

Hill International, Inc.
Form 10-Q/A
November 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

Amendment No.1

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

For the quarterly period ended March 31, 2015

or

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

For the transition period

from to

Commission File Number: 001-33961

HILL INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-0953973

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

One Commerce Square

2005 Market Street, 17th Floor

Philadelphia, PA

(Address of principal executive offices)

19103

(Zip Code)

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

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

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

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

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

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 50,373,822 shares of the Registrant's Common Stock outstanding at April 30, 2015.

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EXPLANATORY NOTE

Hill International, Inc. (Hill or the Company) is filing this Amendment No. 1 (this Amendment) to its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (the Original Form 10-Q) filed with the Securities and Exchange Commission (the SEC) on May 11, 2015 (the Original Filing Date) to restate and amend the Company s previously issued consolidated financial statements and related financial information for the three months ended March 31, 2015 and 2014 included in its previously filed Quarterly Reports on Form 10-Q related to each such period to reflect a change related to its accounting treatment for accounts receivable from the Libyan Organization for Development of Administrative Centres (ODAC) (the Libya Receivable) and certain related liabilities. The Company has included significant disclosures regarding the status of the Libya Receivable in its prior periodic reports filed with the SEC. In addition, concurrently with the filing of this Amendment, the Company is filing an amendment to each of its Annual Report on Form 10-K for the year ended December 31, 2014 to restate its previously issued consolidated financial statements as of and for the years ended December 31, 2014, 2013 and 2012 and its Quarterly Report on Form 10-Q for the period ended June 30, 2015 to restate its previously issued consolidated financial statements for the six months ended June 30, 2015 and 2014.

Except as described in this Explanatory Note, the financial statements, financial statement footnote disclosures and related financial information in the Original Form 10-Q are unchanged. In particular, except for the events described under *Background* below, this Amendment has not been updated to reflect any events that have occurred after the Original Form 10-Q was filed or to modify or update disclosures affected by other subsequent events. Accordingly, forward-looking statements included in this Amendment represent management s views as of the Original Filing Date and should not be assumed to be accurate as of any date thereafter.

Background

The Company began work in Libya in 2007. From that time through early 2010, the Company had received payments totaling approximately \$104,000,000 related to its services there. In April 2010, the Libyan government halted all payments to firms pending a review of the government procurement process. The Company continued to work during the review period and during that time its Libya Receivable balance grew to approximately \$76,000,000. At the completion of its review in November 2010, the Libyan agency responsible for auditing contracts, RQABA, acknowledged that our receivables were proper and were owed in full. In December 2010 and January 2011, we received payments totaling \$15,900,000 and were advised that an additional \$31,600,000 had been scheduled for payment. In February 2011, due to civil and political unrest in Libya, we suspended our operations in and demobilized substantially all of our personnel from Libya. During the second half of 2011, the Company received various communications from ODAC requesting that the Company re-submit all open invoices for processing since much of the original documentation had been lost during the turmoil. The Company complied with ODAC s request and accordingly re-submitted copies of all open invoices. This pro-active request from ODAC, in the Company s assessment, provided evidence of ODAC s intention to fulfill its obligations that existed prior to the political unrest. During late 2012 and early 2013, the Company was advised by ODAC that, due to the political division in the country, payments had been temporarily restricted to local payroll. During late 2013 and early 2014, the Company received payments of approximately \$9,500,000 from ODAC who also posted a letter of credit of approximately \$14,000,000 in the Company s favor which expired on June 30, 2014. Management believed that this progress was a positive indication that ODAC intended to fulfill its obligations to the Company.

In connection with a review by the staff (the Staff) of the SEC of the Company s Annual Report on Form 10-K for the year ended December 31, 2014, Form 10-Q for the quarter ended March 31, 2015 and Definitive Proxy Statement filed April 30, 2015 (the Staff Review), the Staff made inquiries with respect to the accounting treatment of the Libya Receivable. After subsequent communications between the Staff and the Company relating to the Staff Review, the Company, under the direction of its Audit Committee, re-evaluated its historical and then current practices with respect to analyzing the collectability of accounts receivable in accordance with accounting principles generally accepted in the United States. In connection with this re-evaluation, the Company determined that its previous accounting treatment for the Libya Receivable

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was no longer appropriate as of and for the year ended December 31, 2012. Therefore, the Company reserved the entire Libya Receivable of \$59,937,000 and eliminated \$11,388,000 of certain assets and liabilities related to that receivable, consisting of sub-contractors and other contingent expenses, resulting in a net adjustment of \$48,549,000 which was charged to selling, general and administrative expenses for the year ended December 31, 2012. Additionally, the Company has reflected subsequent receipts against the Libya Receivable, net of payments for the related

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agency fees and certain taxes, as reductions of selling, general and administrative expenses. Accordingly, the Company reflected 2013 receipts of approximately \$2,880,000 and payments of approximately \$640,000 as a net reduction of selling, general and administrative expenses amounting to approximately \$2,240,000 plus a related income tax expense adjustment of \$307,000 for the year ended December 31, 2013, and 2014 receipts of approximately \$6,631,000 and payments of approximately \$1,683,000 as a net reduction of selling, general and administrative expenses amounting to approximately \$4,948,000 plus a related income tax expense adjustment of \$307,000 for the year ended December 31, 2014. In addition, the Company recorded certain unrelated adjustments to consulting fee revenues, cost of services, selling, general and administrative expenses and taxes for the year ended December 31, 2014. In the aggregate, these unrelated adjustments decreased net earnings by approximately \$393,000 for the three months ended March 31, 2015. These unrelated adjustments were the direct result of the restatement because previous immaterial variances in certain accounts that were not recorded during the December 31, 2014 year end closing process became material when aggregated and assessed against the restated 2014 financial statements. In the aggregate, these unrelated adjustments increased net loss by approximately \$524,000 for the year ended December 31, 2014.

The adjustments to reflect the change in estimate as to the collectability of the Libya Receivable and related adjustments resulted in a decrease in basic and diluted earnings per share of \$0.01 for the three months ended March 31, 2015 and an increase in basic and diluted earnings per share of \$0.13 for the three months ended March 31, 2014. Net earnings attributable to Hill decreased approximately \$393,000 for the three months ended March 31, 2015 and earnings attributable to Hill increased approximately \$5,255,000 for the three months ended March 31, 2014.

Effects of Restatement

This Amendment amends and restates the Original Form 10-Q to change the Company's estimate of loss on its Libya Receivable as of December 31, 2012, subsequent recoveries of the Libya Receivable in 2013 and 2014 and certain unrelated adjustments as more fully described in Note 1 to the Consolidated Financial Statements and to reflect certain adjustments to accruals related to the Libya Receivable. Revisions to the Original Form 10-Q have been made to the Company's Consolidated Financial Statements and related disclosures in Part I - Item 1 - Financial Statements for the three months ended March 31, 2015 and 2014, and, where necessary, to the following other items to reflect the restatements:

- Part I, Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part I, Item 4 Controls and Procedures

Also, Part II - Item 6 of this Amendment has been amended to include the restated financial statements, and to file or furnish, as the case may be, as exhibits currently dated certifications from the Company's principal executive officer and principal financial officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

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HILL INTERNATIONAL, INC. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****HILL INTERNATIONAL, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data)**

