (or any other stock option plan required to be taken into account under Section 422(d) of the Code) shall not exceed \$100,000. To the extent the \$100,000 limit referred to in the preceding sentence is exceeded, an Option will be treated as a Non-Qualified Stock Option.

(b) If Shares acquired upon exercise of an Incentive Stock Option are disposed of in a disqualifying disposition within the meaning of Section 422 of the Code by an Optionee prior to the expiration of either two years from the date of grant of such Option or one year from the transfer of Shares to the Optionee pursuant to the exercise of such Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Optionee shall notify the Company in writing as soon as practicable thereafter of the date and terms of such disposition and, if the Company thereupon has a tax-withholding obligation, shall pay to the Company an amount equal to any withholding tax the Company is required to pay as a result of the disqualifying disposition.

(c) The Option Price with respect to each Incentive Stock Option shall not be less than 100%, or 110% in the case of an individual described in Section 422(b)(6) of the Code (relating to certain 10% owners), of the Fair Market Value of a Share on the day the Option is granted. Also, in the case of such an individual who is granted an Incentive Stock Option, the term of such Option shall be no more than five years from the date of grant.

## **8. PROVISIONS APPLICABLE TO RESTRICTED STOCK**

### **8.1 Grant of Restricted Stock.**

(a) In connection with the grant of Restricted Stock, whether or not Performance Goals (as provided for under Section 14) apply thereto, the Board shall establish one or more vesting periods with respect to the shares of Restricted Stock granted, the length of which shall be determined in the discretion of the Board. Subject to the provisions of this Section 8, the applicable Award Agreement and the other provisions of the Plan, restrictions on Restricted Stock shall lapse if the Grantee satisfies all applicable employment or other service requirements through the end of the applicable vesting period.

(b) Subject to the other terms of the Plan, the Board may, in its discretion as reflected by the terms of the applicable Award Agreement: (i) authorize the granting of Restricted Stock to Eligible Persons; (ii) provide a specified purchase price for the Restricted Stock (whether or not the payment of a purchase price is required by any state law applicable to the Company); (iii) determine the restrictions applicable to Restricted Stock (with the accelerated lapsing of such restrictions limited to the occurrence of a Change in Control or an individual Grantee's death or Disability) and (iv) determine or impose other conditions, including any applicable Performance Goals, to the grant of Restricted Stock under the Plan as it may deem appropriate.

### **8.2 Certificates/Book Entry.**

(a) Unless otherwise provided by the Board, a "book entry" (by computerized or manual entry) shall be made in the records of the Company (or, if applicable, the Company's transfer agent) to evidence an award of Shares of Restricted Stock.

(b) If the Shares of Restricted Stock are not evidenced in “book entry” form in accordance with Section 8.2(a), each Grantee of Restricted Stock shall be issued a stock certificate in respect of Shares of Restricted Stock awarded under the Plan. Each such certificate shall be registered in the name of the Grantee. Without limiting the generality of Section 6.1(c), the certificates for Shares of Restricted Stock issued hereunder may include any legend which the Board deems appropriate to reflect any restrictions on transfer hereunder or under the Award Agreement, or as the Board may otherwise deem appropriate, and, without limiting the generality of the foregoing, shall bear a legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

THE TRANSFERABILITY OF THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) OF THE HILL INTERNATIONAL, INC. 2017 EQUITY COMPENSATION PLAN AND AN AWARD AGREEMENT ENTERED INTO BETWEEN THE REGISTERED OWNER AND HILL INTERNATIONAL, INC. COPIES OF SUCH PLAN AND AWARD AGREEMENT ARE ON FILE IN THE OFFICES OF HILL INTERNATIONAL, INC.

(c) The Board shall require that any stock certificates evidencing such Shares be held in custody by the Company or its designee until the restrictions hereunder shall have lapsed, and that, as a condition of any Award of Restricted Stock, the Board may require that the Grantee deliver to the Company or its designee a stock power, endorsed in blank, relating to the stock covered by such Award. If and when such restrictions so lapse, the stock certificates shall be delivered by the Company to the Grantee or his or her designee as provided in Section 8.3 (and if applicable, the stock power shall cease to be of effect).

