

Hill International, Inc.  
Form 10-K  
March 12, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

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

**For the fiscal year ended December 31, 2011**

**Commission file number 001-33961**

**HILL INTERNATIONAL, INC.**

**(Exact name of registrant as specified in its charter)**

<b>Delaware</b>	<b>20-0953973</b>
<b>State or other jurisdiction of</b>	<b>(I.R.S. Employer</b>
<b>incorporation or organization</b>	<b>Identification No.)</b>
<b>303 Lippincott Centre, Marlton, NJ</b>	<b>08053</b>
<b>(Address of principal executive offices)</b>	<b>(Zip Code)</b>
<b>Registrant's telephone number, including area code: (856) 810-6200</b>	

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

**Title of each class**

**Name of each exchange on which registered**

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Common Stock, \$.0001 par value

New York Stock Exchange

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

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

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

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller reporting company

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

The aggregate market value of shares of common stock held by non-affiliates based upon the closing sale price of the stock on the New York Stock Exchange on June 30, 2011 was approximately \$136,327,000.

As of March 1, 2012, there were 38,503,403 shares of the Registrant's Common Stock outstanding.

**Documents Incorporated by Reference**

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

**HILL INTERNATIONAL, INC. AND SUBSIDIARIES**

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**PART I**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

The markets for our services;

Projections of revenues and earnings, anticipated contractual obligations, capital expenditures, funding requirements or other financial items;

Statements concerning our plans, strategies and objectives for future operations; and

Statements regarding future economic conditions or performance.

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

Modifications and termination of client contracts;

Control and operational issues pertaining to business activities that we conduct pursuant to joint ventures with other parties;

Difficulties we may incur in implementing our acquisition strategy;

The need to retain and recruit key technical and management personnel; and

Unexpected adjustments and cancellations related to our backlog.

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

Special risks of our ability to obtain debt financing or otherwise raise capital to meet required working capital needs and to support potential future acquisition activities;

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Special risks of international operations, including uncertain political and economic environments, acts of terrorism or war, potential incompatibilities with foreign joint venture partners, foreign currency fluctuations, civil disturbances and labor issues; and

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

We assume no obligation to update or revise any forward-looking statements. In accordance with the Reform Act, Item 1A of this Report entitled **Risk Factors** contains cautionary statements that accompany those forward-looking statements. You should carefully review such cautionary statements as they identify certain

important factors that could cause actual results to differ materially from those in the forward-looking statements and from historical trends. Those cautionary statements are not exclusive and are in addition to other factors discussed elsewhere in this Form 10-K, in our other filings with the Securities and Exchange Commission or in materials incorporated therein by reference.

**Item 1. Business.**

**General**

Hill International, Inc. provides a broad spectrum of project management and construction claims services to clients worldwide, but primarily in the United States/Canada, Latin America, Europe, the Middle East, North Africa, 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. Our diverse experience includes projects such as educational, governmental, commercial office, residential, hotels and resorts, retail, entertainment and cultural, hospitals and healthcare, transportation, power, environmental, oil and gas, industrial and process, among others. In this report, the terms Company, we, us, our, or Hill refer to Hill International, Inc.

We are one of the leading firms in the world in both the project management and construction claims consulting businesses. We are a global company with approximately 3,200 personnel in approximately 100 offices in more than 35 countries.

We compete for business based on reputation and past experience, including client requirements for substantial experience in similar projects and claims work. 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. In addition, we believe there are high barriers to entry for new competitors especially in the project management market.

**Our Growth Strategy**

Our growth strategy is to increase our revenue through organic growth and expand our geographic reach and service offerings through strategic acquisitions. We seek to achieve these objectives through the following strategies:

*Pursue New Business Development Opportunities.* We are pursuing a number of new business opportunities focused primarily on providing development services in real estate and infrastructure markets. We expect these new business development opportunities to be complementary in generating work for our existing project management business. Specifically, our 51%-owned subsidiary, HillStone International, LLC (HillStone), is a strategic technologies distribution and construction project development company that intends to provide low-cost yet high durability housing primarily in developing countries, including the Middle East, Africa, Latin America and the Caribbean. We expect to provide project management and construction management services in connection with any development projects contracted by HillStone.