	March 31, 2015 (Restated) (unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	\$ 25,785	\$ 30,124
Cash - restricted	7,956	8,851
Accounts receivable, less allowance for doubtful accounts of \$59,477 and \$60,801	206,833	195,098
Accounts receivable - affiliates	5,932	3,993
Prepaid expenses and other current assets	14,235	14,277
Income taxes receivable	4,622	4,246
Deferred income tax assets	6,438	6,575
Total current assets	271,801	263,164
Property and equipment, net	14,850	11,643
Cash - restricted, net of current portion	7,726	7,156
Retainage receivable	3,267	3,300
Acquired intangibles, net	16,366	19,282
Goodwill	74,534	80,437
Investments	4,359	5,083
Deferred income tax assets	14,122	13,645
Other assets	16,709	15,899
Total assets	\$ 423,734	\$ 419,609
Liabilities and Stockholders Equity		
Current maturities of notes payable and long-term debt	\$ 4,805	\$ 6,361
Accounts payable and accrued expenses	98,218	93,637
Income taxes payable	8,656	9,306
Deferred revenue	18,758	19,896
Deferred income taxes	2,315	2,456
Other current liabilities	8,164	10,044
Total current liabilities	140,916	141,700
Notes payable and long-term debt, net of current maturities	135,145	121,875
Retainage payable	2,660	2,448
Deferred income taxes	13,676	15,661
Deferred revenue	12,366	12,193
Other liabilities	4,310	3,732
Total liabilities	309,073	297,609
Commitments and contingencies		
Stockholders equity:		
Preferred stock, \$0.0001 par value; 1,000 shares authorized, none issued	6	6

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Common stock, \$0.0001 par value; 100,000 shares authorized, 56,920 shares issued at both March 31, 2015 and December 31, 2014

Additional paid-in capital	180,675	179,912
Accumulated deficit	(5,024)	(5,726)
Accumulated other comprehensive loss	(40,240)	(32,600)
	135,417	141,592
Less treasury stock of 6,546 shares at both March 31, 2015 and December 31, 2014, at cost	(28,304)	(28,304)
Hill International, Inc. share of equity	107,113	113,288
Noncontrolling interests	7,548	8,712
Total equity	114,661	122,000
Total liabilities and stockholders' equity	\$ 423,734	\$ 419,609

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
	(Restated)	(Restated)
Consulting fee revenue	\$ 151,141	\$ 137,249
Reimbursable expenses	19,127	12,764
Total revenue	170,268	150,013
Cost of services	86,429	78,590
Reimbursable expenses	19,127	12,764
Total direct expenses	105,556	91,354
Gross profit	64,712	58,659
Selling, general and administrative expenses	58,923	47,711
Equity in losses of affiliate	183	
Operating profit	5,606	10,948
Interest and related financing fees, net	3,574	5,076
Earnings before income taxes	2,032	5,872
Income tax expense	1,184	324
Net earnings	848	5,548
Less: net earnings - noncontrolling interests	146	240
Net earnings attributable to Hill International, Inc.	\$ 702	\$ 5,308
Basic earnings per common share - Hill International, Inc.	\$ 0.01	\$ 0.13
Basic weighted average common shares outstanding	50,373	39,795
Diluted earnings per common share - Hill International, Inc.	\$ 0.01	\$ 0.13
Diluted weighted average common shares outstanding	50,637	40,602

See accompanying notes to consolidated financial statements.

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

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(Restated)	(Restated)
Net earnings	\$ 848	\$ 5,548
Foreign currency translation adjustment, net of tax	(9,430)	1,459
Other, net	(59)	39
Comprehensive (loss) earnings	(8,641)	7,046
Comprehensive (loss) earnings attributable to noncontrolling interests	(1,164)	518
Comprehensive (loss) earnings attributable to Hill International, Inc.	\$ (7,477)	\$ 6,528

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2015	2014
	(Restated)	(Restated)
Cash flows from operating activities:		
Net earnings	\$ 848	\$ 5,548
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	2,440	2,427
Provision for bad debts	1,905	576
Interest accretion on term loan		2,086
Deferred income tax expense	(1,549)	(205)
Stock based compensation	761	797
Changes in operating assets and liabilities, net:		
Restricted cash	(1,539)	374
Accounts receivable	(22,533)	(11,547)
Accounts receivable - affiliate	(1,939)	(221)
Prepaid expenses and other current assets	(1,190)	961
Income taxes receivable	(796)	115
Retainage receivable	33	62
Other assets	(1,618)	(491)
Accounts payable and accrued expenses	14,191	298
Income taxes payable	839	(2,202)
Deferred revenue	2,785	(529)
Other current liabilities	(1,540)	(1,425)
Retainage payable	219	(46)
Other liabilities	654	(1,077)
Net cash used in operating activities	(8,029)	(4,499)
Cash flows from investing activities:		
Payments for purchase of property and equipment	(5,234)	(1,352)
Net cash used in investing activities	(5,234)	(1,352)
Cash flows from financing activities:		
Due to bank		(2)
Payments on notes payable		(864)
Net borrowings on revolving loans	12,266	4,800
Dividends paid to noncontrolling interest	(173)	
Proceeds from stock issued under employee stock purchase plan	2	36
Proceeds from exercise of stock options		136
Net cash provided by financing activities	12,095	4,106
Effect of exchange rate changes on cash	(3,171)	1,144
Net decrease in cash and cash equivalents	(4,339)	(601)
Cash and cash equivalents beginning of period	30,124	30,381
Cash and cash equivalents end of period	\$ 25,785	\$ 29,780

See accompanying notes to consolidated financial statements.

Table of Contents**HILL INTERNATIONAL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Note 1 Restatement and Revision of Previously Reported Consolidated Financial Statements**

The Company has restated its consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 due to a change in the Company's estimation of the collectability of its Libya Receivable. Due to the civil and political unrest which commenced in Libya in February 2011, the Company suspended its operations in and demobilized substantially all of its personnel from Libya. At December 31, 2012, the Libya Receivable was approximately \$59,937,000, however, because of the political instability and economic uncertainty within Libya and because a promised payment of \$31,600,000 in 2011 never materialized, the Company determined that its previous accounting treatment for the Libya Receivable was no longer appropriate as of and for the year ended December 31, 2012. The Company has established a reserve against the entire Libya Receivable amounting to \$59,937,000 and eliminated \$11,388,000 of certain assets and net liabilities related to that receivable, consisting of sub-consultants and other contingent expenses in 2012, which are contractually owed only upon receipt of payment. These adjustments resulted in a net charge to selling, general and administrative expenses of \$48,549,000 for the year ended December 31, 2012. We received approximately \$2,880,000 and \$6,631,000 in 2013 and 2014, respectively and have paid agency fees and certain taxes amounting to \$640,000 and \$1,638,000 in 2013 and 2014, respectively. We have accounted for these transactions as a net reduction of selling, general and administrative expenses of \$2,240,000 and \$4,948,000 in 2013 and 2014, respectively. In addition the Company recorded certain unrelated adjustments to consulting fee revenue, cost of services, selling, general and administrative expenses and income taxes for the year ended December 31, 2014 which also affected the three-month period ended March 31, 2015. In the aggregate, these unrelated adjustments decreased the net earnings by approximately \$393,000 for the three months ended March 31, 2015. These unrelated adjustments were the direct result of the restatement because previous immaterial variances in certain accounts that were not recorded during the December 31, 2014 year end closing process became material when aggregated and assessed against the restated 2014 financial statements. The impact of correcting the misstatements on the Company's consolidated balance sheets and consolidated statements of income, comprehensive income (loss) and cash flows for the three-month periods ended March 31, 2015 and 2014 is as follows:

	March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Selected Consolidated Balance Sheet Information			
Prepaid expenses and other current assets	\$ 14,799	\$ (564)	\$ 14,235
Income taxes receivable	\$ 3,209	\$ 1,413	\$ 4,622
Deferred income taxes	\$ 1,051	\$ 5,387	\$ 6,438
Total current assets	\$ 265,565	\$ 6,236	\$ 271,801
Accounts receivable - Libya	\$ 48,967	\$ (48,967)	\$
Deferred income taxes	\$ 16,367	\$ (2,245)	\$ 14,122
Total assets	\$ 468,710	\$ (44,976)	\$ 423,734
Accounts payable and accrued expenses	\$ 97,518	700	\$ 98,218
Income taxes payable	\$ 8,439	\$ 217	\$ 8,656
Deferred revenue	\$ 17,991	\$ 767	\$ 18,758
Deferred income taxes	\$ 138	\$ 2,177	\$ 2,315
Total current liabilities	\$ 137,055	\$ 3,861	\$ 140,916
Deferred income taxes	\$ 12,711	\$ 965	\$ 13,676
Other liabilities	\$ 13,434	\$ (9,124)	\$ 4,310
Total liabilities	\$ 313,371	\$ (4,298)	\$ 309,073
Retained earnings (deficit)	\$ 37,254	\$ (42,278)	\$ (5,024)
Accumulated comprehensive loss	\$ (41,840)	\$ 1,600	\$ (40,240)

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Total equity	\$	155,339	\$	(40,678)	\$	114,661
Total liabilities and stockholders equity	\$	468,710	\$	(44,976)	\$	423,734

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	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Consolidated Income Statement			
Consulting fee revenue	\$ 152,453	(1,312)	151,141
Reimbursable expenses	19,127		19,127
Total revenue	171,580	(1,312)	170,268
Cost of services	86,689	(260)	86,429
Reimbursable expenses	19,127		19,127
Total direct costs	105,816	(260)	105,556
Gross profit	65,764	(1,052)	64,712
Selling, general and administrative expense	59,565	(642)	58,923
Equity in losses of affiliate	183		183
Operating profit	6,016	(410)	5,606
Interest and related financing fees, net	3,574		3,574
Earnings before income taxes	2,442	(410)	2,032
Income tax expense	1,163	21	1,184
Net earnings	1,279	(431)	848
Less: net earnings - noncontrolling interests	184	(38)	146
Net earnings attributable to Hill International, Inc.	\$ 1,095	\$ (393)	\$ 702
Basic earnings per common share - Hill International, Inc.	\$ 0.02	\$ (0.01)	\$ 0.01
Diluted earnings per common share - Hill International, Inc.	\$ 0.02	\$ (0.01)	\$ 0.01

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	Three Months Ended March 31, 2014			
	As Previously Reported	Adjustment	As Restated	
Consolidated Income Statement				
Consulting fee revenue	\$ 137,249			137,249
Reimbursable expenses	12,764			12,764
Total revenue	150,013			150,013
Cost of services	78,590			78,590
Reimbursable expenses	12,764			12,764
Total direct costs	91,354			91,354
Gross profit	58,659			58,659
Selling, general and administrative expense	52,659	(4,948)		47,711
Operating profit	6,000	4,948		10,948
Interest and related financing fees, net	5,076			5,076
Earnings before income taxes	924	4,948		5,872
Income tax expense	631	(307)		324
Net earnings	293	5,255		5,548
Less: net earnings - noncontrolling interests	240			240
Net earnings attributable to Hill International, Inc.	\$ 53	\$ 5,255	\$	5,308
Basic earnings per common share - Hill International, Inc.	\$	\$ 0.13	\$	0.13
Diluted earnings per common share - Hill International, Inc.	\$	\$ 0.13	\$	0.13

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	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Comprehensive Earnings			
Net earnings	\$ 1,279	\$ (431)	\$ 848
Foreign currency translation adjustment, net of tax	(9,430)		(9,430)
Other, net	(59)		(59)
Comprehensive loss	(8,210)	(431)	(8,641)
Comprehensive loss attributable to noncontrolling interests	(1,126)	(38)	(1,164)
Comprehensive loss attributable to Hill International, Inc.	\$ (7,084)	\$ (393)	\$ (7,477)

	Three Months Ended March 31, 2014		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Comprehensive Loss			
Net earnings	\$ 293	\$ 5,255	\$ 5,548
Foreign currency translation adjustment, net of tax	1,459		1,459
Other, net	39		39
Comprehensive earnings	1,791	5,255	7,046
Comprehensive earnings attributable to noncontrolling interests	518		518
Comprehensive earnings attributable to Hill International, Inc.	\$ 1,273	\$ 5,255	\$ 6,528

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	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Cash Flows			
Operating activities			
Net earnings	\$ 1,279	\$ (431)	\$ 848
Depreciation and amortization	2,440		2,440
Provision for bad debts	1,905		1,905
Deferred income tax expense	(1,971)	422	(1,549)
Stock based compensation	761		761
Restricted cash	(1,539)		(1,539)
Accounts receivable	(23,375)	842	(22,533)
Accounts receivable, affiliate	(1,939)		(1,939)
Prepaid expenses and other current assets	(177)	(1,013)	(1,190)
Income taxes receivable	(796)		(796)
Retainage receivable	33		33
Other assets	(1,618)		(1,618)
Accounts payable and accrued expenses	15,060	(869)	14,191
Income taxes payable	1,239	(400)	839
Deferred revenue	1,372	1,413	2,785
Other current liabilities	(1,492)	(48)	(1,540)
Retainage payable	219		219
Other liabilities	570	84	654
Net cash used in operating activities	(8,029)		(8,029)
Investing activities			
Net cash used in investing activities	(5,234)		(5,234)
Financing activities			
Net cash provided by financing activities	12,095		12,095
Effect of exchange rate changes on cash	(3,171)		(3,171)
Net decrease in cash and cash equivalents	(4,339)		(4,339)
Cash and cash equivalents - beginning of period	30,124		30,124
Cash and cash equivalents - end of period	\$ 25,785	\$	\$ 25,785

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	Three Months Ended March 31, 2014		
	As Previously Reported	Adjustment	As Restated
Consolidated Statement of Cash Flows			
Operating activities			
Net earnings	\$ 293	\$ 5,255	\$ 5,548
Depreciation and amortization	2,427		2,427
Provision for bad debts	576		576
Interest accretion on term loan	2,086		2,086
Deferred income tax expense	102	(307)	(205)
Stock based compensation	797		797
Restricted cash	374		374
Accounts receivable	(4,916)	(6,631)	(11,547)
Accounts receivable, affiliate	(221)		(221)
Prepaid expenses and other current assets	961		961
Income taxes receivable	115		115
Retainage receivable	62		62
Other assets	(491)		(491)
Accounts payable and accrued expenses	(1,385)	1,683	298
Income taxes payable	(2,202)		(2,202)
Deferred revenue	(529)		(529)
Other current liabilities	(1,425)		(1,425)
Retainage payable	(46)		(46)
Other liabilities	(1,077)		(1,077)
Net cash used in operating activities	(4,499)		(4,499)
Investing activities			
Net cash used in investing activities	(1,352)		(1,352)
Financing activities			
Net cash provided by financing activities	4,106		4,106
Effect of exchange rate changes on cash	1,144		1,144
Net decrease in cash and cash equivalents	(601)		(601)
Cash and cash equivalents - beginning of period	30,381		30,381
Cash and cash equivalents - end of period	\$ 29,780	\$	\$ 29,780

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Note 2 The Company

Hill International, Inc. (Hill or the Company) is a professional services firm that provides program management, project management, construction management, construction claims and other consulting services primarily to the buildings, transportation, environmental, energy and industrial markets worldwide. Hill s clients include the U.S. federal government, U.S. state and local governments, foreign governments and the private sector. The Company is organized into two key operating divisions: the Project Management Group and the Construction Claims Group.

Note 3 Basis of Presentation

The accompanying unaudited interim consolidated financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission pertaining to reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company s Annual Report on Form 10-K/A for the year ended December 31, 2014. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (GAAP) for complete financial statements. In the opinion of management, these statements include all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of the consolidated financial statements.

