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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2007

or

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

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

Commission File Number: 000-50781

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**HILL INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-0953973**  
(I.R.S. Employer  
Identification No.)

**303 Lippincott Centre, Marlton, NJ**  
(Address of principal executive offices)

**08053**  
(Zip Code)

**Registrant's telephone number, including area code: (856) 810-6200**

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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 28,594,836 shares of the Registrant's Common Stock outstanding at November 2, 2007.

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[Table of Contents](#)

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**Index to Form 10-Q**

<b>PART I</b>	<b><a href="#">FINANCIAL INFORMATION</a></b>	
Item 1	<a href="#">Financial Statements</a>	
	<a href="#">Consolidated Balance Sheets at September 30, 2007 (unaudited) and December 30, 2006</a>	3
	<a href="#">Consolidated Statements of Earnings for the three- and nine-month periods ended September 30, 2007 and September 30, 2006 (unaudited)</a>	4
	<a href="#">Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and September 30, 2006 (unaudited)</a>	5
	<a href="#">Notes to Consolidated Financial Statements</a>	6
Item 2	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	21
Item 3	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	35
Item 4	<a href="#">Controls and Procedures</a>	35
<b>PART II</b>	<b><a href="#">OTHER INFORMATION</a></b>	
Item 1	<a href="#">Legal Proceedings</a>	37
Item 1A	<a href="#">Risk Factors</a>	38
Item 2	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	38
Item 3	<a href="#">Defaults Upon Senior Securities</a>	38
Item 4	<a href="#">Submission of Matters to a Vote of Security Holders</a>	38
Item 5	<a href="#">Other Information</a>	38
Item 6	<a href="#">Exhibits</a>	39
	<a href="#">Signatures</a>	40

## PART 1—FINANCIAL INFORMATION

## Item 1. Financial Statements

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)

	September 30, 2007 (Unaudited)	December 30, 2006
<b>Assets</b>		
Cash and cash equivalents	\$ 13,198	\$ 11,219
Cash - restricted	2,739	6,548
Accounts receivable, less allowance for doubtful accounts of \$4,659 and \$3,373	77,902	61,159
Accounts receivable - affiliates	2,055	691
Prepaid expenses and other current assets	5,269	3,575
Deferred income taxes	152	152
Total current assets	<u>101,315</u>	<u>83,344</u>
Property and equipment, net	6,145	5,515
Cash - restricted	2,389	3,738
Retainage receivable, less allowance for doubtful accounts of \$38 and \$30	802	830
Intangibles, net	10,760	8,076
Goodwill	21,743	16,072
Investment in affiliate	1,788	786
Other assets	712	632
Total assets	<u>\$ 145,654</u>	<u>\$ 118,993</u>
<b>Liabilities and Stockholders' Equity</b>		
Due to bank	\$ 998	\$ 618
Current maturities of notes payable	978	854
Current maturities of capital lease obligations	175	226
Accounts payable and accrued expenses	42,069	38,721
Income taxes payable	3,927	3,189
Other current liabilities	9,424	7,227
Total current liabilities	<u>57,571</u>	<u>50,835</u>
Notes payable, net of current maturities	6,184	9,421
Capital lease obligations, net of current maturities	35	168
Retainage payable	844	529
Deferred income taxes	1,165	1,197
Deferred revenue	12,038	5,701
Other liabilities	5,732	4,820
Total liabilities	<u>83,569</u>	<u>72,671</u>
Minority interest	185	286
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.0001 par value; 1,000,000 shares authorized, none issued	—	—
Common stock, \$.0001 par value; 75,000,000 shares authorized, 26,336,372 shares and 22,830,000 shares issued at September 30, 2007 and December 30, 2006	3	2
Additional paid-in capital	44,469	38,058
Retained earnings	23,229	14,162
Accumulated other comprehensive income	876	491
	<u>68,577</u>	<u>52,713</u>
Less treasury stock of 599,282 shares at September 30, 2007 and 529,742 shares at December 31, 2006, at cost	(3,327)	(2,812)
Less stock held in escrow of 451,665 shares	(3,350)	(3,865)
Total stockholders' equity	<u>61,900</u>	<u>46,036</u>
Total liabilities and stockholders' equity	<u>\$ 145,654</u>	<u>\$ 118,993</u>

See accompanying notes to consolidated financial statements.

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>	<u>September 30,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>
Revenue	\$ 72,177	\$ 49,866	\$ 204,052	\$ 130,156
Reimbursable expenses	20,713	15,837	59,602	42,778
Revenue, less reimbursable expenses	51,464	34,029	144,450	87,378
Direct expenses	26,867	18,774	76,386	48,611
Gross profit	24,597	15,255	68,064	38,767
Selling, general and administrative expenses	20,335	11,892	56,875	31,317
Equity in earnings of affiliates	(875)	(331)	(1,430)	(533)
Operating profit	5,137	3,694	12,619	7,983
Minority interest in income of subsidiaries	61	13	176	13
Interest expense (income), net	217	(36)	717	345
Income before provision for income taxes	4,859	3,717	11,726	7,625
Provision for income taxes	1,059	806	2,659	1,735
Net income	\$ 3,800	\$ 2,911	\$ 9,067	\$ 5,890
Basic earnings per common share	\$ 0.15	\$ 0.13	\$ 0.36	\$ 0.38
Basic weighted average common shares outstanding	25,259	22,284	24,849	15,504
Diluted earnings per common share	\$ 0.13	\$ 0.12	\$ 0.31	\$ 0.35
Diluted weighted average common shares outstanding	29,602	23,513	29,202	16,931

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2007	September 30, 2006
Cash flows from operating activities:		
Net income	\$ 9,067	\$ 5,890
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,869	1,032
Equity in earnings of affiliates	(1,430)	(533)
Minority interest in income of subsidiaries	123	13
Provision for bad debts	1,497	840
Deferred tax provision	(33)	(833)
Stock based compensation	318	59
Tax benefit from stock plan	—	957
Stock issued to Board of Directors	70	77
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(14,283)	(20,304)
Accounts receivable - affiliates	(1,364)	158
Prepaid expenses and other current assets	(1,455)	(605)
Retainage receivable	28	160
Other assets	(58)	(152)
Accounts payable and accrued expenses	1,791	3,730
Income taxes payable	723	744
Deferred revenue	6,017	—
Other current liabilities	2,214	(3,301)
Retainage payable	315	2,576
Other liabilities	(304)	(41)
Net cash flows provided by (used in) operating activities	<u>6,105</u>	<u>(9,533)</u>
Cash flows from investing activities:		
Purchase of businesses, net of cash acquired	(8,552)	(10,444)
Contributions to affiliate	(6)	—
Distributions from affiliate	528	269
Restricted cash	3,350	(3,350)
Purchase of minority interest in Knowles	(62)	—
Payments for purchase of property and equipment	(2,318)	(1,411)
Net cash flows used in investing activities	<u>(7,060)</u>	<u>(14,936)</u>
Cash flows from financing activities:		
Due to bank	380	(176)
Proceeds from long-term debt	—	2,801
Payments on notes payable	(878)	(12,757)
Net proceeds (payments) on revolving loan borrowings	(2,811)	1,174
Dividends paid to subsidiaries' minority stockholders	(166)	—
Advances to stockholder	—	(183)
Repayments from stockholders	—	1,008
Proceeds from issuance of common stock in merger, net of acquisition costs of \$2,417	—	34,095
Proceeds from exercise of common stock warrants	5,882	—
Payments on capital lease obligations	(199)	(166)
Net cash flow provided by financing activities	<u>2,208</u>	<u>25,796</u>
Effect of exchange rate changes on cash	726	(143)
Net increase in cash and cash equivalents	1,979	1,184
Cash and cash equivalents – beginning of period	11,219	2,716
Cash and cash equivalents – end of period	<u>\$ 13,198</u>	<u>\$ 3,900</u>

See accompanying notes to consolidated financial statements.

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1—The Company**

The Company was incorporated in Delaware in 2004 under the name Arpeggio Acquisition Corporation (“Arpeggio”), as a specified purpose acquisition corporation. On June 28, 2006, Arpeggio merged with Hill International, Inc. (“old Hill”), a Delaware corporation, and Arpeggio was the surviving entity of the merger. Following the merger, Arpeggio changed its name to Hill International, Inc. (“Hill” or “the Company”). The merger was accounted for as a reverse acquisition. Under this method of accounting, Arpeggio was treated as the “acquired” company for financial reporting purposes. Accordingly, the merger was treated as the equivalent of old Hill issuing stock for the net monetary assets of Arpeggio, accompanied by a recapitalization. The historical consolidated financial statements relate to the business of old Hill and its consolidated subsidiaries.

**Note 2—Basis of Presentation**

The accompanying unaudited interim Consolidated Financial Statements were prepared in accordance with accounting principles generally accepted in the United States and the interim financial statement rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 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 30, 2006.

The consolidated financial statements include our financial statements and those of our majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Commencing in 2007, we changed our financial reporting periods to coincide with the end of each calendar quarter. Prior to 2007, we utilized a 52-53 week fiscal year ending on the Saturday closest to December 31. The difference resulting from this change in reporting periods for the three- and nine-month periods ended September 30, 2007 is not significant.

**Note 3—Acquisition**

On May 10, 2007, the Company acquired all of the common stock of KJM & Associates, Ltd. (“KJM”). KJM provides project management and project controls services primarily for the transportation and education markets. KJM is headquartered in Bellevue, Washington and provides the Company’s Project Management Group with new and expanded geographic coverage in Washington, Oregon, California, Arizona, Texas and New York.

The Company paid \$9,350,000 consisting of \$8,350,000 in cash plus 136,593 shares of restricted common stock of the Company (the “Restricted Shares”) initially valued at \$1,000,000. The Restricted Shares were valued based on the average closing price of the Company’s common stock for the 10 trading days prior to the closing

## [Table of Contents](#)

date. The Restricted Shares will be held in escrow for one year as security for any indemnification obligations of KJM's selling stockholder. Since the Restricted Shares are subject to forfeiture, they will not be considered outstanding for accounting purposes until the end of the contingency period, at which time the fair value of those shares actually distributed will be accounted for as additional purchase consideration.

For its fiscal year ended December 31, 2006, KJM's unaudited financial results included total revenues of \$16,400,000, net revenues of \$14,400,000, gross profit of \$7,300,000, and operating profit of \$1,300,000. As of April 30, 2007, KJM had unaudited stockholder's equity of \$2,700,000 and total backlog estimated at \$21,000,000. The results of operations and cash flows for the three- and nine-month periods ended September 30, 2007 were not material. KJM was fully integrated into Hill on September 1, 2007.