### **8.3 Restrictions and Conditions.**

Unless otherwise provided by the Board, the Shares of Restricted Stock awarded pursuant to the Plan shall be subject to the following restrictions and conditions:

(a) Subject to the provisions of the Plan and the Award Agreements, during a period commencing with the date of such Award and ending on the date the period of forfeiture with respect to such Shares lapses, the Grantee shall not be permitted voluntarily or involuntarily to sell, transfer, pledge, anticipate, alienate, encumber or assign Shares of Restricted Stock awarded under the Plan (or have such Shares attached or garnished). Subject to the provisions of the Award Agreements and clause (c) below, the period of forfeiture with respect to Shares granted hereunder shall lapse as provided in the applicable Award Agreement. Notwithstanding the foregoing, unless otherwise expressly provided by the Board, the period of forfeiture with respect to such Shares shall only lapse as to whole Shares.

(b) Except as provided in the foregoing clause (a), below in this clause (b) or as otherwise provided in the applicable Award Agreement, the Grantee shall have, in respect of the Shares of Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the Shares and the right to receive any cash dividends as and when such dividends are declared and paid by the Company (or as soon as practicable thereafter); provided, however, that cash dividends on such Shares shall, unless otherwise provided by the Board, be held by the Company (unsegregated as a part of its general assets) until the period of forfeiture lapses (and forfeited if the underlying Shares are forfeited), and paid over to the Grantee (without interest) as soon as practicable after such period lapses (if not forfeited). Certificates for Shares (not subject to restrictions) shall be delivered to the Grantee or his or her designee promptly after, and only after, the period of forfeiture shall lapse without forfeiture in respect of such Shares of Restricted Stock.

(c) Except as otherwise provided in the applicable Award Agreement, and subject to clause (d) below, if the Grantee has a Termination of Service by the Company for Cause, or by the Grantee for any reason during the applicable period of forfeiture, then (i) all Shares still subject to restriction shall thereupon, and with no further action, be forfeited by the Grantee, and (ii) the Company shall pay to the Grantee as soon as practicable (and in no event more than 30 days) after such termination an amount, equal to the lesser of (A) the amount paid by the Grantee for such forfeited Restricted Stock as contemplated by Section 8.1, and (B) the Fair Market Value on the date of termination of the forfeited Restricted Stock.

## **9. PROVISIONS APPLICABLE TO RESTRICTED STOCK UNITS**

### **9.1 Grant of RSUs.**

Subject to the other terms of the Plan, the Board may, in its discretion as reflected by the terms of the applicable Award Agreement: (a) authorize the granting of RSUs to Eligible Persons and (b) determine or impose other conditions to the grant of RSUs under the Plan as it may deem appropriate.

### **9.2 Term.**

The Board may provide in an Award Agreement that any particular RSU shall expire at the end of a specified term.

### **9.3 Vesting.**

RSUs shall vest as provided in the applicable Award Agreement; provided that such applicable Award Agreement shall limit the ability of the Board to accelerate vesting to the occurrence of a Change in Control or an individual Grantee's death or Disability.

### **9.4 Settlement of RSUs.**

(a) Each vested and outstanding RSU shall be settled by the transfer to the Grantee of one Share; provided that, the Board at the time of grant (or, in the appropriate case, as determined by the Board, thereafter) may provide that, after consideration of possible accounting issues, an RSU may be settled (i) in cash at the applicable RSU Value, (ii) in cash or by transfer of Shares as elected by the Grantee in accordance with procedures established by the Board or (iii) in cash or by transfer of Shares as elected by the Company.

(b) Payment (whether of cash or Shares) in respect of RSUs shall be made in a single sum by the Company; provided that, with respect to RSUs of a Grantee which have a common Settlement Date, the Board may permit the Grantee to elect in accordance with procedures established by the Board (taking into account, without limitation, Section 409A of the Code, as the Board may deem appropriate) to receive installment payments over a period not to exceed 10 years, rather than a single-sum payment.

(c) Unless otherwise provided in the applicable Award Agreement, the "Settlement Date" with respect to an RSU is the first day of the month to follow the date on which the RSU vests; provided that a Grantee may elect, in accordance with procedures to be established by the Board, that such Settlement Date will be deferred as elected by the Grantee to the first day of the month to follow the Grantee's Termination of Service, or such other time as may be permitted by the Board. Unless otherwise determined by the Board, elections under this Section 9.4(c) must, except as may otherwise be permitted under the rules applicable under Section 409A of the Code, (A) be effective at least one year after they are made, or, in the case of payments to commence at a specific time, be made at least one year before the first scheduled payment and (B) defer the commencement of distributions (and each affected distribution) for at least five years.