The consolidated financial statements include the accounts of Hill and its wholly- and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

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

Note 4 Acquisitions

Our recent acquisition activity is detailed below. The Company s consolidated financial statements include the operating results of this business from the date of acquisition. Pro forma results of operations have not been presented because they are not material to the Company s consolidated results of operations.

Angus Octan Scotland Ltd.

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On October 31, 2014, our subsidiary Hill International (UK) Ltd. acquired all of the outstanding common stock of Angus Octan Scotland Ltd., which included its subsidiary companies Cadogan Consultants Ltd., Cadogan Consult Ltd. and Cadogan International Ltd. (collectively,

Cadogans). Cadogans, with 27 professionals, has offices in Glasgow and Dundee. The acquisition expanded Hill's construction claims business and provided additional resources in the energy and industrial sectors. Total consideration for the acquisition was £2,719,000 (approximately \$4,350,000 at the date of acquisition). The consideration consists of cash payments of £1,000,000 (\$1,600,000) at closing, £600,000 (\$960,000) on November 25, 2014, £400,000 (\$640,000) on December 23, 2014, £519,000 (\$830,000) to be paid on October 31, 2015 and an earn-out based upon the average earnings before interest, taxes, depreciation and amortization (EBITDA) for the two-year period ending on October 31, 2016 (which amount shall not be less than £0 nor more than £200,000). Two of the selling shareholders may receive an earn-out in five annual installments of up to £100,000 each (\$160,000), which will be charged to earnings, provided that Cadogans' EBITDA for each of the years ending October 31, 2015, 2016, 2017, 2018 and 2019 is equal to or greater than £396,000 (\$633,000). The Company accrued the potential additional consideration of £719,000 (\$1,150,000), of which £519,000 is included in other current liabilities and £200,000 is included in other liabilities in the consolidated balance sheet at March 31, 2015.

Table of Contents**Note 5 Accounts Receivable**

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

	March 31, 2015 (Restated)	December 31, 2014
Billed	\$ 213,203	\$ 210,460
Retainage, current portion	12,792	12,700
Unbilled	40,315	32,739
	266,310	255,899
Allowance for doubtful accounts	(59,477)	(60,801)
Total	\$ 206,833	\$ 195,098

Libya Receivable

The Company has open but inactive contracts with the Libyan Organization for the Development of Administrative Centres (ODAC). Due to the civil unrest which commenced in Libya in February 2011, the Company suspended its operations in and demobilized substantially all of its personnel from Libya. At December 31, 2012, the balance of the Libya Receivable was approximately \$59,937,000. Because of the continuing political instability in Libya, the Company established a reserve for the full amount of the receivable at December 31, 2012. During 2013, the Company received Payments against the Libya Receivable of approximately \$2,880,000. In the first quarter of 2014, the Company received approximately \$6,631,000 against the Libya Receivable which has been reflected as a reduction of selling, general and administrative (SG&A) expenses for the three-months ended March 31, 2014. At March 31, 2015, after a decrease of approximately \$1,459,000 due to the effect of foreign exchange translation losses, the Libya Receivable was approximately \$48,967,000 which continues to be fully reserved. It is management's intention to continue to pursue collection of monies owed to the Company by ODAC and, if subsequent payments are received, the Company will reflect such receipts, net of any third party obligations related to the collections, as reductions of SG&A expenses.

Note 6 Intangible Assets

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

	March 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Client relationships	\$ 33,825	\$ 20,312	\$ 36,412	\$ 20,758
Acquired contract rights	10,989	9,779	11,387	9,717
Trade names	2,673	1,030	3,023	1,065
Total	\$ 47,487	\$ 31,121	\$ 50,822	\$ 31,540
Intangible assets, net	\$ 16,366		\$ 19,282	

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

Three Months Ended March 31,			
	2015		2014
\$	1,420	\$	1,586

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

Year ending December 31,		Estimated Amortization Expense
2015 (remaining 9 months)	\$	3,684
2016		3,712
2017		2,766
2018		1,879
2019		1,609

Note 7 Goodwill

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

	Project Management	Construction Claims	Total
Balance, December 31, 2014	\$ 53,669	\$ 26,768	\$ 80,437
Additions			
Translation adjustments	(4,749)	(1,154)	(5,903)
Balance, March 31, 2015	\$ 48,920	\$ 25,614	\$ 74,534

Note 8 Accounts Payable and Accrued Expenses

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

	March 31, 2015 (Restated)	December 31, 2014
Accounts payable	\$ 35,062	\$ 32,701
Accrued payroll and related expenses	44,145	41,205
Accrued subcontractor fees	5,092	3,930
Accrued agency fees	5,598	6,920
Accrued legal and professional fees	1,037	1,099
Other accrued expenses	7,284	7,782
	\$ 98,218	\$ 93,637

Table of Contents**Note 9 Notes Payable and Long-Term Debt**

Outstanding debt obligations are as follows (in thousands):

	March 31, 2015	December 31, 2014
2014 Term Loan Facility	\$ 119,400	\$ 119,700
2014 Domestic Revolving Credit Facility	9,500	200
2014 International Revolving Credit Facility	4,440	2,554
Borrowings under revolving credit facilities with a consortium of banks in Spain	4,479	5,037
Borrowings under unsecured credit facility with Ibercaja Bank in Spain	556	745
Borrowings under revolving credit facility with the National Bank of Abu Dhabi	1,575	
	139,950	128,236
Less current maturities	4,805	6,361
Notes payable and long-term debt, net of current maturities	\$ 135,145	\$ 121,875

Refinancing

Effective as of September 26, 2014 (the Closing Date), the Company, entered into a credit agreement with Société Générale, as administrative agent (the Agent) and collateral agent, TD Bank, N.A., as syndication agent and HSBC Bank USA, N.A., as documentation agent, (collectively, the U.S. Lenders) consisting of a term loan facility of \$120,000,000 (the Term Loan Facility) and a \$30,000,000 U.S. dollar-denominated facility available to the Company (the U.S. Revolver, together with the Term Loan Facility, the U.S. Credit Facilities) and a credit agreement with the Agent as administrative agent and collateral agent, (the International Lender) providing a \$15,000,000 Euro-denominated facility available to the Subsidiary (the International Revolver and together with the U.S. Revolver, the Revolving Credit Facilities and, together with the U.S. Credit Facilities, the Secured Credit Facilities). The U.S. Revolver and the International Revolver include sub-limits for letters of credit amounting to \$25,000,000 and \$10,000,000, respectively.

The Secured Credit Facilities contain customary default provisions, representations and warranties, and affirmative and negative covenants, and require the Company to comply with certain financial and reporting covenants (see Note 18). The financial covenants consist of a Maximum Consolidated Net Leverage Ratio and an Excess Account Concentration requirement. The Consolidated Net Leverage Ratio is the ratio of (a) consolidated total debt (minus cash of up to \$10,000,000 held in the aggregate) to consolidated earnings before interest, taxes, depreciation, amortization and share-based compensation for the trailing twelve months. The Excess Account Concentration covenant permits the U.S. Lenders and the International Lender to increase the interest rates by 2.0% if, as of the last day of any fiscal quarter, either (a) the total of accounts receivable from all clients within any country not listed as a Permitted Country as defined in the Secured Credit Facilities (other than the United Arab Emirates) that are more than 120 days old (relative to the invoice date) constitute more than 10% of the total outstanding accounts receivable or (b) accounts receivable from any individual client located in the United Arab Emirates that are more than 120 days old (relative to the invoice date) constitute more than 14% of the total outstanding accounts receivable; provided that, in each case, the accounts receivable due from clients located in Libya that exist as of the Closing Date shall be excluded for all purposes of this covenant. The interest rate will be reset as soon as the accounts receivable over 120 days decline below the 10% or 14% levels. At March 31, 2015, non-permitted accounts receivable did not exceed the limits set forth above.