The acquisition was accounted for under the purchase method of accounting, effective as of May 1, 2007, and accordingly, the results of operations and cash flows of KJM have been included in the accompanying Consolidated Financial Statements for the period subsequent to the effective date. At September 30, 2007, the total purchase price, including acquisition expenses of \$202,000, but excluding the Restricted Shares, which constitute contingent consideration, was \$8,552,000. The following table summarizes the allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed as of the acquisition date:

Current assets	\$ 4,109
Furniture and equipment	224
Other assets	111
Acquired intangibles	3,345
Goodwill	2,516
Total assets acquired	10,305
Current liabilities assumed	(1,726)
Long term liabilities	(27)
Net assets acquired	<u>\$ 8,552</u>

### Note 4—Comprehensive Income

The following table summarizes the Company's comprehensive income for the fiscal periods ended September 30, 2007 and September 30, 2006:

<i>(in thousands)</i>	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income	\$ 3,800	\$ 2,911	\$ 9,067	\$ 5,890
Foreign currency translation adjustment, net of tax	235	(104)	385	(143)
Comprehensive income	<u>\$ 4,035</u>	<u>\$ 2,807</u>	<u>\$ 9,452</u>	<u>\$ 5,747</u>

[Table of Contents](#)

**Note 5—Accounts Receivable**

The components of accounts receivable are as follows:

<i>(in thousands)</i>	September 30, 2007	December 30, 2006
Billed	\$ 63,128	\$ 50,076
Retainage, current portion	4,794	3,754
Unbilled	14,639	10,702
	82,561	64,532
Allowance for doubtful accounts	(4,659)	(3,373)
	<u>\$ 77,902</u>	<u>\$ 61,159</u>

**Note 6—Intangible Assets**

The following table summarizes the Company's cost in excess of net assets acquired as of September 30, 2007 and December 30, 2006:

<i>(in thousands)</i>	September 30, 2007		December 30, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Acquired contract rights	\$ 2,505	\$ 2,224	\$ 2,139	\$ 2,139
Customer relationships acquired in acquisitions	11,085	1,038	7,918	286
Trade names acquired in acquisitions	628	211	500	56
Covenant not to compete	17	2	—	—
Total	<u>\$14,235</u>	<u>\$ 3,475</u>	<u>\$10,557</u>	<u>\$ 2,481</u>
Intangible assets less amortization, net	<u>\$10,760</u>		<u>\$ 8,076</u>	

Amortization expense related to intangible assets totaled \$475,000 and \$38,000 for the three months ended September 30, 2007 and September 30, 2006, respectively, and totaled \$958,000 and \$146,000 for the nine months ended September 30, 2007 and September 30, 2006. Estimated amortization expense based on our present intangible assets for the next five years is as follows:

<u>Year ending December 31,</u>	<u>Estimated amortization expense (in thousands)</u>
2007 (remaining 3 months)	\$ 376
2008	1,484
2009	1,242
2010	1,097
2011	1,079

**Note 7—Goodwill**

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*, the Company performs its annual goodwill impairment testing, by reportable segment, in the third quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Application of the goodwill impairment test requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for the businesses, the useful life over which cash flows will occur, and determination of the Company’s weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. The Company performed its annual impairment test effective July 1, 2007 and noted no impairment for either of its reporting units.

The following table summarizes the changes in the Company’s carrying value of goodwill during 2007 (in thousands):

<u>Segment</u>	<u>Balance at December 30, 2006</u>	<u>Additions</u>	<u>Translation Adjustments</u>	<u>Balance at September 30, 2007</u>
Project Management	\$ —	\$ 2,516	\$ —	\$ 2,516
Construction Claims	16,072	2,525	630	19,227
Total	<u>\$ 16,072</u>	<u>\$ 5,041</u>	<u>\$ 630</u>	<u>\$ 21,743</u>

[Table of Contents](#)**Note 8—Accounts Payable and Accrued Expenses**

Below are the components of accounts payable and accrued expenses at September 30, 2007 and December 30, 2006:

<i>(in thousands)</i>	September 30, 2007	December 30, 2006
Accounts payable	\$ 14,033	\$ 14,769
Accrued payroll	12,913	9,295
Accrued subcontractor fees	5,250	3,132
Accrued legal and professional cost	4,529	4,726
Other accrued expenses	5,344	6,799
	<u>\$ 42,069</u>	<u>\$ 38,721</u>

**Note 9—Deferred Revenue**

In certain instances the Company may collect advance payments from clients for future services. As the services are performed these advance payments are recognized as revenue. Deferred revenue is classified as current or long term based on the anticipated life of the project. The following table summarizes deferred revenue as of September 30, 2007 and December 30, 2006:

	September 30, 2007	December 30, 2006
Current (included in the consolidated balance sheet in "Other current liabilities")	\$ 2,326	\$ 2,646
Non-current	12,038	5,701
Total	<u>\$ 14,364</u>	<u>\$ 8,347</u>

[Table of Contents](#)

**Note 10—Notes Payable**

Outstanding debt obligations are as follows:

	September 30, 2007	December 30, 2006
	(in thousands)	
Revolving credit loan payable to LaSalle Bank N.A. ("LaSalle") up to \$25,000,000 <sup>(1)</sup> , with interest rates of 0.25 plus LaSalle's prime rate of 8.00% (or 8.25%) at September 30, 2007 and 8.25% (or 8.50%) at December 30, 2006 and 2.25% plus LIBOR of 4.61% (or 6.86%) at September 30, 2007 and 5.35% (or 7.60%) at December 30, 2006. The weighted average interest rate for all borrowings at September 30, 2007 and December 30, 2006 was 7.27% and 8.08%, respectively. The loan is collateralized by all domestic assets of the Company and a pledge of 66.67% of the outstanding capital stock of certain subsidiaries; the Company is also subject to certain financial covenants. <sup>(2)</sup> See Note 20.	\$ 5,588	\$ 8,398
Revolving credit loan payable to Egnatia Bank up to 1,000,000 Euros (\$1,422,000 at September 30, 2007), with interest rates at September 30, 2007 and December 30, 2006 of 2.5% plus the Egnatia Bank prime base rate of 7.0% (or 9.5%) at September 30, 2007 and December 30, 2006, respectively, collateralized by certain assets of the Company.	184	171
Note payable for Pickavance acquisition with an original issue discount of \$231,000 at an imputed interest rate of 8% maturing February 1, 2009.	1,198	1,421
Note payable for the purchase of the minority interest of a certain Knowles' subsidiary with simple interest payable at 8% per annum with a maturity date of January 30, 2008.	90	—
Various other notes payable with interest rates ranging from 7.01% to 7.8%, expiring through March 2008 collateralized by the related financed equipment.	102	285
	7,162	10,275
Less current maturities	978	854
Notes payable, net of current maturities	<u>\$ 6,184</u>	<u>\$ 9,421</u>

(1) At September 30, 2007, the Company had \$7,429,000 in outstanding letters of credit which reduce availability under the revolving credit facility.

(2) At September 30, 2007, the Company was in compliance with all the financial covenants.

## [Table of Contents](#)

### **Note 11—Supplemental Cash Flow Information**

On March 24, 2006, options to purchase 482,767 shares of old Hill's common stock with an exercise price of \$0.37 per share and options to purchase 48,277 shares of old Hill's common stock with an exercise price of \$0.53 per share were exercised on a cashless basis when the fair market value was \$5.47 resulting in old Hill issuing 493,465 shares of its common stock prior to the merger with Arpeggio.

On April 9, 2007, the Company issued 2,300,000 shares of its common stock in connection with the earn-out provision of the merger agreement with Arpeggio.

On August 9, 2007, the Company issued 30,000 shares of its common stock to non-employee members of the Board of Directors as partial compensation for services. The shares had a fair market value of \$210,000 on the date of grant and the Company is recognizing expense ratably as services are rendered over a one year period.

In connection with the finalization of the fair values of assets acquired and liabilities assumed in the Knowles acquisition, the Company provided for additional accrued liabilities and other liabilities amounting to \$2,101,000 and \$1,214,000, respectively, which resulted in a corresponding increase of \$3,315,000 in goodwill in the claims consulting segment.

In connection with the acquisition of the minority interest of a Knowles subsidiary, the Company issued a note payable amounting to \$90,000 which increased goodwill in the claims consulting segment.

The following table provides additional cash flow information:

<i>In thousands</i>	Nine months ended	
	September 30, 2007	September 30, 2006
Interest paid	\$ 902	\$ 513
Income taxes paid	\$ 1,327	\$ 303

### **Note 12—Equity in Earnings of Affiliates**

#### **Stanley Baker Hill, LLC**

Equity in earnings of affiliates reflects ownership by the Company of 33.33% of the members' equity of Stanley Baker Hill, LLC ("SBH"). SBH is a joint venture formed in February 2004 between Stanley Consultants, Inc., Michael Baker, Jr. Inc., and Hill.

SBH has a contract for an indefinite delivery and indefinite quantity for construction management and general architect-engineer services for facilities in Iraq with the U.S. Army Corps of Engineers.

At September 30, 2007 and December 30, 2006, the Company reported receivables totaling \$2,055,000 and \$691,000, respectively, from SBH for work performed by the Company as a subcontractor to SBH. Such amounts were payable in accordance with the subcontract agreement between the Company and SBH.

Revenue from SBH pursuant to such subcontract agreement for the three-month periods ended September 30, 2007 and September 30, 2006 was \$4,788,000 and \$1,255,000, respectively and for the nine-month periods ended September 30, 2007 and September 30, 2006 was \$7,925,000 and \$2,600,000, respectively.

**Note 13—Earnings per Share**

Basic earnings per common share and diluted earnings per common share are presented in accordance with SFAS No. 128, *Earnings per Share*. Basic earnings per common share has 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, warrants and unit purchase options, if dilutive. Dilutive shares were 4,342,072 shares and 1,228,709 shares for the three-month periods ended September 30, 2007 and September 30, 2006, respectively, and were 4,353,138 shares and 1,427,551 shares for the nine-month periods ended September 30, 2007 and September 1, 2006, respectively. Certain stock options and warrants were excluded from the 2007 calculations of diluted earnings per common share because their effect was antidilutive. The total number of such shares excluded from diluted earnings per common share was 825,978 shares and 25,000 shares for the three-month periods ended September 30, 2007 and September 30, 2006, respectively, and 1,532,436 shares and 13,600,000 shares for the nine-month periods ended September 30, 2007 and September 30, 2006, respectively. The 2,300,000 common shares, which were issued in April 2007 in connection with the 2006 earn-out provision of the merger agreement with Arpeggio, have been included, effective January 1, 2007, in both the basic and diluted weighted average shares for the three- and nine-month periods ended September 30, 2007.