*Continue to Take Advantage of Organic Growth Opportunities.* We have long-standing relationships with a number of public and private sector entities. Meeting our clients' diverse needs in managing construction risk and generating repeat business from our clients to expand our project base is one of our key growth strategies. We accomplish this objective by providing a broad range of project management and construction claims consulting services in a wide range of geographic areas that support our clients during every phase of a project, from concept through completion. We believe that nurturing our existing client relationships expands our project base through repeat business. In addition, we strategically open new offices to expand into new geographic areas and we aggressively hire individuals with significant contacts to accelerate the growth of these new offices and to strengthen our presence in existing markets.

*Continue to Pursue Acquisitions.* We operate in a highly fragmented industry with many smaller, regional competitors. Our acquisition strategy allows us to manage risk by diversifying our services, which enables us to compete better by integrating capabilities and obtaining new relationships. We pursue acquisitions primarily for three reasons: to expand into new geographic markets; add to professional resources and gain critical mass in existing markets to compete better; and to enhance our specialization and capability in certain strategic areas. We intend to pursue both U.S. acquisitions to round out our domestic presence and enhance capabilities in specific areas and foreign acquisitions that bring new relationships as well as widen our geographic base to offer our global capabilities. For instance, we intend to leverage our acquisition of Engineering S.A. in Brazil, which predominantly has private sector contracts, to offer our capabilities to the government sector in Brazil and to the private and government sectors in other Latin American countries.

*Strengthen Professional Resources.* Our biggest asset is the people that work for Hill. We intend to continue spending significant time recruiting and retaining the best and the brightest to improve our competitive position. Our independent status has attracted top project management talent with varied industry experience. Additionally, our construction claims business provides us with a strong base of expertise that allows knowledge transfer across our businesses. We believe maintaining and bolstering our team will enable us to continue to grow our business.

### **Reporting Segments**

We currently operate through two reporting segments: the Project Management Group and the Construction Claims Group. Our total revenue consists of two components: consulting fee revenue ( CFR ) and reimbursable expenses. Reimbursable expenses are reflected in equal amounts in both total revenue and total direct expenses. Because these revenue/costs 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, as we believe that this is a better and more consistent measure of operating performance than total revenue. Throughout this report we have used CFR as the denominator in many of our ratios. The following table sets forth the amount and percentage of our CFR from our operations in each reporting segment for each of the past three fiscal years (dollars in thousands):

### **Consulting Fee Revenue ( CFR )**

	2011		2010		2009	
Project Management	\$ 290,787	72.8%	\$ 286,466	75.0%	\$ 276,811	76.0%
Construction Claims	108,467	27.2%	95,633	25.0%	87,199	24.0%
<b>Total</b>	<b>\$ 399,254</b>	<b>100.0%</b>	<b>\$ 382,099</b>	<b>100.0%</b>	<b>\$ 364,010</b>	<b>100.0%</b>

### **Project Management**

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 services include program management, project management, construction management, project management oversight, troubled project turnaround, staff augmentation, estimating and cost management, project labor agreements and management consulting.

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

As construction managers, we have managed all phases of the construction process on behalf of project owners and developers, from pre-design through completion. Specific activities that we undertake as part of these

services include: planning, scheduling, estimating, budgeting, design review, constructability analyses, value engineering, regulatory compliance, development of project procedures, procurement, project reporting, expediting, inspection, quality assurance/quality control, safety oversight, contract administration, change order processing, claims management, and on-site management of contractors, subcontractors and suppliers.

In its June 13, 2011 issue, *Engineering News-Record* ranked us as the eighth largest construction management firm and the tenth largest program management firm in the United States.

### **Construction Claims**

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 may be retained as a claims consultant at the onset of a project, during the course of a project or upon the completion of a project. We assist owners or contractors in adversarial situations as well as in situations where an amicable resolution is sought. Specific activities that we undertake as part of these services include claims preparation, analysis and review, litigation support, lender advisory, cost/damages assessment, delay/disruption analysis, contract review and assessment, risk assessment, adjudication and expert witness testimony. Clients are typically billed based on an hourly rate for each consultant assigned to the project, and we are reimbursed for our out-of-pocket expenses. Our claims consulting clients include participants on all sides of a construction project, including owners, contractors, subcontractors, architects, engineers, attorneys, lenders and insurance companies.