The following compares the Maximum Consolidated Net Leverage Ratio to the actual consolidated net leverage ratio:

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Period Ended	Not to exceed	Actual (Restated)
March 31, 2015	3.50 to 1.00	3.33 to 1.00

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

Term Loan Facility

The Company used the proceeds from the Term Loan Facility:

- to consummate the payoff and termination of the Company's then-existing credit arrangements (the Refinancing) which consist of the Credit Agreement, dated as of October 18, 2012, among the Company, certain lenders and Obsidian Agency Services, Inc., as amended (the 2012 Term Loan Agreement), and the Credit Agreement, dated as of June 30, 2009, among the Company, Bank of America, N.A. and certain other lenders, as amended; and
- to pay fees and expenses incurred in connection with the Secured Credit Facilities.

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

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

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

The Company has the right to prepay the Term Loan Facility in full or in part at any time without premium or penalty; provided, however that upon the occurrence of prepayments relating to certain repricing transactions within the first year following closing, a 1.0% prepayment premium will be payable. The Company is required to make mandatory prepayments of the Term Loan Facility, without premium or penalty, (i) with net proceeds of any issuance or incurrence of indebtedness (other than that permitted under the Term Loan Facility) by the Company after the closing, (ii) with net proceeds from certain asset sales outside the ordinary course of business, and (iii) with 50% of the excess cash flow (as defined in the agreement) for each fiscal year of the Borrowers commencing with the first full fiscal year ending after closing (which percentage would be reduced to 25% if the Consolidated Net Leverage Ratio is equal to or less than 2.25 to 1.00 or reduced to 0% if the Consolidated Net Leverage Ratio is equal to or less than 1.50 to 1.00).

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

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

The Company incurred fees and expenses related to the Term Loan Facility aggregating \$7,066,000 which have been deferred. The deferred fees are being amortized on a straight-line basis, which approximates the effective interest method, to interest and related financing fees, net over a six-year period which commenced on October 1, 2014. Unamortized balances of \$6,477,000 and \$6,772,000 are included in other assets in the consolidated balance sheet at March 31, 2015 and December 31, 2014, respectively.

Revolving Credit Facilities

The Company is required to use the proceeds from the Revolving Credit Facilities:

- for the Refinancing;
- to finance the working capital needs and general corporate purposes of the Borrowers and their subsidiaries;
- to pay fees and expenses incurred in connection with the Secured Credit Facilities; and

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- for any other purposes not prohibited by the Secured Credit Facilities.

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

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

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

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

The Company or the Subsidiary, as applicable, will be required to make mandatory prepayments under their respective Revolving Credit Facilities to the extent that the aggregate outstanding amount thereunder exceeds the then-applicable borrowing base, which payments will be made without penalty or premium. At March 31, 2015, the domestic borrowing base was \$27,689,000 and the international borrowing base was \$15,000,000.

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

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

The Company incurred fees and expenses related to the Revolving Credit Facilities aggregating \$3,000,000 which has been deferred. The deferred fees are being amortized on a straight-line basis, which approximates the effective interest method, to interest expense and related financing fees, net over a five-year period which commenced on October 1, 2014. Unamortized balances of \$2,700,000 and \$2,850,000 are included in other assets in the consolidated balance sheet at March 31,

2015 and December 31, 2014, respectively.

At March 31, 2015, the Company had \$16,065,000 of outstanding letters of credit and \$2,125,000 of available borrowing capacity under the U.S. Revolver.

At March 31, 2015, the Company had \$6,813,000 of outstanding letters of credit and \$6,016,000 of available borrowing capacity under the International Revolver and its other foreign credit agreements (See Other Debt Arrangements below for more information).

Other Debt Arrangements

The Company's subsidiary, Hill International (Spain) S.A. (Hill Spain), maintains a revolving credit facility with six banks (the Financing Entities) in Spain which initially provided for total borrowings of up to 5,640,000 with interest at 6.50% on outstanding borrowings. The original available amount was reduced to approximately 75.0% at December 31, 2014 and will be reduced to 50.0% at December 31, 2015. Additionally, the availability is reduced by 15,000 on a

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quarterly basis. At March 31, 2015, the total facility was approximately 4,155,000 (approximately \$4,500,000) and borrowings outstanding were 4,136,000 (approximately \$4,479,000). The amount being financed (Credit Contracts) by each Financing Entity varies from 284,000 (approximately \$308,000) and 1,319,000 (approximately \$1,428,000). To guarantee Hill Spain's obligations resulting from the Credit Contracts, Hill Spain provided a guarantee in favor of each one of the Financing Entities and, additionally, and solely in the case of unremedied failure to make payment, and at the request of each of the Financing Entities, shall grant a first ranking pledge over a given percentage of corporate shares of Hill International Brasil Participacoes Ltda. for the principal, interest, fees, expenses or any other amount owed by virtue of the Credit Contracts, coinciding with the percentage of credit of each Financing entity with respect to the total outstanding borrowings under this facility. The facility expires on December 17, 2016.

Hill Spain maintains an unsecured credit facility with the Ibercaja Bank in Spain for 525,000 (approximately \$569,000) at March 31, 2015. The availability will be reduced by 175,000 on a quarterly basis commencing on March 31, 2015. The interest rate at March 31, 2015 was 6.75%. At March 31, 2015, this facility had total borrowings outstanding of 513,000 (approximately \$556,000). The facility expires on December 31, 2015.

The Company maintains a credit facility with the National Bank of Abu Dhabi which provides for total borrowings of up to AED 11,500,000 (approximately \$3,131,000 at March 31, 2015) collateralized by certain overseas receivables. The interest rate is the one-month Emirates InterBank Offer Rate plus 3.00% (or 4.37% at March 31, 2015) but no less than 5.50%. At March 31, 2015, this facility had total borrowings outstanding of AED 5,786,000 (approximately \$1,575,000). This facility also allows for to AED 127,033,000 (approximately \$34,589,000 at March 31, 2015) in Letters of Guarantee of which were fully utilized at March 31, 2015. This facility is being renewed on a month-to-month basis. The Company is in the process of negotiating a new credit facility.

Engineering S.A. maintains three unsecured revolving credit facilities with two banks in Brazil aggregating 2,200,000 Brazilian Reais (approximately \$681,000 at March 31, 2015), with a weighted average interest rate of 3.25% per month at March 31, 2015. There were no borrowings outstanding on any of these facilities which are renewed automatically every three months.

The Company also maintains relationships with other foreign banks for the issuance of letters of credit, letters of guarantee and performance bonds in a variety of foreign currencies. At March 31, 2015, the maximum U.S. dollar equivalent of the commitments was \$71,739,000 of which \$28,243,000 is outstanding.

Note 10 Supplemental Cash Flow Information

The following table provides additional cash flow information (in thousands):

	Three Months Ended March 31,	
	2015	2014
Interest and related financing fees paid	\$ 2,802	\$ 3,748
Income taxes paid	\$ 906	\$ 1,967

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Increase in additional paid in capital from issuance of shares of common stock related to purchase of Collaborative Partners, Inc.	\$	\$	618
Increase in additional paid in capital and treasury stock from cashless exercise of stock options	\$	\$	538

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Basic earnings per common share have been computed using the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share incorporates the incremental shares issuable upon the assumed exercise of stock options using the treasury stock method, if dilutive. Dilutive stock options increased average common shares outstanding by approximately 264,000 shares and 807,000 shares for the three-month periods ended March 31, 2015 and 2014. The total number of shares excluded from the calculation of diluted earnings per common share was 6,524,000 shares and 3,273,000 shares for the three-month periods ended March 31, 2015 and 2014, respectively.