(i) Notwithstanding any other provision of this Section 9.4(c), the Board may provide that distributions of RSUs can be elected at any time in those cases in which the RSU Value is determined by reference to Fair Market Value to the extent in excess of a base value, rather than by reference to unreduced Fair Market Value.

(ii) Notwithstanding the foregoing, and unless otherwise provided in the applicable Award Agreement, the Settlement Date, if not earlier pursuant to this Section 9.4(c), is the date of the Grantee's death.

#### **9.5 Other RSUs Provisions.**

(a) Rights to payments with respect to RSUs granted under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach

or garnish, or levy or execute on any right to payments or other benefits payable hereunder, shall be void.

(b) A Grantee may designate in writing, on forms to be prescribed by the Board, a beneficiary or beneficiaries to receive any payments payable after his or her death and may amend or revoke such designation at any time. If no beneficiary designation is in effect at the time of a Grantee's death, payments hereunder (if any) shall be made to the Grantee's estate. If a Grantee with a vested RSU dies, such RSU shall be settled and the RSU Value in respect of such RSUs paid, and any payments deferred pursuant to an election under Section 9.4(c) shall be accelerated and paid, as soon as practicable (but no later than 60 days) after the date of death to such Grantee's beneficiary or estate, as applicable.

(c) The Board may establish a program under which distributions with respect to RSUs may be deferred for periods in addition to those otherwise contemplated by foregoing provisions of this Section 9. Such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Board, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Board.

(d) Notwithstanding any other provision of this Section 9, any fractional RSU will be paid out in cash at the RSU Value as of the Settlement Date.

(e) No RSU shall be construed to give any Grantee any rights with respect to Shares or any ownership interest in the Company. Except as may be provided in accordance with Section 11, no provision of the Plan shall be interpreted to confer upon any Grantee any voting, dividend or derivative or other similar rights with respect to any RSU.

## **10. PROVISIONS APPLICABLE TO DEFERRED STOCK UNITS**

### **10.1 Grant of DSUs.**

Subject to the other terms of the Plan, the Board may, in its discretion as reflected by the terms of the applicable Award Agreement: (a) authorize the granting of DSUs to Eligible Persons and (b) determine or impose other conditions to the grant of DSUs under the Plan as it may deem appropriate.

### **10.2 Term.**

The Board may provide in an Award Agreement that any particular DSU shall expire at the end of a specified term.

### **10.3 Vesting.**

DSUs shall vest as provided in the applicable Award Agreement; provided that such applicable Award Agreement shall limit the ability of the Board to accelerate vesting to the occurrence of a Change in Control or an individual Grantee's death or Disability.

**10.4 Settlement of DSUs.**

(a) Each vested and outstanding DSU shall be settled by the transfer to the Grantee of one Share.

(b) Payment in respect of DSUs shall be made in a single sum by the Company; provided that, with respect to DSUs of a Grantee which have a common Settlement Date, the Board may permit the Grantee to elect in accordance with procedures established by the Board (taking into account, without limitation, Section 409A of the Code, as the Board may deem appropriate) to receive installment payments over a period not to exceed 10 years, rather than a single-sum payment.

(c) Unless otherwise provided in the applicable Award Agreement, the "Settlement Date" with respect to a DSU is the first day of the month to follow the Grantee's Termination of Service; provided that a Grantee may elect, in accordance with procedures to be established by the Board, that such Settlement Date will be deferred as elected by the Grantee to such later time as may be permitted by the Board. Unless otherwise determined by the Board, elections under this Section 10.4(c) must, except as may otherwise be permitted under the rules applicable under Section 409A of the Code, (A) be effective at least one year after they are made, or, in the case of payments to commence at a specific time, be made at least one year before the first scheduled payment and (B) defer the commencement of distributions (and each affected distribution) for at least five years. Notwithstanding the foregoing, and unless otherwise provided in the applicable Award Agreement, the Settlement Date, if not earlier pursuant to this Section 10.4(c), is the date of the Grantee's death.

**10.5 Other DSUs Provisions.**

(a) Rights to payments with respect to DSUs granted under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, garnishment, levy, execution, or other legal or equitable process, either voluntary or involuntary; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, attach or garnish, or levy or execute on any right to payments or other benefits payable hereunder, shall be void.