### **Global Business**

We operate worldwide and currently have nearly 100 offices in more than 35 countries. The following table sets forth the amount and percentage of our CFR by geographic region for each of the past three fiscal years (dollars in thousands):

In 2011, we expanded our disclosure in the following two tables to present revenue attributable to Latin America. The amounts in the tables for 2010 and 2009 have been changed to conform to the 2011 presentation.

#### **Consulting Fee Revenue by Geographic Region:**

	2011		2010		2009	
U.S./Canada	\$ 115,378	28.9%	\$ 102,092	26.7%	\$ 74,740	20.5%
Latin America	48,188	12.1%	2,464	0.6%	2,469	0.7%
Europe	90,049	22.5%	97,003	25.4%	105,452	29.0%
Middle East	108,720	27.2%	102,538	26.9%	126,749	34.8%
North Africa	17,451	4.4%	66,179	17.3%	47,482	13.0%
Asia/Pacific	19,468	4.9%	11,823	3.1%	7,118	2.0%
<b>Total</b>	<b>\$ 399,254</b>	<b>100.0%</b>	<b>\$ 382,099</b>	<b>100.0%</b>	<b>\$ 364,010</b>	<b>100.0%</b>
U.S.	\$ 112,098	28.1%	\$ 99,885	26.1%	\$ 72,229	19.8%
Non -U.S.	287,156	71.9%	282,214	73.9%	291,781	80.2%
<b>Total</b>	<b>\$ 399,254</b>	<b>100.0%</b>	<b>\$ 382,099</b>	<b>100.0%</b>	<b>\$ 364,010</b>	<b>100.0%</b>

### **Growth Organically and Through Acquisition**

Over the years, our business has expanded through organic growth and the acquisition of a number of project management and claims consulting businesses. Over the past 15 years, we have completed 20 acquisitions of project management and claims consulting businesses.



We believe that our industry includes a number of small regional companies in a highly fragmented market. We believe that we have significant experience and expertise in identifying, negotiating, completing and integrating acquisitions and view the acquisition of these smaller competitors as a key part of our growth strategy. Our acquisition activity over the past three years is detailed below. Our acquisitions have enabled us to accelerate our growth, strengthen our geographic diversity and compete better.

On February 28, 2011, our subsidiary, Gerens Hill International, S.A. ( Gerens Hill ), indirectly acquired 60 percent of the outstanding shares of common stock of Engineering S.A., one of the largest project management firms in Brazil with over 400 professionals. It has main offices in Rio de Janeiro and Sao Paulo and an additional office in Parauapebas. Engineering S.A. provides project management, construction management and engineering consulting services throughout Brazil. Total consideration will not exceed 42,000,000 Brazilian Reais (BR) (approximately \$25,336,000 on the date of acquisition), consisting of an initial cash payment amounting to BR22,200,000 (approximately \$13,392,000), minimum additional payments of BR7,400,000 (approximately \$4,464,000) due on each of April 30, 2012 and 2013, and a potential additional payment of BR5,000,000 (approximately \$3,016,000).

During 2010, we made three acquisitions: McLachlan Lister Pty. Ltd. ( MLL ), the Construction Management Division of dck North America, LLC ( dck ) and TCM Group, Inc. ( TCM ). These acquisitions provided us with additional geographical presence in the Asia/Pacific region and the United States. On the date of the acquisitions, aggregate consideration amounted to \$25,317,000, consisting of cash of \$18,705,000, contingent consideration amounting to \$4,050,000 and deferred payments amounting to \$2,562,000.

During 2009, we purchased two companies: Boyken International, Inc. ( Boyken ) and TRS Consultants, Inc. ( TRS ). Aggregate consideration amounted to \$6,236,000, consisting of cash of \$2,500,000, 429,241 shares of our common stock amounting to \$2,736,000 and contingent consideration amounting to \$1,000,000. These acquisitions provided us with a greater geographical presence in the United States.