**Note 14—Share-Based Compensation**

At September 30, 2007, the Company had 865,000 options outstanding with a weighted average exercise price of \$7.60. During the nine months ended September 30, 2007, the Company granted 905,000 options, which vest over a five-year period, with a weighted average exercise price of \$7.66 and a contractual life of seven years. The aggregate fair value of the options was \$2,725,000 calculated using the Black-Scholes valuation model. The weighted average assumptions used to calculate the fair value were: expected life – five years; volatility – 37.1% and risk free interest rate – 4.47%. During 2007, options for 65,000 shares with a weighted average exercise price of \$7.60 were forfeited.

The Company recognized share-based compensation expense in selling, general and administrative expenses in the Consolidated Statement of Earnings totaling \$155,000 for the three-month period ended September 30, 2007 and \$318,000 for the nine-month period ended September 30, 2007.

On February 28, 2007, the Board of Directors approved for future issuance 340,000 shares of restricted common stock to certain of its employees. Such shares will be issued at the fair market value on the date of grant and will vest over a period of five years from the date of grant. Upon issuance, the Company will record compensation expense ratably over five years.

**Note 15—Warrants and Units**

At September 30, 2007, the Company had 12,423,628 Redeemable Common Stock Purchase Warrants (the “Warrants”) issued and outstanding. Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing on June 28, 2006 (the completion of the Hill and Arpeggio merger) and expiring on June 23, 2008 (four years from the effective date of Arpeggio’s Initial Public Offering). The Warrants are redeemable at a price of \$.01 per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period, ending on the third day prior to the date on which notice of redemption is given. On October 23, 2007, the Company notified the warrant holders of its intention to redeem the warrants on November 23, 2007. During the nine-months ended September 30, 2007, holders exercised 1,176,372 warrants and the Company received proceeds of \$5,881,860. See Note 20.

## [Table of Contents](#)

In connection with its Initial Public Offering, Arpeggio issued an option for \$100 to the representative of the underwriters to purchase 300,000 Units at an exercise price of \$9.90 per Unit, although the Units may be exercised on a cashless basis. Each Unit consists of one share of the Company's common stock and warrants to purchase two shares of the Company's common stock at an exercise price of \$6.25 per share. The option expires in June 2009. See Note 20.

### **Note 16—Income Taxes**

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. The Company adopted the provisions of FIN 48 on December 31, 2006, the first day of our fiscal year. As a result of the implementation of FIN 48, the Company has analyzed filing positions in all of the federal, state and foreign filing jurisdictions where it is required to file income tax returns, as well as all open years in those jurisdictions. In this regard, an uncertain tax position represents the Company's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. As a result of this review, the Company concluded that at this time there are no uncertain tax positions which would require a cumulative effect adjustment to retained earnings.

The Company files income tax returns in the U.S. federal jurisdiction and in various states and foreign jurisdictions. As a result of its acquisition of Knowles, the Company has an ongoing audit with Inland Revenue for two Knowles affiliates for the years ended in 2000 through 2005. The Company generally is no longer subject to U.S. federal, state or foreign examinations by tax authorities for tax years prior to 2004.

The Company's policy is to record income tax related interest and penalties in income tax expense. At September 30, 2007, the Company had accrued \$2.3 million for potential interest and penalties related to uncertain tax positions.

### **Note 17—Business Segment Information**

The Company's business segments reflect how executive management makes resource decisions and assesses its performance. The Company bases these decisions on the type of services provided (Project Management and Construction Claims services) and secondarily by their geography (Americas, Europe, the Middle East and Asia/Pacific).

The Project Management business segment provides extensive construction and project management services to construction owners worldwide. Such services include program management, project management, construction management, project management oversight, staff augmentation, management consulting, and estimating and cost management services.

The Construction Claims business segment provides such services as claims consulting, litigation support, expert witness testimony, cost and damages assessment, delay and disruption analysis, lender advisory, and adjudication services to clients worldwide.

The Company evaluates the performance of its segments primarily on operating profit before corporate overhead allocations and income taxes.

## [Table of Contents](#)

The following tables reflect the required disclosures for the Company's reportable segments for the three- and nine-month periods ended September 30, 2007 and September 30, 2006 (in thousands):

### **Three Months Ended:**

#### *Revenue:*

	Three months ended	
	September 30, 2007	September 30, 2006
Project Management	\$ 51,748	\$ 40,457
Construction Claims	20,429	9,409
Total	<u>\$ 72,177</u>	<u>\$ 49,866</u>

#### *Operating Profit:*

	Three months ended	
	September 30, 2007	September 30, 2006
Project Management before equity in earnings of affiliates	\$ 6,286	\$ 4,531
Equity in earnings of affiliates	875	331
	<u>7,161</u>	<u>4,862</u>
Construction Claims	1,773	702
Corporate Expenses	(3,797)	(1,870)
Total	<u>\$ 5,137</u>	<u>\$ 3,694</u>

#### *Depreciation and Amortization Expense:*

	Three months ended	
	September 30, 2007	September 30, 2006
Project Management	\$ 407	\$ 156
Construction Claims	915	192
Subtotal segments	<u>1,322</u>	<u>348</u>
Corporate	93	62
Total	<u>\$ 1,415</u>	<u>\$ 410</u>

[Table of Contents](#)*Revenue by Geographic Region:*

	Three months ended	
	September 30, 2007	September 30, 2006
Americas	\$ 36,214	\$ 23,415
Europe	17,028	11,307
Middle East	16,763	15,144
Asia / Pacific	2,172	—
Total	<u>\$ 72,177</u>	<u>\$ 49,866</u>

*Revenue by Client Type:*

	Three months ended	
	September 30, 2007	September 30, 2006
U.S. federal government	\$ 13,898	\$ 4,394
State, local and quasi-government	19,692	14,321
Foreign government	8,674	8,547
Private sector	29,913	22,604
Total	<u>\$ 72,177</u>	<u>\$ 49,866</u>

**Nine Months Ended:***Revenue:*

	Nine months ended	
	September 30, 2007	September 30, 2006
Project Management	\$ 144,123	\$ 111,317
Construction Claims	59,929	18,839
Total	<u>\$ 204,052</u>	<u>\$ 130,156</u>

## [Table of Contents](#)

### *Operating Profit:*

	Nine months ended	
	September 30, 2007	September 30, 2006
Project Management before equity in earnings of affiliates	\$ 16,076	\$ 12,385
Equity in earnings of affiliates	1,430	533
	<u>17,506</u>	<u>12,918</u>
Construction Claims	5,649	1,881
Corporate Expenses	(10,536)	(6,816)
Total	<u>\$ 12,619</u>	<u>\$ 7,983</u>

### *Depreciation and Amortization Expense:*

	Nine months ended	
	September 30, 2007	September 30, 2006
Project Management	\$ 696	\$ 504
Construction Claims	1,937	357
Subtotal segments	<u>2,633</u>	<u>861</u>
Corporate	236	171
Total	<u>\$ 2,869</u>	<u>\$ 1,032</u>

### *Revenue by Geographic Region:*

	Nine months ended	
	September 30, 2007	September 30, 2006
Americas	\$ 96,789	\$ 65,945
Europe	51,213	22,105
Middle East	50,220	42,106
Asia / Pacific	5,830	—
Total	<u>\$ 204,052</u>	<u>\$ 130,156</u>

## [Table of Contents](#)

### Revenue By Client Type:

	Nine months ended	
	September 30, 2007	September 30, 2006
U.S. federal government	\$ 23,454	\$ 12,499
State, local and quasi-government	62,646	41,305
Foreign government	27,847	21,343
Private sector	90,105	55,009
Total	<u>\$ 204,052</u>	<u>\$ 130,156</u>

### Total Assets by Geographic Region:

	September 30, 2007	December 30, 2006
	Americas	\$ 51,804
Europe	61,546	53,609
Middle East	28,990	24,133
Asia / Pacific	3,314	3,142
Total	<u>\$ 145,654</u>	<u>\$ 118,993</u>

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

	September 30, 2007	December 30, 2006
	Americas	\$ 3,207
Europe	1,622	2,264
Middle East	1,084	1,100
Asia / Pacific	232	240
Total	<u>\$ 6,145</u>	<u>\$ 5,515</u>

### Note 18—Concentrations

The Company had one client, the City of New York, that accounted for 12% of total revenue for the three months ended September 30, 2007, and two clients, the City of New York and Nakheel Corporation, that collectively accounted for 28% of total revenue for the three months ended September 30, 2006 and one client, Nakheel Corporation, that accounted for 14% of RLRE for the three months ended September 30, 2006.

The Company had one client, the City of New York, that accounted for 16% of total revenue and one client, Nakheel Corporation, that accounted for 10% of RLRE for the nine months ended September 30, 2007, and two clients, the City of New York and Nakheel Corporation, that collectively accounted for 31% of total revenue and one client, Nakheel Corporation that accounted for 16% of RLRE for the nine months ended September 30, 2006.

None of the Company's clients accounted for 10% or more of accounts receivable as of September 30, 2007. One client, the City of New York, accounted for 10% of accounts receivable as of December 30, 2006.

## [Table of Contents](#)

The Company has several contracts with U.S. federal government agencies that account for 19% and 9% of total revenue during the three-month period ended September 30, 2007 and September 30, 2006, respectively, and 12% and 10% of total revenue during nine-month period ended September 30, 2007 and September 30, 2006, respectively.

### **Note 19—Commitments and Contingencies**

#### Litigation

On September 23, 1996, William Hughes General Contractors, Inc. (“Hughes”) filed a complaint in the Superior Court of New Jersey, Law Division, Gloucester County, against the Monroe Township Board of Education, the Company and other parties, alleging breach of contract and other causes of action in connection with its performance of a construction project for Monroe Township, seeking in excess of \$3,500,000 in damages. Monroe Township, which had terminated Hughes from the construction project prior to the commencement of the litigation on the basis of Hughes’ performance, made a cross claim against the Company and other parties for contribution and indemnification. Monroe Township is seeking approximately \$89,000 in damages from the Company, in addition to an indemnification for Hughes’ claims. In relation to the Hughes claims, a claim was made against the Company by Fidelity and Deposit Company of Maryland (“F&D”). F&D is claiming damages in the range of \$425,000 to \$470,000. The F&D claim is being defended by the New Jersey Professional Liability Insurance Guarantee Association (“NJPLIGA”) and losses are covered up to \$300,000. The Company believes that the claims of Hughes, Monroe Township and F&D are without merit.