(b) A Grantee may designate in writing, on forms to be prescribed by the Board, a beneficiary or beneficiaries to receive any payments payable after his or her death and may amend or revoke such designation at any time. If no beneficiary designation is in effect at the time of a Grantee's death, payments hereunder (if any) shall be made to the Grantee's estate. If a Grantee with a vested DSU dies, such DSU shall be settled and paid, and any payments deferred pursuant

to an election under Section 10.4(c) shall be accelerated and paid, as soon as practicable (but no later than 60 days) after the date of death to such Grantee's beneficiary or estate, as applicable.

(c) The Board may establish a program under which distributions with respect to DSUs may be deferred for periods in addition to those otherwise contemplated by foregoing provisions of this Section 10.

(d) No DSU shall be construed to give any Grantee any rights with respect to Shares or any ownership interest in the Company. Except as may be provided in accordance with Section 11, no provision of the Plan shall be interpreted to confer upon any Grantee any voting, dividend or derivative or other similar rights with respect to any DSU.

## **11. PROVISIONS APPLICABLE TO DIVIDEND EQUIVALENT RIGHTS**

### **11.1 Grant of Dividend Equivalent Rights.**

Subject to the other terms of the Plan, the Board may, in its discretion as reflected by the terms of the Award Agreements, authorize the granting of Dividend Equivalent Rights to Eligible Persons based on the regular cash dividends declared on Common Stock, to be credited as of the dividend payment dates, during the period between the date an Award is granted, and the date such Award is exercised, vests or expires, as determined by the Board. Such Dividend Equivalent Rights shall be converted to cash or additional Shares by such formula and at such time and subject to such limitation as may be determined by the Board. If a Dividend Equivalent Right is granted in respect of another Award hereunder, then, unless otherwise stated in the Award Agreement, in no event shall the Dividend Equivalent Right be in effect for a period beyond the time during which the applicable portion of the underlying Award is in effect.

### **11.2 Certain Terms.**

(a) The term of a Dividend Equivalent Right shall be set by the Board in its discretion.

(b) Unless otherwise determined by the Board, except as contemplated by Section 11.4, a Dividend Equivalent Right is exercisable or payable only while the Participant is an Eligible Person.

(c) Payment of the amount determined in accordance with Section 11.1 shall be in cash, in Common Stock or a combination of the two, as determined by the Board.

(d) The Board may impose such employment-related conditions on the grant of a Dividend Equivalent Right as it deems appropriate in its discretion.

### **11.3 Other Types of Dividend Equivalent Rights.**

The Board may establish a program under which Dividend Equivalent Rights of a type whether or not described in the foregoing provisions of this Section 11 may be granted to Participants. For example, and without limitation, the Board may grant a dividend equivalent right in respect of each Share subject to an Option or with respect to an RSU, which right would consist of the right (subject to Section 11.4) to receive a cash payment in an amount equal to the dividend distributions paid on a Share from time to time.

#### **11.4 Deferral.**

The Board may establish a program (taking into account, without limitation, the possible application of Section 409A of the Code, as the Board may deem appropriate) under which Participants (i) will have RSUs credited, subject to the terms of Sections 9.4 and 9.5 as though directly applicable with respect thereto, upon the granting of Dividend Equivalent Rights, or (ii) will have payments with respect to Dividend Equivalent Rights deferred. In the case of the foregoing clause (ii), such program may include, without limitation, provisions for the crediting of earnings and losses on unpaid amounts, and, if permitted by the Board, provisions under which Participants may select from among hypothetical investment alternatives for such deferred amounts in accordance with procedures established by the Board.

### **12. STOCK APPRECIATION RIGHTS**

#### **12.1 General Requirements.**

The Board may grant SARs to Eligible Persons separately or in tandem with any Option (for all or a portion of the applicable Option). Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of the Grant of the Incentive Stock Option. The Board shall establish the base amount of the SAR at the time the SAR is granted. The base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, an amount equal to or greater than the Fair Market Value of a share of Common Stock as of the date of Grant of the SAR.

#### **12.2 Tandem SARs.**

In the case of tandem SARs, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Common Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Common Stock covered by such exercise shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Common Stock.

#### **12.3 Exercisability(a) .**

A SAR shall be exercisable during the period specified by the Board in the Award Agreement and shall be subject to such vesting and other restrictions as may be specified in the Award Agreement. The Board may accelerate the exercisability of any or all outstanding SARs solely upon the occurrence of a Change in Control or an individual Grantee's death or Disability, provided that exercisability will not be automatically accelerated upon the sole occurrence of a Change in Control. SARs may only be exercised while the Grantee is employed by, or providing service to, the Company or during the applicable period after termination of employment or service as described in Section 7.4 above. A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable.