### *Clients*

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

#### **Consulting Fee Revenue By Client Type:**

	2011		2010		2009	
U.S. federal government	\$ 11,667	2.9%	\$ 24,731	6.5%	\$ 45,493	12.5%
U.S. state, local and regional government	64,734	16.2%	55,075	14.4%	39,003	10.7%
Foreign government	85,756	21.5%	120,226	31.5%	104,764	28.8%
Private sector	237,097	59.4%	182,067	47.6%	174,750	48.0%
<b>Total</b>	<b>\$ 399,254</b>	<b>100.0%</b>	<b>\$ 382,099</b>	<b>100.0%</b>	<b>\$ 364,010</b>	<b>100.0%</b>

Our five largest clients accounted for 3.2%, 2.3%, 2.1%, 2.0% and 1.9% of our CFR during 2011. During 2010 our five largest clients accounted for 15.4%, 3.0%, 3.0%, 2.4% and 2.4% of our CFR and during 2009 our five largest clients accounted for 13.1%, 9.4%, 4.0%, 2.9% and 1.7% of our CFR.

### *Business Development*

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

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

For the year ended December 31, 2011, CFR from U.S. and foreign government contracts represented approximately 40.6% of our total CFR. Doing business with governments is complex and requires the ability to comply with intricate regulations and satisfy periodic audits. We believe that the ability to understand these requirements and to successfully conduct business with government agencies is a barrier to entry for smaller, less experienced competitors. Most government contracts, including those with foreign governments, are subject to termination by the government, to government audits and to continued appropriations.

We are required from time to time to obtain various permits, licenses and approvals in order to conduct our business in some of the jurisdictions where we operate. The inability to obtain any particular permits, licenses or governmental approvals would not have a material effect on our business. Our business of providing construction management and construction claims services are not subject to significant regulation by state, federal or foreign governments.

### ***Contracts***

The price provisions of our contracts can be grouped into three broad categories: cost-plus, time and materials, and fixed-price.

Cost-plus contracts provide for reimbursement of our costs and overhead plus a predetermined fee. Under some cost-plus contracts, our fee may be based partially on quality, schedule and other performance factors.

We also enter into contracts whereby we bill our clients monthly at hourly billing rates. The hourly billing rates are determined by contract terms. For governmental clients, the hourly rates are generally calculated as salary costs plus overhead costs plus a negotiated profit percentage. For commercial clients, the hourly rate can be taken from a standard fee schedule by staff classification or it can be a discount from this schedule. In some cases, primarily for foreign work, a fixed monthly staff rate is negotiated rather than an hourly rate. This monthly rate is a build-up of staffing costs plus overhead and a profit. We account for these contracts on a time-and-materials method, recognizing revenue as costs are incurred.

Fixed price contracts are accounted for using the percentage-of-completion method, wherein revenue is recognized as costs are incurred.

### ***Backlog***

We believe a strong indicator of our future performance is our backlog of uncompleted projects under contract or awarded. Our backlog represents management's estimate of the amount of contracts and awards in hand that we expect to result in future consulting fee revenue. 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 important to us in anticipating and planning for our operational needs. Backlog is not a measure defined in U.S. generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog.

At December 31, 2011, our backlog was approximately \$2,295,000,000 compared to approximately \$675,000,000 at December 31, 2010. At December 31, 2011, backlog attributable to work in Libya amounted to approximately \$44,000,000. We estimate that approximately \$332,000,000, or 14.5% of the backlog at December 31, 2011, will be recognized during our 2012 fiscal year.

HillStone International, LLC ( HillStone ) is a strategic technologies distribution and construction project development company. As a 51%-owned subsidiary of the Company, HillStone attempts to develop private and public ventures for the implementation of affordable, durable and environmentally sound housing technologies in regions of the world where housing solutions are a high priority of various governmental and private interests. HillStone has not been shown separately within our consolidated financial statements as it does not have any revenues to date. Its costs, which are not material, have been included within the Corporate segment. However, for purposes of this report, we have shown the backlog attributable to HillStone as a separate line item within the backlog table below. Approximately \$1,300,000,000 of our backlog is related to a contract entered into by HillStone to supply building structural systems to TRAC Development Group Ltd. ( TRAC ) in connection with a major housing development in Iraq and \$200,000,000 is related to contract we entered into to provide project management and construction management services to TRAC in connection with the development. The contracts are expected to commence in late 2012. The decrease in the 12-month backlog was primarily the result of backlog related to two major contracts by Hill and HillStone which were shifted to later periods.