On September 22, 1999, Wartsila NSD North America, Inc. filed a complaint against the Company in the United States District Court for the District of New Jersey. Wartsila alleged negligence, breach of contract and fraud against the Company in connection with plaintiff’s hiring of a former Company employee and sought damages in excess of \$7,300,000. A jury verdict was rendered on March 6, 2006. The jury found that the Company was negligent and breached the contract with plaintiff but that the Company did not commit fraud. The jury awarded damages of approximately \$2,000,000. The Company filed a Motion to Mold the Verdict and to Enter Judgment consistent with the parties’ contract which contains a limitation of liability clause which limits the Company’s liability, absent fraud, to direct damages. In connection with the Arpeggio and Hill merger described in Note 1, stockholders of old Hill had escrowed a total of 1,450,000 shares of the Company’s stock to satisfy non-tax indemnification claims by the Company arising out of this and certain other matters (see below). Liability in this matter, if any, will ultimately be satisfied from such escrowed shares under the terms of an escrow agreement. On June 28, 2006 the Court denied the Company’s motion and the Company subsequently filed a Notice of Appeal on July 26, 2006 with the Third Circuit Court of Appeals. The Company has posted a letter of credit securing the judgment plus pre- and post-judgment interest in the amount of \$3,350,000 as of September 30, 2007. At December 30, 2006, a previously posted letter of credit was secured by cash collateral which was included in “cash-restricted” on the Company’s Consolidated Balance Sheet. The Company also recorded an accrued liability in the amount of \$3,350,000 which is included in “Accrued liabilities” on the Company’s Consolidated Balance Sheet at September 30, 2007 and December 30, 2006. From the shares held in escrow, 451,665 shares representing \$3,350,000 have been allocated at September 30, 2007 for satisfaction of the judgment and will be placed in treasury stock in the event the judgment is ultimately paid.

On May 28, 2004, Sims Group, Inc. (“Sims”) filed a Demand for Arbitration with the American Arbitration Association alleging breach of contract against the Company. The plaintiff was a subcontractor to the Company and sought the alleged contract balance owed of \$1,300,000. The Company filed a counterclaim on July 2, 2004 alleging fraud and breach of contract. This matter was arbitrated during April 2006 and an arbitration award was issued on June 28, 2006 awarding Sims \$1,250,000 plus costs of \$33,000. The Company had accrued a liability of \$772,000 related to this matter prior to September 30, 2005. In connection with the Arpeggio and Hill merger described in Note 1 to the Consolidated Financial Statements, stockholders of old Hill had escrowed 1,450,000 shares of the Company’s stock to satisfy non-tax indemnification claims by the Company arising out of this and certain other matters. Liability in this matter in excess of amounts accrued as of

## Table of Contents

September 30, 2005 was to be satisfied from such escrowed shares. In October 2006, the Company made a payment of approximately \$1,300,000 to claimant to satisfy this matter in full. From the shares held in escrow, 69,540 shares representing \$515,777 were released to the Company on July 16, 2007 for satisfaction of the judgment amount in excess of the amount accrued and have been placed in treasury.

On May 23, 2007 Hill filed a Demand for Arbitration with the American Arbitration Association alleging breach of contract, breach of the covenant of good faith and fair dealing, unjust enrichment and/or fraudulent inducement against Bachmann Springs Holdings, LLC and Thomas Bachmann (hereinafter, collectively "Bachmann"). Hill was hired by Bachmann to provide professional support services and is demanding payment of invoices in the amount of \$634,904. On October 17, 2007, Bachmann filed a counterclaim with the American Arbitration Association alleging fraud and breach of contract and seeking damages in the amount of \$8,600,000. The Company believes that Bachmann's counterclaim is without merit.

### General Litigation

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

### **Note 20—Subsequent Events**

#### Notes Payable

On October 15, 2007, the Company amended its credit facility with LaSalle Bank N.A. increasing the secured revolving credit facility from \$25,000,000 to \$35,000,000; increasing the letter of credit subfacility from \$10,000,000 to \$20,000,000; extending the term of the facility by one year to January 1, 2011; and increasing the amount of the minimum net worth that the Company covenants to maintain from \$35,000,000 to \$45,000,000.

#### Warrants

From October 1, 2007 through November 2, 2007, the Company received proceeds amounting to \$13,246,780 upon the exercise of warrants to purchase 2,649,356 shares of its common stock at an exercise price of \$5.00 per share.

#### Representative's Units

On October 22, 2007, holders exercised on a cashless basis 288,000 unit purchase options and the underlying warrants resulting in the issuance of 208,390 shares of the Company's common stock. These options were part of 300,000 unit purchase options that were granted to the representatives of the underwriters in connection with the initial public offering of Arpeggio in June 2004. There remain outstanding 12,000 unit purchase options.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*We make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We use forward-looking words such as “may,” “expect,” “anticipate,” “contemplate,” “believe,” “estimate,” “intends,” and “continue” or similar words. You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or financial condition or state other “forward-looking” information. However, there may be events in the future that we are not able to predict accurately or over which we have no control. Examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us in such forward-looking statements include those described in Part I, Item 1A “Risk Factors” of our 2006 Form 10-K. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of hereof. All forward-looking statements included herein attributable to us are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements.*

We were incorporated in Delaware in 2004, under the name Arpeggio Acquisition Corporation (“Arpeggio”), as a specified purpose acquisition corporation. On June 28, 2006, we merged with Hill International, Inc. (“old Hill”), a Delaware corporation, and Arpeggio was the surviving entity of the merger. Old Hill was founded in 1976 by our current Chairman and Chief Executive Officer, Irvin E. Richter. Following the merger, we changed our name to Hill International, Inc. In this report, the terms “Company,” “we,” or “Hill” mean Hill International, Inc. and its consolidated subsidiaries. All historical statements relate to the business of old Hill and its consolidated subsidiaries.

We provide fee-based services to clients worldwide, but primarily in the United States, Europe, the Middle East and Asia/Pacific. Our clients include the United States and other national governments and their agencies, state and local governments and their agencies and the private sector. Hill is organized into two key operating segments: the Project Management Group and the Construction Claims Group.

Our Project Management Group provides fee-based or “agency” construction management services to our clients leveraging our construction expertise to identify potential trouble, difficulties and sources of delay on a construction project before they develop into costly problems. Our Construction Claims Group, advises clients in order to assist them in preventing or resolving claims and disputes based upon schedule delays, cost overruns and other problems on major construction projects worldwide.

We believe we are a world leader in both the project management and construction claims consulting businesses. We are a global company with over 1,500 employees operating out of nearly 70 offices in more than 25 countries.

We derive our revenues from fees for professional services. As a service company we are labor intensive rather than capital intensive. Our revenue is driven by our ability to attract and retain qualified and productive employees, identify business opportunities, secure new and renew existing client contracts, provide outstanding services to our clients and execute projects successfully. Our income from operations is derived from our ability to generate revenue and collect cash under our contracts in excess of direct labor and other direct costs of executing the projects, subcontractors and other reimbursable costs and selling, general and administrative costs.

We believe there are high barriers to entry for new competitors, particularly in the project management sector. We compete for business based on reputation and past experience, including client requirements for substantial similar project and claims experience of the firm. We have developed significant long-standing relationships which bring us repeat business and would be very difficult to replicate. We have an excellent reputation for developing and rewarding employees, which allows us to attract and retain superior professionals.

## [Table of Contents](#)

### **Critical Accounting Policies**

The Company's interim financial statements were prepared in accordance with 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 the judgment 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 identified in the Company's 2006 Annual Report on Form 10-K filed March 30, 2007 with the Securities and Exchange Commission have not materially changed.

Commencing in 2007, we changed our reporting periods to coincide with the end of each calendar quarter. Prior to 2007, we utilized a 52-53 week fiscal year ending on the Saturday closest to December 31. The difference resulting from this change in reporting periods for the three- and nine-month periods ended September 30, 2007 is not significant.

### **Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006**

#### **Results of Operations**

##### **Revenue**

<i>(in thousands)</i>	Three months ended					
	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	\$51,748	71.7%	\$40,457	81.1%	\$11,291	27.9%
Construction Claims	20,429	28.3%	9,409	18.9%	11,020	117.1%
<b>Total</b>	<b>\$72,177</b>	<b>100.0%</b>	<b>\$49,866</b>	<b>100.0%</b>	<b>\$22,311</b>	<b>44.7%</b>

The increase in project management revenue consists of a \$10,900,000 increase in domestic project management revenue and a \$391,000 increase in foreign project management revenue. The increase in domestic project management revenue was primarily due to a \$4,041,000 increase in our New York City office where several projects began during 2006 and 2007. Of this increase, \$2,643,000 was for use of subcontractors. We use subcontractors for a variety of reasons, including providing at-risk construction services on contracts where such work is required by a client (generally known as "CM/Build" contracts) since we do not provide such services. The New York City office projects are principally CM/Build contracts which require more subcontracting work. An increase in revenue of \$3,532,000 for the Iraq projects and \$3,924,000 in revenue for KJM & Associates, Ltd. ("KJM") (acquired effective May 1, 2007) also contributed to the increase in domestic project management revenue. The increase in foreign project management revenue was due to a \$779,000 increase generated in the Middle East and a \$388,000 decrease generated in Europe. Middle East revenues continue to increase in the United Arab Emirates as well as an expansion into Saudi Arabia. In Europe, the decrease primarily consisted of lower use of sub-consultants which was offset by lower reimbursable expenses.

## [Table of Contents](#)

The increase in construction claims revenue is due to a \$10,599,000 increase in foreign construction claims revenue and an increase of \$421,000 in domestic construction claims revenue. The increase in foreign construction claims revenue consists of \$7,746,000 generated in Europe and Asia/Pacific, primarily as a result of the acquisition of Knowles in August 2006, a \$2,013,000 increase in our London office (excluding Knowles) and an increase of \$840,000 in the Middle East, primarily due to the Knowles acquisition. The Knowles operations in the U.S. and Middle East were consolidated into Hill effective January 1, 2007, and the integration of the other Knowles operations is now substantially complete. The increase in domestic claims revenue of \$421,000 is principally attributable to an increase of \$967,000 in our New Jersey office and an increase of \$214,000 in our Washington DC office. In addition, the West Coast offices (San Francisco and Los Angeles) had a decrease of \$807,000 due to the wind down of two large claim assignments.