#### **12.4 Value of SARs.**

When a Grantee exercises SARs, the Grantee shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised. The stock appreciation for an SAR is the amount by which the Fair Market Value of the underlying Common Stock on the date of exercise of the SAR exceeds the base amount of the SAR as described in Section 12.1.

#### **12.5 Form of Payment.**

The appreciation in an SAR shall be paid in shares of Common Stock, cash or any combination of the foregoing, as the Board shall determine. For purposes of calculating the number of shares of Common Stock to be received, shares of Common Stock shall be valued at their Fair Market Value on the date of exercise of the SAR.

### **13. OTHER EQUITY-BASED AWARDS**

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including, without limitation, the grant of Shares based upon certain conditions, the grant of securities convertible into Common Stock, and the grant of phantom stock to a Grantee.

### **14. PERFORMANCE GOALS**

The Board may, in its discretion, (i) establish one or more Performance Goals as a precondition to the issuance or vesting of Awards, and (ii) provide, in connection with the establishment of the Performance Goals, for predetermined Awards to those Participants (who continue to meet all applicable eligibility requirements) with respect to whom the applicable Performance Goals are satisfied. Notwithstanding anything to the contrary in this Plan, in the event of a Change in Control, the Board may determine to vest performance-based Awards granted under the Plan in its discretion.

## 15. REPRICING AND BUYOUT OF OPTIONS/SARs

Without prior stockholder approval, the Board may not (a) reprice Options or SARs or (b) pay cash or issue new Options or SARs in exchange for the surrender and cancellation of any, or all, of a Participant's outstanding Options or SARs.

## 16. HOLDING PERIOD REQUIREMENTS

Each Participant whose current position with the Company is classified in the chart below and who receives an Award hereunder shall be required to: (a) maintain direct ownership of all Covered Shares up to the base salary/annual cash retainer multiplier level applicable to such Participant specified in the chart below, (b) not dispose of any Covered Shares until reaching the base salary/annual cash retainer multiplier level applicable to such Participant specified in the chart below, and (c) after achieving the applicable base salary/annual cash retainer multiplier level applicable to such Participant specified in the chart below, only dispose of Covered Shares in excess of such multiplier level. Satisfaction of the applicable base salary/annual cash retainer level shall be based upon the Fair Market Value of the Covered Shares.

<b>Title</b>	<b>Multiplier of Current Base Salary or Annual Cash Retainer (as applicable)</b>
Directors	3x
CEO	6x
COO & CFO	2x
Other Executive Officers	1x

## 17. TAX WITHHOLDING

### 17.1 In General.

The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding determined by the Board to be required by law. Without limiting the generality of the foregoing, the Board may, in its discretion, require the Participant to pay to the Company at such time as the Board determines the amount that the Board deems necessary to satisfy the Company's obligation to withhold federal, state or local income or other taxes incurred by reason of (a) the exercise of any Option, (b) the lapsing of any restrictions applicable to any Restricted Stock, (c) the receipt of a distribution in respect of RSUs, DSUs or Dividend Equivalent Rights or (d) any other applicable income-recognition event (for example, an election under Section 83(b) of the Code).

### 17.2 Share Withholding.

(a) Upon exercise of an Option, the Optionee may, if approved by the Company in its discretion, make a written election to have Shares then issued withheld by the Company from the Shares otherwise to be received, or to deliver previously owned Shares, in order to satisfy the liability for such withholding taxes. In the event that the Optionee makes, and the Company permits, such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. Where the exercise of an Option does not give rise to an obligation by the Company to withhold federal, state or local income or other taxes on the date of exercise, but may give rise to such an obligation in the future, the Company may, in its discretion, make such arrangements and impose such requirements as it deems necessary or appropriate.

(b) Upon lapsing of restrictions on Restricted Stock (or other income-recognition event), the Grantee may, if approved by the Company in its discretion, make a written election to have Shares withheld by the Company from the Shares otherwise to be released from restriction, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes, and the Company permits, such an election, the number of Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

(c) Upon the making of a distribution in respect of RSUs, DSUs, SARs or Dividend Equivalent Rights, the Grantee may, if approved by the Company in its discretion, make a written election to have amounts (which may include Shares) withheld by the Company from the distribution otherwise to be made, or to deliver previously owned Shares (not subject to restrictions hereunder), in order to satisfy the liability for such withholding taxes. In the event that the Grantee makes, and the Company permits, such an election, any Shares so withheld or delivered shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes.