Note 12 Share-Based Compensation

At March 31, 2015, the Company had 8,327,626 options outstanding with a weighted average exercise price of \$4.46. During the three months ended March 31, 2015, the Company granted 1,025,000 options which vest over a five-year period. The options have a weighted average exercise price of \$3.97 and a weighted-average contractual life of 7.0 years. The aggregate fair value of the options was \$2,097,000 calculated using the Black-Scholes valuation model. The weighted average assumptions used to calculate fair value were: expected life 5.0 years; volatility 59.9% and risk-free interest rate 1.48%. During the three months ended March 31, 2015, options for 56,500 shares with a weighted average exercise price of \$9.93 lapsed.

During the three months ended March 31, 2015, employees purchased 565 common shares for an aggregate purchase price of approximately \$2,000 pursuant to the Company's 2008 Employee Stock Purchase Plan.

The Company recognized share-based compensation expense in selling, general and administrative expenses in the consolidated statement of operations totaling \$761,000 and \$797,000 for the three months ended March 31, 2015 and 2014, respectively.

Note 13 Stockholders Equity

The following table summarizes the changes in stockholders' equity during the three months ended March 31, 2015 (in thousands):

	Total (Restated)	Hill International, Inc. Stockholders (Restated)	Noncontrolling Interest
Stockholders' equity, December 31, 2014	\$ 122,000	\$ 113,288	\$ 8,712
Net earnings	848	702	146
Other comprehensive loss	(8,950)	(7,640)	(1,310)
Comprehensive earnings	(8,102)	(6,938)	(1,164)
Additional paid in capital	763	763	

Stockholders' equity, March 31, 2015	\$	114,661	\$	107,113	\$	7,548
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Note 14 Income Taxes

The effective tax rates for the three months ended March 31, 2015 and 2014 were 58.3% and 5.5%, respectively. The Company's effective tax rate represents the Company's effective tax rate for the year based on projected income and mix of income among the various foreign tax jurisdictions, adjusted for discrete transactions occurring during the period. In addition, the Company recognized an income tax expense resulting from adjustments to agree the prior year's book amounts to the actual amounts per the tax returns totaling \$85,000 and \$0 for the three months ended March 31, 2015 and 2014, respectively. The Company's effective tax rate is high in both years primarily as a result of not recording an income benefit related to the U.S. net operating loss.

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

	Three Months Ended March 31, 2015			Three Months Ended March 31, 2014		
	U.S. (Restated)	Foreign (Restated)	Total (Restated)	U.S.	Foreign (Restated)	Total (Restated)
(Loss) earnings before income taxes	\$ (10,636)	\$ 12,668	\$ 2,032	\$ (10,881)	\$ 16,753	\$ 5,872
Income tax expense, net	\$	\$ 1,184	\$ 1,184	\$	\$ 324	\$ 324

The reserve for uncertain tax positions amounted to \$975,000 at both March 31, 2015 and December 31, 2014, respectively, and is included in Other liabilities in the consolidated balance sheet at those dates.

The Company's policy is to record income tax related interest and penalties in income tax expense. At both March 31, 2015 and December 31, 2014, potential interest and penalties related to uncertain tax positions amounting to \$520,000 was included in the balance above.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Management evaluates the need for valuation allowances on the deferred tax assets according to the provisions of ASC740, *Income Taxes*. They consider both positive and negative evidence. In making this determination, management assesses all of the evidence available at the time including recent earnings, internally-prepared income projections, and historical financial performance.

Note 15 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) and secondarily by their geography (U.S./Canada, Latin America, Europe, the Middle East, Africa 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, troubled project turnaround, staff augmentation, project labor agreement consulting, commissioning, estimating and cost management, and labor compliance services.

The Construction Claims business segment provides such services as claims consulting, management consulting, litigation support, expert witness testimony, cost/damages assessment, delay/disruption analysis, adjudication, lender advisory, risk management, forensic accounting, fraud investigation and Project Neutral services to clients worldwide.

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

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Selected information by business segment and geographical area is summarized below (in thousands):

Consulting Fee Revenue (CFR)

	2015		Three Months Ended March 31,		2014
	(Restated)				
Project Management	\$	112,117	74.2%	\$	101,788
Construction Claims		39,024	25.8		35,461
Total	\$	151,141	100.0%	\$	137,249

Total Revenue

	2015		Three Months Ended March 31,		2014
	(Restated)				
Project Management	\$	129,995	76.3%	\$	113,169
Construction Claims		40,273	23.7		36,844
Total	\$	170,268	100.0%	\$	150,013

Operating Profit

	2015		Three Months Ended March 31,		2014
	(Restated)			(Restated)	
Project Management before equity in loss of affiliate	\$	12,788		\$	15,891
Equity in loss of affiliate		(183)			
Total Project Management		12,605			15,891
Construction Claims		2,333			2,618
Corporate		(9,332)			(7,561)
Total	\$	5,606		\$	10,948

Depreciation and Amortization Expense

	2015		Three Months Ended March 31,		2014
Project Management	\$	1,636		\$	1,699
Construction Claims		759			674
Subtotal segments		2,395			2,373
Corporate		45			54
Total	\$	2,440		\$	2,427

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	Three Months Ended March 31,					
	2015 (Restated)		2014			
U.S./Canada	\$	35,257	23.3%	\$	29,291	21.3%
Latin America		7,809	5.2		10,748	7.8
Europe		20,112	13.3		20,439	14.9
Middle East		74,274	49.1		63,135	46.0
Africa		7,063	4.7		6,264	4.6
Asia/Pacific		6,626	4.4		7,372	5.4
Total	\$	151,141	100.0%	\$	137,249	100.0%
U.S.	\$	34,423	22.8%	\$	28,378	20.7%
Non-U.S.		116,718	77.2		108,871	79.3
Total	\$	151,141	100.0%	\$	137,249	100.0%

For the quarter ended March 31, 2015, consulting fee revenue for the United Arab Emirates amounted to \$25,288,000 representing 16.7% of the total and Saudi Arabia consulting fee revenue amounted to \$15,748,000 representing 10.4% of the total. No other country except for the United States accounted for over 10% of consolidated consulting fee revenue.

For the quarter ended March 31, 2014, consulting fee revenue for the United Arab Emirates amounted to \$16,490,000 representing 12.0% of the total and Oman's consulting fee revenue amounted to \$15,657,000 representing 11.4% of the total. No other country except for the United States accounted for over 10% of consolidated consulting fee revenue.

Total Revenue by Geographic Region

	Three Months Ended March 31,					
	2015 (Restated)		2014			
U.S./Canada	\$	49,340	29.0%	\$	35,630	23.8%
Latin America		7,813	4.6		10,916	7.3
Europe		21,414	12.6		21,836	14.6
Middle East		76,762	45.1		66,844	44.6
Africa		8,199	4.8		7,156	4.8
Asia/Pacific		6,740	3.9		7,631	4.9
Total	\$	170,268	100.0%	\$	150,013	100.0%
U.S.	\$	48,475	28.5%	\$	34,741	23.2%
Non-U.S.		121,793	71.5		115,272	76.8
Total	\$	170,268	100.0%	\$	150,013	100.0%

For the quarter ended March 31, 2015, total revenue for the United Arab Emirates amounted to \$25,527,000 representing 15.0% of the total. No other country except for the United States accounted for over 10% of consolidated total revenue.

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For the quarter ended March 31, 2014, total revenue for Oman amounted to \$18,009,000 representing 12.0% of the total and total revenue for the United Arab Emirates amounted to \$16,701,000 representing 11.1% of the total. No other country except for the United States accounted for over 10% of consolidated total revenue.