### Reimbursable Expenses

<i>(in thousands)</i>	Three months ended					
	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	\$16,722	80.7%	\$14,893	94.0%	\$1,829	12.3%
Construction Claims	3,991	19.3%	944	6.0%	3,047	322.8%
<b>Total</b>	<b>\$20,713</b>	<b>100.0%</b>	<b>\$15,837</b>	<b>100.0%</b>	<b>\$4,876</b>	<b>30.8%</b>

Reimbursable expenses consist of amounts paid to subcontractors and other third parties and travel and other job related expenses that are contractually reimbursable from clients. The increase in project management reimbursable expense was primarily due to a \$2,643,000 increase in reimbursable subcontractors' fees in our New York City office, partially offset by lower use of subcontractors overseas, as described above. The amount and timing of reimbursable expenses is dependent on the work performed, however we believe that the amount of reimbursable expenses in 2007 is indicative of the amount of expenditures relative to revenues that we would expect in future periods. The increase in construction claims reimbursable expenses is due to the expansion of our business in Europe and Asia/Pacific in the amount of \$1,896,000 primarily due to Knowles and an increase of \$1,058,000 in our London office (excluding Knowles).

### Revenue Less Reimbursable Expenses

<i>(in thousands)</i>	Three months ended					
	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	\$35,026	68.1%	\$25,564	75.1%	\$ 9,462	37.0%
Construction Claims	16,438	31.9%	8,465	24.9%	7,973	94.2%
<b>Total</b>	<b>\$51,464</b>	<b>100.0%</b>	<b>\$34,029</b>	<b>100.0%</b>	<b>\$17,435</b>	<b>51.2%</b>

Project management RLRE increased at a greater rate than project management revenues because reimbursable expenses did not increase proportionately with revenues. Construction claims RLRE grew in Europe and Asia/Pacific in the amount of \$5,849,000 primarily due to the acquisition of Knowles. Claims RLRE growth did not keep pace with the increase in revenue due to the increased use of subcontractors and higher other reimbursable expenses related to the construction claims business in 2007.

## [Table of Contents](#)

A significant trend in the distribution of our RLRE in recent years has been the increase of RLRE attributable to the Middle East. Growth in our RLRE in the Middle East has been strong because there has been a significant increase in construction activity in a number of the countries in the Middle East (including the United Arab Emirates, Qatar, Kuwait, Bahrain, Oman and Saudi Arabia) where we do business. Iraq reconstruction efforts funded by the United States government have led to additional work for us. The recent acquisition of KJM has provided our Project Management Group with new and expanded geographic coverage and opportunities in the West and Southwest United States.

We measure the performance of many of our key operating metrics as a percentage of RLRE, as we believe that this is a better measure of operating performance than total revenue. Throughout this discussion we have used RLRE as the denominator in many of our ratios.

### Direct Expenses

<i>(in thousands)</i>	September 30, 2007		% of RLRE	September 30, 2006		% of RLRE	Change	
	\$	%		\$	%		\$	%
	Project Management	\$19,522	72.7%	55.7%	\$14,736	78.5%	57.6%	\$4,786
Construction Claims	7,345	27.3%	44.7%	4,038	21.5%	47.7%	3,307	81.9%
<b>Total</b>	<b>\$26,867</b>	<b>100.0%</b>	<b>52.2%</b>	<b>\$18,774</b>	<b>100.0%</b>	<b>55.2%</b>	<b>\$8,093</b>	<b>43.1%</b>

Direct expenses consist of labor expenses for time charged directly to contracts and non-reimbursable job related travel and out-of-pocket expenses. The project management direct expense increase is principally due to an increase in direct labor of \$4,748,000 required to produce the increase in RLRE.

The construction claims direct expense increase is primarily due to an increase in direct labor of \$3,312,000 required to produce the increase in RLRE.

### Gross Profit

<i>(in thousands)</i>	September 30, 2007		% of RLRE	September 30, 2006		% of RLRE	Change	
	\$	%		\$	%		\$	%
	Project Management	\$15,504	63.0%	44.3%	\$10,828	71.0%	42.4%	\$4,676
Construction Claims	9,093	37.0%	55.3%	4,427	29.0%	52.3%	4,666	105.4%
<b>Total</b>	<b>\$24,597</b>	<b>100.0%</b>	<b>47.8%</b>	<b>\$15,255</b>	<b>100.0%</b>	<b>44.8%</b>	<b>\$9,342</b>	<b>61.2%</b>

The increase in gross profit is the result of the increase in RLRE for both project management and construction claims. The construction claims increase included \$2,923,000 in Europe and Asia/Pacific primarily due to the Knowles acquisition. The increase in gross profit as a percentage of RLRE is due to the higher portion of the RLRE from construction claims (principally due to the Knowles acquisition) which has significantly higher gross profit margins than project management.

## [Table of Contents](#)

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

<i>(in thousands)</i>	September 30, 2007		Three months ended September 30, 2006		Change	
	\$	% of RLRE	\$	% of RLRE	\$	%
	SG&A Expenses	<u>\$20,335</u>	<u>39.5%</u>	<u>\$11,892</u>	<u>34.9%</u>	<u>\$8,443</u>

SG&A increased as a percentage of RLRE which is partially attributable to increased costs associated with becoming a publicly held company since June 28, 2006.

The increase in selling, general and administrative expenses is primarily attributable to the following:

- An increase of \$2,511,000 due to the selling, general and administrative expenses of Knowles’ operations in Europe and Asia/Pacific, excluding amortization of intangibles.
- An increase in unapplied and indirect labor expense of \$3,108,000 due to increases in staff required to produce and support the increase in revenue as well as a build-up of corporate headquarters staffing in connection with becoming a public company in late June 2006. This includes \$1,142,000 for KJM which was acquired effective May 1, 2007.
- An increase of \$202,000 in insurance expense due to the increase in work volume and offices overseas.
- An increase in legal fees of \$366,000 due primarily to a \$300,000 insurance reimbursement on the Wartsila case received in 2006 which lowered our legal fees in that period.
- An increase of \$100,000 in outside accounting and consulting fees due to increased auditing and Sarbanes-Oxley compliance requirements.
- An increase of \$415,000 in administrative travel expense related to corporate executive and business development travel in support of the Company’s strategic growth initiatives.
- An increase of \$311,000 in rent expense due to expansion in Europe in support of revenue and staff growth and \$217,000 increase due to KJM.
- An increase of \$437,000 in amortization expense due primarily to \$236,000 of increased amortization of intangibles acquired in the Knowles acquisition and \$228,000 in the KJM acquisition.

### *Equity in Earnings of Affiliates*

Our share of the earnings of an affiliate, Stanley Baker Hill, LLC (“SBH”), increased \$544,000, from \$331,000 in the three months ended September 30, 2006 to \$875,000 in the three months ended September 30, 2007. SBH is a joint venture between Stanley Consultants, Inc. (“Stanley”), Michael Baker, Jr., Inc. (“Baker”) and us. Stanley, Baker and we each own an equal one-third interest in SBH. SBH has a contract for an indefinite delivery and indefinite quantity for construction management and general architect-engineer services for facilities in Iraq with the U.S. Army Corps of Engineers.

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## [Table of Contents](#)

### ***Operating Profit***

Operating income was \$5,137,000, which increased principally due to higher RLRE and gross profit, partially offset by higher direct and SG&A expenses.

### ***Interest Expense, net***

Net interest expense increased in the three months ended September 30, 2007 as compared to the three months ended September 30, 2006, primarily due to increased borrowings for funds required for the acquisition of KJM.

### ***Income Taxes***

The provision for income taxes increased by \$253,000 in the third quarter of 2007 over the comparable prior year period principally due to higher taxable income.

The effective tax rates for the three months ended September 30, 2007 and September 30, 2006 were 21.8% and 21.7%, respectively, which are lower than the statutory federal income tax rate of 34% principally due to the effect of lower foreign income tax rates.

### ***Net Income***

Our net income was \$3,800,000, or \$0.13 per diluted share, for the three months ended September 30, 2007 based upon 29,602,000 diluted shares outstanding as compared to net income of \$2,911,000, or \$0.12 per diluted share, in the three months ended September 30, 2006 based upon 23,513,000 diluted shares outstanding. The diluted income per share for 2007 was unfavorably impacted by additional shares and warrants outstanding due to the merger of Hill and Arpeggio in June 2006. Overall profitability improved by \$889,000, or 30.5%, due to an increase in RLRE and an increase in gross profit as a percent of RLRE, partially offset by higher direct, SG&A, interest and tax expenses.

**Nine Months Ended September 30, 2007 Compared to  
Nine Months Ended September 30, 2006**

**Results of Operations****Revenue**

<i>(in thousands)</i>	Nine months ended					
	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	<b>\$144,123</b>	<b>70.6%</b>	\$111,317	85.5%	\$32,806	29.5%
Construction Claims	<b>59,929</b>	<b>29.4%</b>	18,839	14.5%	41,090	218.1%
<b>Total</b>	<b><u>\$204,052</u></b>	<b><u>100.0%</u></b>	<b><u>\$130,156</u></b>	<b><u>100.0%</u></b>	<b><u>\$73,896</u></b>	<b><u>56.8%</u></b>

The increase in project management revenue consists of a \$23,866,000 increase in domestic project management revenue and a \$8,940,000 increase in foreign project management revenue. The increase in domestic project management revenue was primarily due to a \$12,717,000 increase in our New York City office where several projects began during 2007 and the second half of 2006. Of this increase, \$8,183,000 was for use of subcontractors. We use subcontractors for a variety of reasons, including providing at-risk construction services on contracts where such work is required by a client (generally known as "CM/Build" contracts) since we do not provide such services. The New York City office projects are principally CM/Build contracts which require more subcontracting work. An increase in revenue of \$5,492,000 for the Iraq projects and \$7,047,000 in revenue for KJM (acquired effective May 1, 2007) also contributed to the increase in domestic project management revenue. The increase in foreign project management revenue was due to a \$5,331,000 increase generated in the Middle East and a \$3,609,000 increase generated in Europe.

The increase in construction claims revenue is due to a \$38,409,000 increase in foreign construction claims revenue and an increase of \$2,681,000 in domestic construction claims revenue. The increase in foreign construction claims revenue consists of \$30,596,000 generated in Europe and Asia/Pacific, primarily as a result of the acquisition of Knowles in August 2006, a \$5,030,000 increase in our London office (excluding Knowles) and an increase of \$2,783,000 in the Middle East, primarily due to the Knowles acquisition. The Knowles operations in the U.S. and Middle East were consolidated into Hill effective January 1, 2007, and integration of the other Knowles operations is now substantially complete. The increase in domestic claims revenue of \$2,681,000 is principally attributable to an increase of \$2,459,000 in our New Jersey office resulting from new contract awards.