### **17.3 Withholding Required.**

Notwithstanding anything contained in the Plan or the Award Agreement to the contrary, the Participant's satisfaction of any tax-withholding requirements imposed by the Board shall be a condition precedent to the Company's obligation as may otherwise be provided hereunder to provide Shares to the Participant and to the release of any restrictions as may otherwise be provided hereunder, as applicable; and the applicable Option, Restricted Stock, RSUs, DSUs, SARs or Dividend Equivalent Rights shall be forfeited upon the failure of the Participant to satisfy such requirements with respect to, as applicable, (a) the exercise of the Option or a SAR, (b) the lapsing of restrictions on the Restricted Stock (or other income-recognition event) or (c) distributions in respect of any RSU, DSU or Dividend Equivalent Right.

## **18. REGULATIONS AND APPROVALS**

(a) The obligation of the Company to issue Shares with respect to an Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal and state securities laws, and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Board.

(b) The Board may make such changes to the Plan as may be necessary or appropriate to comply with the rules and regulations of any government authority or to obtain tax benefits applicable to an Award.

(c) Each grant of Options, Restricted Stock, RSU, DSUs, SARs or Dividend Equivalent Rights (or issuance of Shares in respect of those Awards), or other Award under Section 13 (or issuance of Shares in respect thereof), is subject to the requirement that, if at any time the Board determines, in its discretion, that the listing, registration or qualification of Shares issuable pursuant to the Plan is required by any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance of Options, Shares of Restricted Stock, RSUs, DSUs, SARs, Dividend Equivalent Rights, other Awards or other Shares, no payment shall be made, or RSUs, DSUs, SARs or Shares issued, or grant of Restricted Stock or other Award made, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions in a manner acceptable to the Board.

(d) In the event that the disposition of stock acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act, and is not otherwise exempt from such registration, such Shares shall be restricted against transfer to the extent required under the Securities Act, and the Board may require any individual receiving Shares pursuant to the Plan, as a condition precedent to receipt of such Shares, to represent to the Company in writing that such Shares are acquired for investment only and not with a view to distribution and that such Shares will be disposed of only if registered for sale under the Securities Act or if there is an available exemption for such disposition.

(e) Notwithstanding any other provision of the Plan, the Company shall not be required to take or permit any action under the Plan or any Award Agreement which, in the good-faith determination of the Company, would result in a material risk of a violation by the Company of Section 13(k) of the Exchange Act.

## **19. INTERPRETATION AND AMENDMENTS; OTHER RULES**

The Board may make such rules and regulations and establish such procedures for the administration of the Plan as it deems appropriate. Without limiting the generality of the foregoing, the Board may (a) determine the extent, if any, to which Options, RSUs, DSUs, SARs or Shares (whether or not Shares of Restricted Stock) or Dividend Equivalent Rights shall be forfeited (whether

or not such forfeiture is expressly contemplated hereunder); (b) interpret the Plan and the Award Agreements hereunder, with such interpretations to be conclusive and binding on all persons and otherwise accorded the maximum deference permitted by law; and (c) take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Plan or the administration or interpretation thereof. In the event of any dispute or disagreement as to the interpretation of the Plan or of any rule, regulation or procedure, or as to any question, right or obligation arising from or related to the Plan, the decision of the Board shall be final and binding upon all persons. Unless otherwise expressly provided hereunder, the Board, with respect to any grant, may exercise its discretion hereunder at the time of the Award or thereafter. The Board may amend the Plan as it shall deem advisable, except that no amendment may adversely affect a Participant with respect to an Award previously granted without such Participant's written consent unless such amendments are required in order to comply with applicable laws; provided, however, that the Plan may not be amended without stockholder approval in any case in which amendment in the absence of stockholder approval would cause the Plan to fail to comply with any applicable legal requirement or applicable exchange or similar rule.