The table below includes backlog under two categories: (1) contracts for which work authorizations have been or are expected to be received and (2) contracts awarded to us where some or all of the work has not yet been authorized. As of December 31, 2011, approximately \$622,000,000, or 27.1%, of our backlog was in category 1 and approximately \$1,673,000,000 or 72.9%, of our backlog was in category 2. We do not track whether contracts included in our backlog are fully funded, incrementally funded, or unfunded.

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 revenue 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 revenue 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 revenue.

	<b>Total Backlog</b>		<b>12-Month Backlog</b>	
	<i>(dollars in thousands)</i>			
<b>As of December 31, 2011:</b>				
<b>Project Management</b>	<b>\$ 953,000</b>	<b>41.5%</b>	<b>\$ 280,000</b>	<b>84.3%</b>
<b>Construction Claims</b>	<b>42,000</b>	<b>1.8</b>	<b>42,000</b>	<b>12.7</b>
<b>HillStone International</b>	<b>1,300,000</b>	<b>56.7</b>	<b>10,000</b>	<b>3.0</b>
<b>Total</b>	<b>\$ 2,295,000</b>	<b>100.0%</b>	<b>\$ 332,000</b>	<b>100.0%</b>
<b>As of September 30, 2011:</b>				
<b>Project Management</b>	<b>\$ 972,000</b>	<b>42.1%</b>	<b>\$ 284,000</b>	<b>59.8%</b>
<b>Construction Claims</b>	<b>35,000</b>	<b>1.5</b>	<b>35,000</b>	<b>7.4</b>
<b>HillStone International</b>	<b>1,300,000</b>	<b>56.4</b>	<b>156,000</b>	<b>32.8</b>
<b>Total</b>	<b>\$ 2,307,000</b>	<b>100.0%</b>	<b>\$ 475,000</b>	<b>100.0%</b>
<b>As of December 31, 2010:</b>				
<b>Project Management</b>	<b>\$ 639,000</b>	<b>94.7%</b>	<b>\$ 243,000</b>	<b>88.4%</b>
<b>Construction Claims</b>	<b>36,000</b>	<b>5.3</b>	<b>32,000</b>	<b>11.6</b>
<b>Total</b>	<b>\$ 675,000</b>	<b>100.0%</b>	<b>\$ 275,000</b>	<b>100.0%</b>

### ***Competition***

The project management and claims consulting industries are highly competitive. We compete for contracts, primarily on the basis of technical capability, with numerous entities, including design or engineering firms, general contractors, other pure construction management companies, other claims consulting firms, the Big Four and other accounting firms, management consulting firms and other entities. Compared to us, many of these competitors are larger, well-established companies that have broader geographic scope and greater financial and other resources. During 2011, some of our largest project management competitors included: AECOM Technology Corp.; Jacobs Engineering Group, Inc.; Michael Baker Corporation; Parsons Brinckerhoff, Inc.; Parsons Corporation; Turner Construction Company; and URS Corporation. Some of our largest claims consulting competitors last year included: Exponent, Inc.; FTI Consulting, Inc.; and Navigant Consulting, Inc.

### ***Insurance***

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

### ***Management***

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

**Executive Officers**

Name	Age	Position
Irvin E. Richter	67	Chairman of the Board of Directors and Chief Executive Officer
David L. Richter	45	President and Chief Operating Officer, Director
Thomas J. Spearing III	45	President, Project Management Group (Americas)
Raouf S. Ghali	50	President, Project Management Group (International)
Frederic Z. Samelian	64	President, Construction Claims Group
John Fanelli III	57	Senior Vice President and Chief Financial Officer
Ronald F. Emma	60	Senior Vice President and Chief Accounting Officer
William H. Dengler, Jr.	45	Senior Vice President and General Counsel
Catherine H. Emma	52	Senior Vice President and Chief Administrative Officer
Michael J. Petrisko	46	Senior Vice President and Chief Information Officer

**IRVIN E. RICHTER** has been Chairman of our Board of Directors since 1985 and he has been Chief Executive Officer and a member of our Board of Directors since he founded the company in 1976. In 2002, Mr. Richter was selected as a Fellow by the Construction Management Association of America ( CMAA ) for his contributions to the construction management industry. He is a member of the World Presidents Organization and the Construction Industry Round Table. He is the author of several books including Handbook of Construction Law & Claims and International Construction Claims: Avoiding and Resolving Disputes. He has served or does serve on a number of Boards of Directors, including Rutgers University, Temple University Hospital, CMAA, incNETWORKS, Inc., Energy Storage & Power and Proton Therapy, Inc. Mr. Richter holds a B.A. in government from Wesleyan University and a J.D. from Rutgers University School of Law at Camden, and he has been named a Distinguished Alumnus at both schools.