[Table of Contents](#)

**Reimbursable Expenses**

<i>(in thousands)</i>	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	\$49,121	82.4%	\$41,175	96.3%	\$ 7,946	19.3%
Construction Claims	10,481	17.6%	1,603	3.7%	8,878	553.8%
<b>Total</b>	<b>\$59,602</b>	<b>100.0%</b>	<b>\$42,778</b>	<b>100.0%</b>	<b>\$16,824</b>	<b>39.3%</b>

Reimbursable expenses consist of amounts paid to subcontractors and other third parties and travel and other job related expenses that are contractually reimbursable from clients. The increase in project management reimbursable expense was primarily due to a \$8,183,000 increase in reimbursable subcontractors' fees in our New York City office, partially offset by lower use of subcontractors overseas, as described above. The amount and timing of reimbursable expenses is dependent on the work performed, however we believe that the amount of reimbursable expenses in 2007 is indicative of the amount of expenditures relative to revenues that we would expect in future periods. The increase in construction claims reimbursable expenses is due to the expansion of our business in Europe and Asia/Pacific in the amount of \$6,240,000 primarily due to Knowles and an increase of \$2,156,000 in our London office.

**Revenue Less Reimbursable Expenses**

<i>(in thousands)</i>	September 30, 2007		September 30, 2006		Change	
	\$	%	\$	%	\$	%
Project Management	\$ 95,002	65.8%	\$70,142	80.3%	\$24,860	35.4%
Construction Claims	49,448	34.2%	17,236	19.7%	32,212	186.9%
<b>Total</b>	<b>\$144,450</b>	<b>100.0%</b>	<b>\$87,378</b>	<b>100.0%</b>	<b>\$57,072</b>	<b>65.3%</b>

Project management RLRE increased at a greater rate than project management revenues because reimbursable expenses, primarily attributable to the use of subcontractors, did not increase proportionately with revenues. Construction claims RLRE grew in Europe and Asia/Pacific in the amount of \$24,356,000 primarily due to the acquisition of Knowles. Claims RLRE growth did not keep pace with the increase in revenue due to the increased use of subcontractors and higher other reimbursable expenses related to the construction claims business in 2007.

A significant trend in the distribution of our RLRE in recent years has been the increase of RLRE attributable to the Middle East. Growth in our RLRE in the Middle East has been strong because there has been a significant increase in construction activity in a number of the countries in the Middle East (including the United Arab Emirates, Qatar, Kuwait, Bahrain and Oman) where we do business. In addition, Iraq reconstruction efforts funded by the United States government have led to additional contracts for us. The recent acquisition of KJM has provided our Project Management Group with new and expanded geographic coverage and opportunities in the West and Southwest United States.

## [Table of Contents](#)

We measure the performance of many of our key operating metrics as a percentage of RLRE, as we believe that this is a better measure of operating performance than total revenue. Throughout this discussion we have used RLRE as the denominator in many of our ratios.

### Direct Expenses

<i>(in thousands)</i>	September 30,		% of RLRE	Nine months ended			Change	
	2007			September 30,		% of RLRE		
	\$	%		2006	%		\$	%
Project Management	\$54,115	70.8%	57.0%	\$41,026	84.4%	58.5%	\$13,089	31.9%
Construction Claims	22,271	29.2%	45.0%	7,585	15.6%	44.0%	14,686	193.6%
<b>Total</b>	<b>\$76,386</b>	<b>100.0%</b>	<b>52.9%</b>	<b>\$48,611</b>	<b>100.0%</b>	<b>55.6%</b>	<b>\$27,775</b>	<b>57.1%</b>

Direct expenses consist of labor expenses for time charged directly to contracts and non-reimbursable job related travel and out-of-pocket expenses. The project management direct expense increase is principally due to an increase in direct labor of \$12,980,000 required to produce the increase in RLRE.

The construction claims direct expense increase is primarily due to an increase in direct labor of \$14,700,000 required to produce the increase in RLRE. Direct expenses as a percentage of RLRE decreased in the nine months ended September 30, 2007 as compared to the nine months ended September 30, 2006 due to the increase in construction claims RLRE as a percentage of total RLRE. The construction claims business typically has less direct expenses as compared to the project management business.

### Gross Profit

<i>(in thousands)</i>	September 30,		% of RLRE	Nine months ended			Change	
	2007			September 30,		% of RLRE		
	\$	%		2006	%		\$	%
Project Management	\$40,887	60.1%	43.0%	\$29,116	75.1%	41.5%	\$11,771	40.4%
Construction Claims	27,177	39.9%	55.0%	9,651	24.9%	56.0%	17,526	181.6%
<b>Total</b>	<b>\$68,064</b>	<b>100.0%</b>	<b>47.1%</b>	<b>\$38,767</b>	<b>100.0%</b>	<b>44.4%</b>	<b>\$29,297</b>	<b>75.6%</b>

The increase in gross profit is the result of the increase in RLRE for both project management and construction claims. The construction claims increase included \$12,462,000 in Europe and Asia/Pacific primarily due to the Knowles acquisition. The increase in gross profit as a percentage of RLRE is due to the higher portion of the RLRE from construction claims (principally due to the Knowles acquisition) which has significantly higher gross profit margins than project management.

## [Table of Contents](#)

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

<i>(in thousands)</i>	September 30, 2007		September 30, 2006		Change	
	\$	% of RLRE	\$	% of RLRE	\$	%
	SG&A Expenses	<u>\$56,875</u>	<u>39.4%</u>	<u>\$31,317</u>	<u>35.8%</u>	<u>\$25,558</u>

The increase in SG&A is partially attributable to increased costs associated with becoming a publicly held company since June 28, 2006.

The increase in selling, general and administrative expenses is primarily attributable to the following:

- An increase of \$10,537,000 due to the selling, general and administrative expenses of Knowles’ operations in Europe and Asia/Pacific, excluding amortization of intangibles.
- An increase in unapplied and indirect labor expense of \$8,388,000 due to increases in staff required to produce and support the increase in revenue as well as the build-up of corporate staffing in connection with becoming a public company. This includes \$1,935,000 for KJM which was acquired effective May 1, 2007.
- An increase of \$984,000 in outside accounting and consulting fees due to increased auditing and Sarbanes-Oxley compliance requirements principally associated with becoming a public company in June 2006.
- An increase of \$621,000 in insurance expense due to the increase in work volume and offices overseas.
- An increase of \$695,000 in rent expense due to expansion in Europe in support of revenue and staff growth and \$337,000 increase due to KJM.
- An increase of \$796,000 in administrative travel expense related to corporate executive and business development travel in support of the Company’s strategic growth initiatives.
- An increase of \$811,000 in amortization expense due primarily to \$697,000 of amortization of increased intangibles acquired in the Knowles acquisition, \$228,000 in the KJM acquisition and a decrease of \$114,000 for other intangibles which were fully amortized by the end of 2006.
- An increase in telephone expense of \$325,000 due to the increase in staffing and work volume.

### **Equity in Earnings of Affiliates**

Our share of the earnings of an affiliate, Stanley Baker Hill, LLC (“SBH”), increased \$897,000 from \$533,000 for the nine months ended September 30, 2006 to \$1,430,000 for the nine months ended September 30, 2007.

SBH is a joint venture between Stanley Consultants, Inc. (“Stanley”), Michael Baker, Jr., Inc. (“Baker”) and us. Stanley, Baker and we each own an equal one-third interest in SBH. SBH has a contract for an indefinite delivery and indefinite quantity for construction management and general architect-engineer services for facilities in Iraq with the U.S. Army Corps of Engineers.

## [Table of Contents](#)

### **Operating Profit**

Operating income was \$12,619,000, which increased principally due to higher RLRE and gross profit, partially offset by higher direct and SG&A expenses.

### **Interest Expense, net**

Net interest expense increased \$372,000 as compared to the nine months ended September 30, 2006, primarily due to increased borrowings for the KJM acquisition.

### **Income Taxes**

The provision for income taxes increased by \$924,000 for the nine months ended September 30, 2007 over the comparable prior year period principally due to a higher taxable income in 2007.

The effective tax rates for the nine months ended September 30, 2007 and September 30, 2006 were 22.7% and 22.8%, respectively which are lower than the statutory federal income tax rate of 34% principally due to the effect of lower foreign income tax rates.

### **Net Income**

Our net income was \$9,067,000, or \$0.31 per diluted share, for the nine months ended September 30, 2007 based upon 29,202,000 diluted shares outstanding as compared to net income of \$5,890,000, or \$0.35 per diluted share, for the nine months ended September 30, 2006 based upon 16,931,000 diluted shares outstanding. The diluted income per share for 2007 was unfavorably impacted by additional shares and warrants outstanding due to the merger of Hill and Arpeggio in late June 2006. Overall profitability improved by \$3,177,000, or 53.9%, due to an increase in RLRE and an increase in gross profit as a percent of RLRE, partially offset by higher direct, SG&A, interest and tax expenses.

### **Liquidity and Capital Resources**

Historically, we have funded our business activities with cash flow from operations and borrowings under credit facilities.

### **Credit Facilities**

On December 18, 2006, we entered into a loan and security agreement with LaSalle Bank N.A. ("LaSalle"), which provides for up to \$25,000,000 to be made available to us on a revolving basis (the "Credit Facility"). The Credit Facility provides for a letter of credit sub-facility of \$10,000,000. On October 15, 2007, the Credit Facility was amended to increase availability under the loan to \$35,000,000 and to increase the sub-facility to \$20,000,000. The Credit Facility is secured by all of our domestic assets, including, without limitation, our accounts receivable, equipment, securities, financial assets and the proceeds of the foregoing, as well as by a pledge of 66.67% of the outstanding capital stock of the following subsidiaries: Hill International S.A., Hill International (UK) Ltd., Hill International (Middle East) Ltd. and James R. Knowles (Holdings) Ltd.

The amended Credit Facility is for a term extending until January 1, 2011. The Credit Facility provides for LIBOR loans and prime rate loans, payable at margins above either LaSalle's prime rate or LIBOR based on the Company's ratio of total debt to EBITDA ranging from 0 to 50 basis points above prime or 150 to 262.50 basis points above LIBOR. At September 30, 2007, the applicable margins were zero basis points above LaSalle's prime rate and 150 basis points above LIBOR. The Credit Facility contains covenants with respect to our minimum net worth, total debt to EBITDA ratios, fixed charge coverage ratios and billed accounts receivable to total debt ratios, as well as other financial covenants and certain restrictions on the incurrence of debt, on the making of investments, on the payment of dividends, on transactions with affiliates and other affirmative and negative covenants and events of default customary for facilities of its type. At September 30, 2007, the Company was in compliance with all of the financial covenants.