## **20. CHANGES IN CAPITAL STRUCTURE**

(a) If (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company or a transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization or other similar change in the capital structure of the Company, or any distribution to holders of Common Stock other than cash dividends, shall occur or (iii) any other event shall occur which in the judgment of the Board necessitates action by way of adjusting the terms of the outstanding Awards, then:

(i) the maximum aggregate number and kind of Shares which may be made subject to Options and Dividend Equivalent Rights under the Plan, the maximum aggregate number and kind of Shares of Restricted Stock that may be granted under the Plan, the maximum aggregate number of RSUs, DSUs and other Awards which may be granted under the Plan may be appropriately adjusted by the Board in its discretion; and

(ii) the Board may take any such action as in its discretion shall be necessary to maintain each Participants' rights hereunder (including under their Award Agreements) so that they are substantially proportionate to the rights existing prior to such event, including, without limitation, adjustments in (A) the number of Options, RSUs, DSUs, SARs and Dividend Equivalent Rights (and other Awards under Section 13) granted, (B) the number and kind of shares or other property to be distributed in respect of Options, RSUs, DSUs, SARs and Dividend Equivalent Rights (and other Awards under Section 13 as applicable), (C) the Option Price, the base amount of a SAR and RSU Value, and (D) performance-based criteria established in connection with Awards.

To the extent that such action shall include an increase or decrease in the number of Shares (or units of other property then available) subject to all outstanding Awards, the number of Shares (or units) available under Section 6 shall be increased or decreased, as the case may be, proportionately, as may be determined by the Board in its discretion.

(b) Any Shares or other securities distributed to a Grantee with respect to Restricted Stock or otherwise issued in substitution of Restricted Stock shall be subject to the restrictions and requirements imposed by Section 8, including depositing the certificates therefor with the Company together with a stock power, if applicable, and bearing a legend as provided in Sections 8.2(b) and 8.2(c).

(c) If the Company shall be consolidated or merged with another corporation or other entity, each Grantee who has received Restricted Stock that is then subject to restrictions imposed by Section 8.3 may be required to deposit with the successor corporation the certificates, if any, for the stock or securities, or the other property, that the Grantee is entitled to receive by reason of ownership of Restricted Stock in a manner consistent with Section 8.2(c), and such stock, securities or other property shall become subject to the restrictions and requirements imposed by Section 8.3, and the certificates therefor or other evidence thereof shall bear a legend similar in form and substance to the legend set forth in Section 8.2(c).

(d) The judgment of the Board with respect to any matter referred to in this Section 20 shall be conclusive and binding upon each Participant without the need for any amendment to the Plan.

## **21. MISCELLANEOUS**

### **21.1 No Rights to Employment or Other Service.**

Nothing in the Plan or in any grant made pursuant to the Plan shall confer on any individual any right to continue in the employ or other service of the Company or interfere in any way with the right of the Company and their stockholders, members, directors or officers to terminate the individual's employment or other service at any time.

### **21.2 Right of First Refusal; Right of Repurchase.**

At the time of grant, the Board may provide in connection with any grant made under the Plan that Shares received hereunder shall be subject to a right of first refusal pursuant to which the Company shall be entitled to purchase such Shares in the event of a prospective sale of the Shares, subject to such terms and conditions as the Board may specify at the time of grant or (if permitted by the Award Agreement) thereafter, and to a right of repurchase, pursuant to which the Company shall be entitled to purchase such Shares at a price determined by, or under a formula set by, the Board at the time of grant or (if permitted by the Award Agreement) thereafter.

### **21.3 No Fiduciary Relationship.**

Nothing contained in the Plan (including without limitation Sections 9.5(c) and 11.4), and no action taken pursuant to the provisions of the Plan, shall create or shall be construed to create a trust of any kind, or a fiduciary relationship between the Company or its officers or the Board, on the one hand, and the Participant or any other person, on the other hand.

### **21.4 Section 409A.**

This Plan is intended to comply and shall be administered in a manner that is intended to comply with the requirement of Section 409A of the Code (including the Treasury Department guidance and regulations issued thereunder), and shall be construed and interpreted in accordance with such intent. If the Board determines that an Award, Award document, payment, transaction or any other action or arrangement contemplated by the provisions of this Plan would, if undertaken, cause a Participant to become subject to any additional taxes or other penalties under Section 409A of the Code, then unless the Board specifically provides otherwise, such Award, Award document, payment, transaction or other Award documents will be deemed modified or, if necessary, suspended in order to comply with the requirements of Section 409A of the Code to the extent determined appropriate by the Board, in each case without the consent of the Participant.