Table of Contents*Consulting Fee Revenue By Client Type*

	Three Months Ended March 31,			
	2015 (Restated)		2014	
U.S. federal government	\$ 2,456	1.6%	\$ 3,365	2.5%
U.S. state, regional and local governments	20,091	13.3	16,342	11.9
Foreign governments	54,547	36.1	53,437	38.9
Private sector	74,047	49.0	64,105	46.7
Total	\$ 151,141	100.0%	\$ 137,249	100.0%

Total Revenue By Client Type

	Three Months Ended March 31,			
	2015 (Restated)		2014	
U.S. federal government	\$ 3,012	1.8%	\$ 3,852	2.6%
U.S. state, regional and local governments	31,155	18.3	21,100	14.1
Foreign governments	58,138	34.1	57,746	38.5
Private sector	77,963	45.8	67,315	44.8
Total	\$ 170,268	100.0%	\$ 150,013	100.0%

Property, Plant and Equipment, Net, by Geographic Location

	March 31, 2015		December 31, 2014	
U.S./Canada	\$	6,670	\$	3,358
Latin America		1,290		1,101
Europe		1,636		2,191
Middle East		3,634		3,428
Africa		851		901
Asia/Pacific		769		664
Total	\$	14,850	\$	11,643
U.S.	\$	6,670	\$	3,358
Non-U.S.		8,180		8,285
Total	\$	14,850	\$	11,643

Note 16 Client Concentrations

The Company had no clients that accounted for 10% or more of total revenue during the three months ended March 31, 2015 and one client located in Oman that accounted for 10% of total revenue during the three months ended March 31, 2014.

The Company had no clients that accounted for 10% or more of consulting fee revenue during the three months ended March 31, 2015 and one client, located in Oman, that accounted for 11% of consulting fee revenue during the three months ended March 31, 2014.

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The Company has numerous contracts with U.S. federal government agencies that collectively accounted for 1.6% and 2.5% of total revenue during the three months ended March 31, 2015 and 2014.

Note 17 Commitments and Contingencies

General Litigation

M.A. Angeliades, Inc. (Plaintiff) has filed a complaint with the Supreme Court of New York against the Company and the New York City Department of Design and Construction (DDC) regarding payment of approximately \$8,771,000 for work performed as a subcontractor to the Company plus interest and other cost. The Company has accrued approximately \$2,340,000, including interest of approximately \$500,000, based on invoices received from Plaintiff who has refused to provide invoices for additional work that Plaintiff claims to have performed. Until such time as the Company obtains invoices for the additional work and is able to provide those invoices to DDC for reimbursement or there is a full resolution of the litigation, it has no intention of paying Plaintiff. The Company believes that its position is defensible, however, there can be no assurance that it will receive a favorable verdict should this case proceed to trial.

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

Acquisition-Related Contingencies

Our subsidiary, Hill International (Spain), S.A. (Hill Spain), owns an indirect 72% interest in Engineering S.A. (ESA), a firm located in Brazil. ESA's shareholders entered into an agreement whereby the minority shareholders have a right to compel (ESA Put Option) Hill Spain to purchase any or all of their shares during the period from February 28, 2014 to February 28, 2021. Hill Spain also has the right to compel (ESA Call Option) the minority shareholders to sell any or all of their shares during the same time period. The purchase price for such shares shall be seven times the earnings before interest and taxes for ESA's most recently ended fiscal year, net of any financial debt plus excess cash multiplied by a percentage which the shares to be purchased bear to the total number of shares outstanding at the time of purchase, but in the event the ESA Call Option is exercised by Hill Spain, the purchase price shall be increased by five percent. The ESA Put Option and the ESA Call Option must be made within three months after the audited financial statements of ESA have been completed. See Note 18.

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The Company is committed to issue shares of its common stock to the former shareholders of Collaborative Partners, Inc. for certain contingent consideration. The number of shares will be determined at various times during 2015.

The Company is committed to pay additional consideration for the purchase of Cadogans in the amount of £519,000 (approximately \$830,000) to be paid in cash on October 31, 2015 and an earn-out based upon the average earnings before interest, taxes, depreciation and amortization for the two-year period ending on October 31, 2016 (which amount shall not be less than £0 nor more than £200,000). See Note 3.

Note 18 Subsequent Events (Restated)

Financing

In connection with the restatement of its consolidated financial statements as of and for the year ended December 31, 2014, the Company became in technical default of its Secured Credit Facilities due to certain misrepresentations, reporting and affirmative covenant breaches. On November 3, 2015, the Company received a waiver of the default. The Company will pay fees of \$81,900 and other out-of-pocket expenses incurred by the Administrative Agent.

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On April 2, 2015, the Company received a \$750,000 loan from the Philadelphia Industrial Development Corporation in connection with the Company's corporate headquarters move to Philadelphia, Pennsylvania. The loan bears interest at 2.75% per annum, is repayable in 144 equal monthly installments of \$6,121, and matures on May 1, 2027.

Acquisitions

On April 15, 2015, the Company acquired all of the equity interests of IMS Proje Yonetimi ve Danismanlik A.S. (IMS), a firm that provides project management services for international developers, institutional investors and major retailers. IMS has approximately 80 professionals and is headquartered in Istanbul, Turkey. Consideration consisted of an Initial Purchase Price of 12,500,000 Turkish Lira (TRY) (approximately \$4,594,000 as of the closing date) comprised of TRY 3,942,000 (approximately \$1,449,000) paid in cash on the closing date plus a second payment of TRY 8,558,000 (approximately \$3,145,000) to be paid upon Hill's receipt of IMS financial statements as of the closing date and satisfaction of other conditions precedent to closing, a Holdback Purchase Price of TRY 4,400,000 (approximately \$1,617,000) payable in cash on April 15, 2016, less any set off related to certain indemnification obligations and a potential Additional Purchase Price of (i) TRY 1,700,000 (approximately \$625,000) if earnings before interest, income taxes, depreciation and amortization for the twelve month period subsequent to the closing date (EBITDA) exceeds TRY 3,500,000 (approximately \$1,286,000) or (ii) TRY 1,500,000 (\$551,000) if EBITDA is less than TRY 3,500,000 but not less than TRY 3,200,000 (\$1,176,000). Pro forma financial information has not been provided since the amounts are not material.

In April 2015, two shareholders who own approximately 19% of ESA exercised their ESA Put Options claiming an aggregate value of BRL 11,816,000 (approximately \$3,658,000). The Company disagrees with the shareholders' computation of the purchase price. The Company is in negotiation with those shareholders and, upon settlement, will pay the liability with cash, common stock or a combination thereof. The Company has not accrued any amount with respect to this transaction. Upon completion of the transaction, the Company will own approximately 91% of ESA.

Stockholder Rights Plan

On May 4, 2015, our Board of Directors approved the adoption of a stockholder rights plan (the Rights Plan) that is intended to ensure that all stockholders have the opportunity to realize the long-term value of their investment in the Company and are protected from coercive and opportunistic takeover attempts. Under the Rights Plan, stockholders of record as of May 18, 2015 will receive one preferred share purchase right for each share of our common stock held. Initially these rights will not be exercisable and will trade with the shares of our common stock. With certain exceptions, the rights become exercisable if any person or group acquires beneficial ownership of 15% or more of our common stock. In that situation, each holder of a right (other than such person or members of such group, whose rights will become void and will not be exercisable) will be entitled to purchase a number of shares of our common stock that have a market value of twice the exercise price of the right. Stockholders will not be required to take any action to receive the rights distribution. Until the rights become exercisable, they will trade with the shares of the Company's common stock.

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

This Item 2 has been amended and restated to give effect to the restatement of the Company's consolidated financial statements due to a change in the accounting treatment for the Libya Receivable and certain related assets and liabilities as discussed in the Explanatory Note to this Amendment. See Note 1 to the consolidated financial statements in Item 1 of Part 1 of this report for additional information.