## [Table of Contents](#)

We currently have two additional credit facilities with international financial institutions as follows:

- A credit facility with a bank in the Middle East for 5,000,000 AED (approximately \$1,400,000 at September 30, 2007) collateralized by certain overseas receivables. The interest rate on that facility is the Emirates Inter-Bank Offer Rate ("EIBOR"), which at September 30, 2007 was 5.26%, plus 2.0%. At September 30, 2007, there were no outstanding borrowings under this facility.
- A credit facility with a European bank for 1,000,000 Euros (approximately \$1,348,000 at September 30, 2007) secured by receivables from one specific project. The interest rate on this facility is bank prime, which at September 30, 2007 was 7.0%, plus 2.5%. At September 30, 2007, we had borrowings of approximately \$175,000 under this facility.

### ***Additional Capital Requirements***

The \$8,350,000 cash component of the purchase consideration for KJM & Associates, Ltd. was provided from our revolving credit facility in May 2007.

Due to our recent accelerated growth, we may experience lags between our receipt of fees from our clients and our payment of our costs. In order to continue our growth, and in light of the cash obligations described above, we have entered into a credit agreement that allows for borrowings up to \$35,000,000 with LaSalle Bank N.A. However we may seek additional debt financing beyond this amount.

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

After providing for \$7,659,000 in letters of credit, we had \$27,154,000 available for borrowing under our revolving credit facility with LaSalle Bank N.A. at October 31, 2007.

At September 30, 2007, we had warrants outstanding to purchase 12,423,628 shares of our common stock at an exercise price of \$5.00 per share. All of the warrants expire on June 23, 2008. During the nine months ended September 30, 2007, holders exercised 1,176,372 warrants and the Company received proceeds of \$5,881,860. From October 1, 2007 through November 2, 2007, the Company received proceeds amounting to \$13,246,780 upon the exercise of warrants to purchase 2,649,356 shares of its common stock at an exercise price of \$5.00 per share. The Warrants are redeemable at a price of \$0.01 per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period, ending on the third day prior to the date on which notice of redemption is given. On October 23, 2007, the Company notified the warrant holders of its intention to redeem the warrants on November 23, 2007.

At September 30, 2007, the Company had an outstanding option to sell 300,000 units for a price of \$9.90 per unit. Each such unit consists of one share of our common stock and two warrants to purchase shares of our common stock at \$6.25 each. On October 22, 2007, the holders exercised on a cashless basis 288,000 units and the underlying warrants resulting in the issuance of 208,390 shares of our common stock.

If all the outstanding warrants were to be exercised, we would receive additional cash proceeds of \$49,443,490, less expenses and any amounts paid to a solicitation agent.

We cannot provide any assurance that we will find other sources of financing, or that any of the outstanding warrants or options will be exercised.

### ***Cash Flow Activity during the Nine Months Ended September 30, 2007***

For the nine months ended September 30, 2007, our cash increased by \$1,979,000 to \$13,198,000. Cash provided by operations was \$6,105,000, cash used in investing activities was \$7,060,000 and cash provided by financing activities was \$2,208,000. We also experienced an increase in cash of \$726,000 from the effect of foreign currency exchange rate fluctuations.

## [Table of Contents](#)

### ***Operating Activities***

Net cash provided by operating activities for the nine months ended September 30, 2007 was \$6,105,000. Cash provided by operations is attributable to net income of \$9,067,000 for the period adjusted by non-cash items included in net income and working capital changes such as:

- depreciation and amortization of \$2,869,000;
- bad debt expense of \$1,497,000;
- equity in earnings of affiliates of \$1,430,000;
- a deferred tax provision of \$33,000; and
- stock-based compensation expense, including shares issued to certain Board members, of \$388,000;

Working capital changes which increased cash provided from operations included the following:

- increases in accounts payable and accrued expenses of \$1,791,000, principally relating to increases in operating expenses due to our growth;
  - an increase in deferred revenue of \$6,017,000 primarily due to the timing of advanced payments on projects in Europe; and
  - an increase in other current liabilities of \$2,214,000 primarily due to the growth of business and the timing of payments relating to contracts.
- Working capital changes which decreased cash provided from operations included the following:
- an increase in accounts receivable of \$14,283,000 due to increased revenue;
  - an increase in accounts receivable - affiliates of \$1,364,000 due to the timing of collections from SBH; and
  - an increase in prepaid expenses and other current assets of \$1,455,000.

### ***Investing Activities***

Net cash used in investing activities was \$7,060,000. We paid \$8,350,000, excluding acquisition expenses, in connection with the acquisition of KJM which provided our Project Management Group with new and expanded geographic coverage and opportunities in the West and Southwest United States. We spent approximately \$2,318,000 to purchase computers, office equipment, software and furniture and fixtures. We received \$528,000 as distribution from affiliates. We also received \$3,350,000 previously held as collateral for a letter of credit in connection with a legal judgment against the Company.

### ***Financing Activities***

Net cash provided by financing activities was \$2,208,000. Due to bank increased \$380,000 due to the timing of certain payments which were disbursed but not immediately funded by the bank. We made net payments on our Credit Facility of \$2,811,000. We also made payments on capital leases of \$199,000 and other bank borrowings of \$878,000. When some of our subsidiaries paid dividends, approximately \$166,000 was distributed to the minority stockholders. We also received \$5,882,000 from the exercise of warrants.

## Recent Accounting Pronouncements

### *FASB Interpretation No. 157*

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the adoption of SFAS No. 157 to have a material impact on our financial statements.

In January 2007, the FASB issued SFAS No. 159, *The Fair Value Options for Financial Assets and Financial Liabilities*. SFAS No. 159 provides a “Fair Value Option” under which a company may irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. This Fair Value Option will be available on a contract-by-contract basis with changes in fair value recognized in earnings as those changes occur. The effective date for SFAS No. 159 is the beginning of each reporting entity’s first fiscal year end that begins after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material impact on our financial statements.

## Quarterly Fluctuations

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

## Backlog

We believe a strong indicator of our future performance is our backlog of uncompleted projects under contract or awarded. The schedule below represents our backlog as of September 30, 2007. Our backlog represents management’s estimate of the amount of contracts and awards in hand that we expect to result in future revenue less reimbursable expenses (“RLRE”). Project management backlog is evaluated by management, on a project-by-project basis and is reported for each period shown based upon the binding nature of the underlying contract, commitment or letter of intent, and other factors, including the economic, financial and regulatory viability of the project and the likelihood of the contract being extended, renewed or cancelled. Construction claims backlog is based largely on management’s estimates of future revenue based on known construction claims assignments and historical results for new work. Because a significant number of construction claims may be awarded and completed within the same period, our actual construction claims revenue has historically exceeded backlog by a significant amount.

Our backlog is largely a reflection of the broader economic trends being experienced by our clients and is important to us in anticipating our operational needs. Backlog is not a measure defined in generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

At September 30, 2007, our backlog was approximately \$380,000,000 compared to approximately \$294,000,000 at June 30, 2007. We estimate that approximately \$179,000,000, or 47%, of the backlog at September 30, 2007 will be recognized during the twelve months subsequent to September 30, 2007.

The schedule below includes backlog under two categories: (1) contracts for which work authorizations have been or are expected to be received on a time and material basis, fixed-price basis and not-to-exceed projects that are well defined and (2) contracts awarded to the company where some or all of the work has not yet been authorized. As of September 30, 2007, approximately \$310,000,000 or 81%, of our backlog was in category (1) and approximately \$70,000,000 or 18%, of our backlog was in category (2). We generally do not track and therefore have not disclosed whether the public sector contracts included in our backlog are fully funded, incrementally funded, or unfunded.

## [Table of Contents](#)

Included in category (2) of our backlog is the maximum amount of all indefinite delivery/indefinite quantity (“ID/IQ”), or task order, contracts, or a lesser amount if we do not reasonably expect to be issued task orders for the maximum amount of such contracts. Also included in category (2) of our backlog is the amount of anticipated revenues in option years beyond the base term of our contracts if we reasonably expect our clients to exercise such option years. 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. The impact of terminations and modifications on our realization of revenues from our backlog has not been significant. Furthermore, reductions of our backlog as a result of contract terminations and modifications may be more than 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; however, future contract modifications or cancellations may increase or reduce backlog and future revenues.

<i>In thousands</i>	<u>Total Backlog</u>		<u>12 Month Backlog</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
<b>As of September 30, 2007</b>				
<b>Project Management</b>	<b>\$ 349,000</b>	<b>91.8%</b>	<b>\$ 156,000</b>	<b>86.7%</b>
<b>Construction Claims</b>	<b>31,000</b>	<b>8.2%</b>	<b>23,000</b>	<b>13.3%</b>
<b>Total</b>	<b><u>\$380,000</u></b>	<b><u>100.0%</u></b>	<b><u>\$179,000</u></b>	<b><u>100.0%</u></b>
<b>As of June 30, 2007</b>				
Project Management	\$ 263,000	89.5%	\$ 130,000	86.7%
Construction Claims	31,000	10.5%	20,000	13.3%
Total	<u>\$294,000</u>	<u>100.0%</u>	<u>\$150,000</u>	<u>100.0%</u>
<b>As of December 31, 2006:</b>				
Project Management	\$ 211,000	85.4%	\$ 103,000	79.8%
Construction Claims	36,000	14.6%	26,000	20.2%
Total	<u>\$247,000</u>	<u>100.0%</u>	<u>\$129,000</u>	<u>100.0%</u>

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

Refer to the Company’s Annual Report on Form 10-K for the year ended December 30, 2006 for a complete discussion of the Company’s market risk. There have been no material changes to the market risk information included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

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

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that

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[Table of Contents](#)

evaluation, our management, including our chief executive officer and chief financial officer, concluded that, as of September 30, 2007, our disclosure controls and procedures were effective. During the third quarter ended September 30, 2007, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

**Part II—Other Information**

**Item 1. Legal Proceedings**

Litigation

On September 23, 1996, William Hughes General Contractors, Inc. (“Hughes”) filed a complaint in the Superior Court of New Jersey, Law Division, Gloucester County, against the Monroe Township Board of Education, the Company and other parties, alleging breach of contract and other causes of action in connection with its performance of a construction project for Monroe Township, seeking in excess of \$3,500,000 in damages. Monroe Township, which had terminated Hughes from the construction project prior to the commencement of the litigation on the basis of Hughes’ performance, made a cross claim against the Company and other parties for contribution and indemnification. Monroe Township is seeking approximately \$89,000 in damages from the Company, in addition to an indemnification for Hughes’ claims. In relation to the Hughes claims, a claim was made against the Company by Fidelity and Deposit Company of Maryland (“F&D”). F&D is claiming damages in the range of \$425,000 to \$470,000. The F&D claim is being defended by the New Jersey Professional Liability Insurance Guarantee Association (“NJPLIGA”) and losses are covered up to \$300,000. The Company believes that the claims of Hughes, Monroe Township and F&D are without merit.