### **21.5 Claims Procedures.**

(a) To the extent that the Plan is determined by the Board to be subject to the Employee Retirement Income Security Act of 1974, as amended, the Grantee, or his beneficiary hereunder or authorized representative, may file a claim for payments with respect to RSUs and/or DSUs under the Plan by written communication to the Board or its designee. A claim is not considered filed until such communication is actually received. Within 90 days (or, if special circumstances require an extension of time for processing, 180 days, in which case notice of such special circumstances should be provided within the initial 90-day period) after the filing of the claim, the Board will either:

(i) approve the claim and take appropriate steps for satisfaction of the claim; or

(ii) if the claim is wholly or partially denied, advise the claimant of such denial by furnishing to him a written notice of such denial setting forth (A) the specific reason or reasons for the denial; (B) specific reference to pertinent provisions of the Plan on which the denial is based and, if the denial is based in whole or in part on any rule of construction or interpretation adopted by the Board, a reference to such rule, a copy of which shall be provided to the claimant; (C) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of the reasons why such material or information is necessary; and (D) a reference to this Section 21.5 as the provision setting forth the claims procedure under the Plan.

(b) The claimant may request a review of any denial of such claim by written application to the Board within 60 days after receipt of the notice of denial of such claim. Within 60 days (or, if special circumstances require an extension of time for processing, 120 days, in which case notice of such special circumstances should be provided within the initial 60-day period) after receipt of written application for review, the Board will provide the claimant with its decision in writing, including, if the claimant's claim is not approved, specific reasons for the decision and specific references to the Plan provisions on which the decision is based.

**21.6 No Fund Created.**

Any and all payments hereunder to any Grantee shall be made from the general funds of the Company, no special or separate fund shall be established or other segregation of assets made to assure such payments, and the RSUs (including for purposes of this Section 21.6 any accounts established to facilitate the implementation of Section 9.4(c)), DSUs (including for purposes of this Section 21.6 any accounts established to facilitate the implementation of Section 10.4(c)) and any other similar devices issued hereunder to account for Plan obligations do not constitute Common Stock and shall not be treated as (or as giving rise to) property or as a trust fund of any kind; provided, however, that the Company may establish a mere bookkeeping reserve to meet its obligations hereunder or a trust or other funding vehicle that would not cause the Plan to be deemed to be funded for tax purposes or for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. The obligations of the Company under the Plan are unsecured and constitute a mere promise by the Company to make benefit payments in the future and, to the extent that any person acquires a right to receive payments under the Plan from the Company, such right shall be no greater than the right of a general unsecured creditor of the Company. Without limiting the foregoing, RSUs, DSUs and any other similar devices issued hereunder to account for Plan obligations are solely a device for the measurement and determination of the amounts to be paid to a Grantee under the Plan, and each Grantee's right in the RSUs, DSUs and any such other devices is limited to the right to receive payment, if any, as may herein be provided.

**21.7 Notices.**

All notices under the Plan shall be in writing, and if to the Company, shall be delivered to the Board or mailed to its principal office, addressed to the attention of the Board; and if to the Participant, shall be delivered personally, sent by facsimile transmission or mailed to the Participant at the address appearing in the records of the Company. Such addresses may be changed at any time by written notice to the other party given in accordance with this Section 21.7.

**21.8 Exculpation and Indemnification.**

The Company shall indemnify and hold harmless the members of the Board and the members of the Board from and against any and all liabilities, costs and expenses incurred by such persons

as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan, to the maximum extent permitted by law, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

**21.9 Captions.**

The use of captions in this Plan is for convenience. The captions are not intended to provide substantive rights.

**21.10 Governing Law.**

To the extent that State laws shall not have been preempted by any laws of the United States, the Plan shall be construed, regulated, interpreted and administered according to the other laws of the State of Delaware.

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**Section 302 Certification of Chief Executive Officer**

I, Paul J. Evans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hill International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 28, 2018

*/s/ Paul J. Evans*

Paul J. Evans

*Interim Chief Executive Officer*

**Section 302 Certification of Chief Financial Officer**

I, Marco A. Martinez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hill International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures; and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: September 28, 2018

*/s/ Marco A. Martinez*

Marco A. Martinez

*Senior Vice President and Interim Chief Financial Officer*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

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

In connection with the Quarterly Report of Hill International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018 (the "Report"), I, Paul J. Evans, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 28, 2018

*/s/ Paul J. Evans*

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Paul J. Evans

*Interim Chief Executive Officer*

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

In connection with the Quarterly Report of Hill International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2018 (the "Report"), I, Marco A. Martinez, Senior Vice President and Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: September 28, 2018

*/s/ Marco A. Martinez*

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Marco A. Martinez

*Senior Vice President and Interim Chief Financial Officer*