Overview

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

CFR increased \$13,892,000, or 10.1%, to \$151,141,000 during the first quarter of 2015 from \$137,249,000 during the first quarter of 2014. CFR for the Project Management segment increased \$10,329,000, principally due to increased work in the Middle East, primarily the United Arab Emirates, Saudi Arabia and Qatar. CFR for the Construction Claims segment increased by \$3,563,000, or 10.0%, due primarily to increases in the Middle East.

Cost of services increased \$7,839,000 or 10.0% to \$86,429,000 during the first quarter of 2015 from \$78,590,000 during the first quarter of 2014 as a result of an increase in billable employees and other direct expenses related to the additional work in the Middle East.

Gross profit increased \$6,053,000, or 10.3%, to \$64,712,000 during the first quarter of 2015 from \$58,659,000 during the first quarter of 2014 due to the increases in CFR. Gross profit as a percent of CFR was slightly higher at 42.8% during the first quarter of 2015 compared to 42.8% during the first quarter of 2014.

Selling, general and administrative expenses increased \$11,212,000, or 23.5%, to \$58,923,000 during the first quarter of 2015 from \$47,711,000 during the first quarter of 2014. As a percentage of CFR, selling, general and administrative expenses increased to 39.0% during the first quarter of 2015 compared to 34.8% during the first quarter of 2014 primarily due to the net credit of \$4,948,000 in 2014 related to the payment received against the Libya receivable.

Operating profit was \$5,606,000, during the first quarter of 2015 compared to \$10,948,000 during the first quarter of 2014 due primarily to the \$4,948,000 net credit in 2014 for the Libya cash receipts.

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Income tax expense was \$1,184,000 during the first quarter of 2015 compared to an income tax expense of \$324,000 during the first quarter of 2014. The change is primarily the result of a change in projected income and the mix of income among the various foreign tax jurisdictions.

Net earnings attributable to Hill were \$702,000 during the first quarter of 2015, a decrease of 86.8%, from \$5,308,000 during the first quarter of 2014. Diluted earnings per common share were \$0.01 during the first quarter of 2015 based upon 50,637,000 diluted common shares outstanding compared to a diluted earnings per common share of \$0.13 during the first quarter of 2014 based upon 40,602,000 diluted common shares outstanding.

The Company has open but inactive contracts with the Libyan Organization for the Development of Administrative Centres (ODAC). Due to the civil unrest which commenced in Libya in February 2011, the Company suspended its operations in and demobilized substantially all of its personnel from Libya. At December 31, 2012, the balance of the Libya Receivable was approximately \$59,937,000. Because of the continuing political instability in Libya, the Company established a reserve for the full amount of the receivable as of December 31, 2012. During 2013, the Company received payments against the Libya Receivable of approximately \$2,880,000. In the first quarter of 2014, the Company received approximately \$6,631,000 against the Libya Receivable which has been reflected as a reduction of selling, general and administrative (SG&A) expenses for the three-months ended March 31, 2014. At March 31, 2015, after a decrease of approximately \$1,459,000 due to the effect of foreign exchange translation losses, the Libya Receivable was approximately \$48,967,000 which continues to be fully reserved. It is management's intention to continue to pursue collection of monies owed to the Company by ODAC and, if subsequent payments are received, the Company will reflect such receipts, net of any third party obligations related to the collections, as reductions of SG&A expenses.

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We remain optimistic about maintaining our current growth strategy to pursue new business development opportunities, continue to take advantage of organic growth opportunities, continue to pursue acquisitions and strengthen our professional resources. In addition, we have completed a review of our global overhead cost structure and we are in the process of reducing more than \$25,000,000 in annual overhead costs. The areas most affected are personnel and related benefits and expenses. We believe these efforts combined with continued revenue growth should significantly improve profitability and shareholder value. Our total backlog was \$995,000,000 as of March 31, 2015, a decrease of \$41,000,000 from December 31, 2014. Our 12-month backlog was \$442,000,000 as of March 31, 2015, a decrease of \$25,000,000 from December 31, 2014. These decreases are primarily related reductions in the Middle East, Europe and Latin America.

Critical Accounting Policies

We operate through two segments: the Project Management Group and the Construction Claims Group. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these revenues/costs are subject to significant fluctuation from year to year, we measure the performance of many of our key operating metrics as a percentage of consulting fee revenue (CFR), as we believe that this is a better and more consistent measure of operating performance than total revenue.

The Company's interim financial statements were prepared in accordance with United States generally accepted accounting principles, which require management to make subjective decisions, assessments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting 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 have not materially changed from those identified in the Company's 2014 Annual Report.

Table of Contents*Results of Operations***Three Months Ended March 31, 2015 Compared to****Three Months Ended March 31, 2014****Consulting Fee Revenue (CFR) (dollars in thousands)**

	Three Months Ended March 31,				Change (Restated)	
	2015 (Restated)		2014			
Project Management	\$ 112,117	74.2%	\$ 101,788	74.2%	\$ 10,329	10.1%
Construction Claims	39,024	25.8	35,461	25.8	3,563	10.0
Total	\$ 151,141	100.0%	\$ 137,249	100.0%	\$ 13,892	10.1%

The increase in CFR included an organic increase of 9.4% primarily in the Middle East and the United States and an increase of 0.7% due to the acquisition of Cadogans in October 2014.

The increase in Project Management CFR was all organic and consisted of a \$5,401,000 increase in foreign projects and an increase of \$4,928,000 in domestic projects. The increase in foreign Project Management CFR included an increase of \$7,385,000 in the United Arab Emirates, \$1,726,000 in Saudi Arabia and \$916,000 in Qatar. These increases were partially offset by a decrease of \$1,331,000 in Brazil primarily due to an economic slow-down in the region. The increase in domestic Project Management CFR was due primarily to increases in our Northeast, Mid-Atlantic and Western regions.

The increase in Construction Claims CFR was comprised of an organic increase of 7.3% and a 2.7% increase from the acquisition of Cadogans. The organic increase was primarily due to increases in the Middle East and Africa.

Reimbursable Expenses (dollars in thousands)

	Three Months Ended March 31,				Change	
	2015		2014			
Project Management	\$ 17,878	93.5%	\$ 11,381	89.2%	\$ 6,497	57.1%
Construction Claims	1,249	6.5	1,383	10.8	(134)	(9.7)
Total	\$ 19,127	100.0%	\$ 12,764	100.0%	\$ 6,363	49.9%

Reimbursable expenses consist of amounts paid to subcontractors and other third parties, and travel and other job-related expenses that are contractually reimbursable from clients. These items are reflected as separate line items in both our revenue and cost of services captions in our

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consolidated statements of operations. The increase in Project Management reimbursable expense is primarily due to higher use of subcontractors in our Northeast U.S. region, partially offset by decreased subcontractors in Oman.

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Cost of Services (dollars in thousands)

	Three Months Ended March 31,				Change			
	2015 (Restated)		% of CFR		2014		% of CFR	
Project Management	\$ 68,731	79.5%	61.3%	\$ 62,752	79.8%	61.6%	\$ 5,979	9.5%
Construction Claims	17,698	20.5	45.4	15,838	20.2	44.7	1,860	11.7
Total	\$ 86,429	100.0%	57.2%	\$ 78,590	100.0%	57.3%	\$ 7,839	10.0%

Cost of services consists of labor expenses for time charged directly to contracts and non-reimbursable job-related travel and out-of-pocket expenses. The increase in Project Management cost of services is primarily due to increases in the Middle East and the United States in support of increased work.

The increase in the cost of services for Construction Claims was due primarily to increases in direct cost in the Middle East and Africa and the acquisition of Cadogans.

Gross Profit (dollars in thousands)

	Three Months Ended March 31,				Change	
	2015 (Restated)		2014		(Restated)	