On September 22, 1999, Wartsila NSD North America, Inc. filed a complaint against the Company in the United States District Court for the District of New Jersey. Wartsila alleged negligence, breach of contract and fraud against the Company in connection with plaintiff’s hiring of a former Company employee and sought damages in excess of \$7,300,000. A jury verdict was rendered on March 6, 2006. The jury found that the Company was negligent and breached the contract with plaintiff but that the Company did not commit fraud. The jury awarded damages of approximately \$2,000,000. The Company filed a Motion to Mold the Verdict and to Enter Judgment consistent with the parties’ contract which contains a limitation of liability clause which limits the Company’s liability, absent fraud, to direct damages. In connection with the Arpeggio and Hill merger, stockholders of the pre-merger Hill International, Inc. have escrowed a total of 1,450,000 shares of the Company’s stock to satisfy non-tax indemnification claims by the Company arising out of this and certain other matters (see below). Liability in this matter, if any, will ultimately be satisfied from such escrowed shares under the terms of an escrow agreement. Following the satisfaction of its indemnification claims arising out of this matter, the Company intends to maintain any such shares as treasury stock. On June 28, 2006 the Court denied the Company’s motion and the Company subsequently filed a Notice of Appeal on July 26, 2006 with the Third Circuit Court of Appeals. The Company has posted a letter of credit securing the judgment plus pre- and post-judgment interest in the amount of \$3,350,000 as of September 30, 2007. At December 30, 2006, a previously posted letter of credit was secured by cash collateral and included in “cash-restricted” on the Company’s Consolidated Balance Sheet. The Company also recorded a corresponding accrued liability in the amount of \$3,350,000 included in “Accrued liabilities” on the Company’s Consolidated Balance Sheet as of September 30, 2007 and December 30, 2006. From the shares held in escrow, 451,665 shares representing \$3,350,000 have been allocated at September 30, 2007 to the Company for satisfaction of the judgment and will be placed in treasury stock in the event the judgment is ultimately paid.

On May 28, 2004, Sims Group, Inc. (“Sims”) filed a Demand for Arbitration with the American Arbitration Association alleging breach of contract against the Company. The plaintiff was a subcontractor to the Company and sought the alleged contract balance owed of \$1,300,000. The Company filed a counterclaim on July 2, 2004 alleging fraud and breach of contract. This matter was arbitrated during April 2006 and an arbitration award was issued on June 28, 2006 awarding Sims \$1,250,000 plus costs of \$33,000. The Company had accrued a

## Table of Contents

liability of \$772,000 related to this matter prior to September 30, 2005. In connection with the Arpeggio and Hill merger described in Note 1 to the Consolidated Financial Statements, stockholders of the pre-merger Hill International, Inc. have escrowed 1,450,000 shares of the Company's stock to satisfy non-tax indemnification claims by the Company arising out of this and certain other matters. Liability in this matter in excess of amounts accrued as of September 30, 2005 will be satisfied from such escrowed shares. In October 2006, the Company made a payment of approximately \$1,300,000 to claimant to satisfy this matter in full. From the shares held in escrow, 69,540 shares representing \$515,777 have been released to the Company on July 16, 2007 for satisfaction of the judgment amount in excess of the amount accrued and have been placed in treasury.

On May 23, 2007 Hill filed a Demand for Arbitration with the American Arbitration Association alleging breach of contract, breach of the covenant of good faith and fair dealing, unjust enrichment and/or fraudulent inducement against Bachmann Springs Holdings, LLC and Thomas Bachmann (hereinafter, collectively "Bachmann"). Hill was hired by Bachmann to provide professional support services and is demanding payment of invoices in the amount of \$634,904. On October 17, 2007, Bachmann filed a counterclaim with the American Arbitration Association alleging fraud and breach of contract and seeking damages in the amount of \$8,600,000. The Company believes that Bachmann's counterclaim is without merit.

### General Litigation

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

### **Item 1A. Risk Factors**

There has been no material changes pertaining to risk factors discussed in the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

### **Item 2. Unregistered Sales of Equity Securities and Use of Funds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None

### **Item 5. Other Information**

On November 12, 2007, in response to new NASDAQ listing requirements that mandate that all NASDAQ listed companies become eligible to participate in the "Direct Registration System" for their outstanding securities, the Board of Directors adopted a resolution which amends Article V, Section 1, of the Bylaws, to provide that shares of stock of the Company may be issued and held in either certificated or uncertificated form.

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[Table of Contents](#)

A copy of the Amended and Restated Bylaws of the Company, reflecting the amendments adopted by the Board on November 12, 2007, is attached hereto as Exhibit 3.2.

**Item 6. Exhibits**

- 3.2 Amended and Restated Bylaws of Hill International, Inc.
- 31.1 Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Irvin E. Richter, Chief Executive Officer of Hill International, Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of John Fanelli III, Chief Financial Officer of Hill International, Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**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.

Dated: November 13, 2007

**Hill International, Inc.**

By: /s/ Irvin E. Richter  
Irvin E. Richter  
Chairman and Chief Executive Officer  
(Duly Authorized Officer)

Dated: November 13, 2007

By: /s/ John Fanelli III  
John Fanelli III  
Senior Vice President and Chief Financial Officer

**BYLAWS**  
**OF**  
**HILL INTERNATIONAL, INC.**  
(as Amended and Restated to November 12, 2007)

**ARTICLE I**

**OFFICES**

1.1 Registered Office. The registered office of Hill International, Inc. (the "Corporation") in the State of Delaware shall be established and maintained at Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware and The Corporation Trust Company shall be the registered agent of the Corporation in charge thereof.

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

**ARTICLE II**

**MEETINGS OF STOCKHOLDERS**

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

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

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

To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the

direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice to the Secretary shall set forth (a) as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, and (ii) any material interest of the stockholder in such business, and (b) as to the stockholder giving the notice (i) the name and record address of the stockholder and (ii) the class, series and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 2. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 2, and if such officer should so determine, such officer shall so declare to the annual meeting and any such business not properly brought before the meeting shall not be transacted.

2.3 Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), may only be called by a majority of the entire Board of Directors, or the Chief Executive Officer or the Chairman, and shall be called by the Secretary at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

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

2.4 Quorum. The holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the holders of a majority of the votes entitled to be cast by the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than

announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

2.5 Organization. The Chairman of the Board of Directors shall act as chairman of meetings of the stockholders. The Board of Directors may designate any other officer or director of the Corporation to act as chairman of any meeting in the absence of the Chairman of the Board of Directors, and the Board of Directors may further provide for determining who shall act as chairman of any stockholders meeting in the absence of the Chairman of the Board of Directors and such designee.

The Secretary of the Corporation shall act as secretary of all meetings of the stockholders, but in the absence of the Secretary the presiding officer may appoint any other person to act as secretary of any meeting.

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

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

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

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

2.9 Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 8 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

2.10 Adjournment. Any meeting of the stockholders, including one at which directors are to be elected, may be adjourned for such periods as the presiding officer of the meeting or the stockholders present in person or by proxy and entitled to vote shall direct.

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

2.12 Judges. All votes by ballot at any meeting of stockholders shall be conducted by two judges appointed for the purpose either by the directors or by the meeting. The judges shall decide upon the qualifications of voters, count the votes and declare the result.

### **ARTICLE III**

#### **DIRECTORS**

3.1 Powers; Number; Qualifications. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, except as may be otherwise provided by law or in the Certificate of Incorporation. The number of directors which shall

constitute the Board of Directors shall be not less than one (1) nor more than nine (9). The exact number of directors shall be fixed from time to time, within the limits specified in this Article III Section 1 or in the Certificate of Incorporation, by the Board of Directors. Directors need not be stockholders of the Corporation. The Board may be divided into Classes as more fully described in the Certificate of Incorporation.

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

3.3 Nominations. Nominations of persons for election to the Board of Directors of the Corporation at a meeting of stockholders of the Corporation may be made at such meeting by or at the direction of the Board of Directors, by any committee or persons appointed by the Board of Directors or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Article III, Section 3. Such nominations by any stockholder shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided however, that in the event that less than seventy (70) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such stockholder's notice to the Secretary shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Rules and Regulations of the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended, and (ii) as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

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

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

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

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

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

3.8 Removal of Directors by Stockholders. The entire Board of Directors or any individual Director may be removed from office with or without cause by a majority vote of the holders of the outstanding shares then entitled to vote at an election of directors. In case the Board of Directors or any one or more Directors be so removed, new Directors may be elected at the same time for the unexpired portion of the full term of the Director or Directors so removed.

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

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

3.11 Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed amount (in cash or other form of consideration) for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.12 Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a

committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

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

## **ARTICLE IV**

### **OFFICERS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **ARTICLE V**

### **CAPITAL STOCK**

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

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

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

5.4 Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued. Upon surrender to the Corporation or the transfer agent of the Corporation of a

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

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

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

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the first date on which a signed written consent is delivered to the Corporation.

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

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

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

## **ARTICLE VI**

### **NOTICES**

6.1 Form of Notice. Notices to directors and stockholders other than notices to directors of special meetings of the Board of Directors which may be given by any means stated in Article III, Section 4, shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the Corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given by telegram.

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

## **ARTICLE VII**

### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

7.1 The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise,

against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

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

7.3 To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

7.4 Any indemnification under sections 1 or 2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such section. Such determination shall be made:

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

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

(c) By the stockholders.

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

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

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

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

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

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

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

## **ARTICLE VIII**

### **GENERAL PROVISIONS**

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

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

8.3 Annual Statement. The Board of Directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the Corporation.

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

8.5 Fiscal Year. The fiscal year of the Corporation shall be as determined by the Board of Directors. If the Board of Directors shall fail to do so, the Chief Executive Officer shall fix the fiscal year.

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

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

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

**Hill International, Inc.****Certification of Chief Executive Officer**

I, Irvin E. Richter, Chief Executive Officer of Hill International, Inc., 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)), 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. 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
  - c. 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 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 reporting.

/s/ Irvin E. Richter

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Irvin E. Richter  
Chief Executive Officer

Dated: November 13, 2007

**Hill International, Inc.****Certification of Senior Vice President and Chief Financial Officer**

I, John Fanelli III, Chief Financial Officer of Hill International Inc., 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)), 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. 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
  - c. 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 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 reporting.

/s/ John Fanelli III

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John Fanelli III  
Chief Financial Officer

Dated: November 13, 2007

**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 September 30, 2007 (the "Report"), I, Irvin E. Richter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Irvin E. Richter

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Irvin E. Richter  
Chief Executive Officer

Dated: November 13, 2007

**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 September 30, 2007 (the "Report"), I, John Fanelli III, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ John Fanelli III

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John Fanelli III  
Chief Financial Officer

Dated: November 13, 2007