**DAVID L. RICHTER** has been President and Chief Operating Officer since March 2004, and he has been a member of our Board of Directors since February 1998. Prior to his current position, he was President of our Project Management Group from April 2001 to February 2004. Before that, Mr. Richter was Senior Vice President, General Counsel and Secretary from August 1999 to March 2001 and Vice President, General Counsel and Secretary from April 1995 to August 1999. Prior to joining us, he was an attorney with the New York City law firm of Weil, Gotshal & Manges LLP from 1992 to 1995. Mr. Richter is a member of the Young Presidents Organization, a member of the Board of Trustees of the Southern New Jersey Development Council and served on the Board of Directors of the CMAA from 2001 to 2007. He earned a B.S. in management, a B.S.E. in civil engineering and a J.D. from the University of Pennsylvania. Mr. Richter is a son of Irvin E. Richter.

**THOMAS J. SPEARING III** has been President of our Project Management Group (Americas) since April 2009. He was Senior Vice President and Chief Strategy Officer, from September 2007 to March 2009. Prior to joining Hill, Mr. Spearing worked for more than ten years with STV Group, Inc., most recently as Principal-in-Charge of its western region. Before that, Mr. Spearing was a Vice President of business development with Hill. Mr. Spearing earned his B.B.A. in computer and information science from Temple University, his B.S. in construction management and his B.S. in civil engineering from Spring Garden College, and his M.S. in management from Rosemont College. He is an active member of the American Public Transportation Association, the Women's Transportation Seminar, the New Jersey Business & Industry Association, Trustee and Transportation Co-Chair of the Southern New Jersey Development Council, and founding Co-Chair of Pen Trans Board of Directors, among others.

**RAOUF S. GHALI** has been President of our Project Management Group (International) since January 2005. He was Senior Vice President in charge of project management operations in Europe and the Middle East from June 2001 to December 2004. Mr. Ghali was a Vice President with us from September 1993 to May 2001. Prior to joining us, he worked for Walt Disney Imagineering from 1988 to 1993. Mr. Ghali has a B.S. degree in business administration and economics and an M.S. in business organizational management from the University of LaVerne.

**FREDERIC Z. SAMELIAN** has been President of our Construction Claims Group since January 2005. He was a Senior Vice President with us from March 2003 until December 2004. Before that, Mr. Samelian was President of Conex International, Inc., a construction dispute resolution firm, from March 2002 to March 2003 and from April 2000 to February 2001, an Executive Director with Greyhawk North America, Inc., a construction management and consulting firm, from March 2001 to February 2002, and a Director with PricewaterhouseCoopers LLP from September 1998 to March 2000. Before that, he had worked with Hill from 1983 to August 1998. He served as Hill's President and Chief Operating Officer from September 1996 to August 1998. Mr. Samelian has a B.A. in international affairs from George Washington University and an M.B.A. from Southern Illinois University at Edwardsville. He is a Project Management Professional certified by the Project Management Institute and he is a licensed General Building Contractor in California and Nevada.

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

**RONALD F. EMMA** has been Senior Vice President and Chief Accounting Officer since January 2007. Mr. Emma had been Senior Vice President of Finance from August 1999 to January 2007. Before that, he was Vice President of Finance. Mr. Emma has been with Hill since 1980. Before joining Hill, he was Assistant Controller of General Energy Resources, Inc., a mechanical contracting firm, and prior to that was a Staff Accountant with the accounting firm of Haskins & Sells. Mr. Emma has a B.S. in accounting from St. Joseph's University and is a Certified Public Accountant in New Jersey.

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

**CATHERINE H. EMMA** has been Senior Vice President and Chief Administrative Officer since January 2007. Ms. Emma had been Vice President and Chief Administrative Officer from August 2005 to January 2007. Before that, she served as Vice President of Human Resources and Administration. Ms. Emma has been with Hill since 1982. She is certified by the Society for Human Resource Management as a Professional in Human Resources (PHR) and has held professional memberships with Tri-State Human Resources, the Society for Human Resource Management and the BNA Human Resources Personnel Policies Forum. Ms. Emma is the wife of Ronald F. Emma.

**MICHAEL J. PETRISKO** has been Senior Vice President and Chief Information Officer since January 2009. He was Vice President and Chief Information Officer from May 2007 to December 2008. Before that, Mr. Petrisko was Director of Global IT Operations for AECOM Technology Corp. from September 2005 to May

2007 and Vice President and Chief Information Officer for DMJM Harris, Inc., a subsidiary of AECOM Technology Corp., a global architecture, engineering and construction management firm, from January 2002 to September 2005. From April 1999 to January 2002, he was Director of Technical Services for Foster Wheeler Corp., an engineering and construction services firm. Mr. Petrisko studied management information technology at Thomas Edison State College and he is a member of the New Jersey Society of Information Management.

### *Employees*

At March 1, 2012, we had 3,168 personnel. Of these individuals 2,493 worked in our Project Management Group, 570 worked in our Construction Claims Group and 105 worked in our Corporate Group. Our personnel at March 1, 2012 included 2,521 full-time employees, 228 part-time employees and 419 independent contractors. Our future success will depend significantly on our ability to attract, retain and motivate highly qualified personnel. We are not a party to any collective bargaining agreements and we have not experienced any strikes or work stoppages. We consider our relationship with our employees to be satisfactory.

### *Access to Company Information*

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

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

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

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

#### *Risks Affecting the Business*

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

Acts of terrorism, political, governmental and social upheaval and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts or the loss of personnel, and may affect timing and collectibility of our accounts receivable. Such events may cause further disruption to financial and commercial markets and may generate greater political and economic instability in some of the geographic areas

in which we operate. In addition, any possible reprisals as a consequence of the wars and ongoing military action in the Middle East, such as acts of terrorism in the United States or elsewhere, could have a material adverse effect on our business, consolidated results of operations and consolidated financial position.

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

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

We currently have existing contracts in Libya. Due to the political unrest in Libya that commenced in February 2011, we suspended our operations in and demobilized substantially all of our personnel from Libya. We are unable to predict when, or if, our work will resume in Libya, where we reopened our office in November 2011. At December 31, 2011, accounts receivable relating to the work performed prior to March 2011 under contracts in Libya was \$59.4 million. We are unable to determine the effect this unrest will have on the collectability of the aforementioned accounts receivable. If we are unable to collect these accounts receivable, there could be a significant adverse impact on our liquidity, consolidated results of operations and consolidated financial condition.

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

The markets that we serve are cyclical and subject to fluctuation based on general global economic conditions and other factors. Unfavorable global economic conditions, including disruption of financial markets in the United States, Europe and elsewhere, could adversely affect our business and results of operations, primarily by limiting our access to credit and disrupting our clients' businesses. The reduction in financial institutions' willingness or ability to lend has increased the cost of capital and reduced the availability of credit. Although we currently believe that the financial institutions with which we do business will be able to fulfill their commitments to us, there is no assurance that those institutions will be able or willing to continue to do so, which could have a material adverse impact on our business. The current European debt crisis and related European restructuring efforts may cause the value of European currencies, including the Euro and British pound sterling, to deteriorate, thus reducing the purchasing power of European clients and reducing the translated amounts of U.S. dollar revenues. For the year ended December 31, 2011, 19% of our total revenue was attributable to European clients. In addition, continuation or worsening of general market conditions in the United States, Europe or other national economies important to our businesses may adversely affect our clients' level of spending, ability to obtain financing, and ability to make timely payments to us for our services, which could require us to increase our allowance for doubtful accounts, negatively impact our days sales outstanding and adversely affect our results of operations.

***We cannot be certain that we will be able to raise capital or obtain debt financing to execute future acquisitions or to meet required capital needs.***

We are currently party to a revolving credit agreement to assist in funding working capital needs and for potential future acquisitions. This agreement contains certain financial covenants with respect to minimum net worth, total funded debt to EBITDA ratio, fixed charge coverage ratio, billed accounts receivable to senior secured indebtedness ratio, as well as other covenants.

On March 6, 2012, we entered into a Second Amendment to Credit Agreement (the "Second Amendment") with the administrative agent and lenders under our credit agreement. Under the Second Amendment, the lenders



under our revolving credit agreement agreed to waive prior defaults under the revolving credit agreement that we designated (the Designated Defaults ). Pursuant to the Second Amendment, our total availability under the revolving credit agreement is \$100,000,000, which includes a letter of credit sublimit of \$35,000,000 (the Aggregate Commitments ). Also, the Second Amendment extended the maturity date under our revolving credit agreement to March 31, 2014, subject to the requirement that we satisfy certain Required Commitment Reduction Conditions on or before March 31, 2013. If we do not satisfy the Required Commitment Reduction Conditions on or before March 31, 2013, our revolving credit agreement will mature on March 31, 2013. The Required Commitment Reduction Conditions require a permanent reduction in the Aggregate Commitments (as defined in the Second Amendment) to an amount equal or less than \$75,000,000. The Second Amendment requires that 100% of the first \$25,000,000 of net cash proceeds from any sale of our equity interests plus 50% of all such proceeds in excess of \$50,000,000 plus 50% of the portion of the Net Libya Receivable (as defined in the Second Amendment), plus 50% of any payments or distributions to us from HillStone International LLC be applied to reduce the Aggregate Commitments, but not below \$60,000,000.

The Company is required to comply with certain financial covenants with respect to leverage ratio, fixed charge ratio, funded indebtedness to net worth ratio as well as other covenants.

If our operating results are not as positive as we expect, that could cause us to be in violation of these covenants. In addition, our current revolving credit agreement may not provide us with sufficient credit to meet all of the future financial needs of our business. We may be unable to increase availability under our current revolving credit agreement or obtain alternative debt or equity financing on terms that would be acceptable to us, or at all.

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

Our international operations contributed 71.9%, 73.9% and 80.2% of our consulting fee revenue for the years ended December 31, 2011, 2010 and 2009, respectively. There are risks inherent in doing business internationally, including:

Lack of developed legal systems to enforce contractual rights;

Foreign governments may assert sovereign or other immunity if we seek to assert our contractual rights thus depriving us of any ability to seek redress against them;

Greater difficulties in managing and staffing foreign operations;

Differences in employment laws and practices which could expose us to liabilities for payroll taxes, pensions and other expenses;

Inadequate or failed internal controls, processes, people, and systems associated with foreign operations;

Increased logistical complexity;

Increased selling, general and administrative expenses associated with managing a larger and more global business;

Greater risk of uncollectible accounts and longer collection cycles;

Currency exchange rate fluctuations;

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Restrictions on the transfer of cash from certain foreign countries;

Imposition of governmental controls;

Political and economic instability;

Changes in U.S. and other national government policies affecting the markets for our services and our ability to do business with certain foreign governments or their political leaders;

Conflict between U.S. and non-U.S. law;

Changes in regulatory practices, tariffs and taxes;

Less well established bankruptcy and insolvency procedures;

Potential non-compliance with a wide variety of non-U.S. laws and regulations; and

General economic, political and civil conditions in these foreign markets.

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

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

The U.S. Foreign Corrupt Practices Act and similar worldwide and local anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. The policies also are applicable to agents through which we do business in certain non-U.S. jurisdictions. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure you that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Our continued expansion outside the U.S., including in developing countries, could increase the risk of such violations in the future. Violations of these laws, or allegations of such violations, could disrupt our business, subject us to fines, penalties and restrictions and otherwise result in a material adverse effect on our results of operations or financial condition. Our recently acquired businesses are subject to our internal policies. However, because our internal policies are more restrictive than some local laws or customs where we operate, we may be at an increased risk for violations while we train our new employees to comply with our internal policies.

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

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

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

Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. Approximately 32% of our consulting fee revenue is derived from our operations in oil and gas producing countries in the Middle East and North Africa. A significant drop in oil or gas prices could lead to a slowdown in construction in these regions, which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

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

A significant portion of our consulting fee revenue is derived from contracts with federal, state, regional, local and foreign governments. During the years ended December 31, 2011, 2010 and 2009, approximately 40.6%, 52.4% and 52.0%, respectively, of our consulting fee revenue were derived from such contracts.

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

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

For the year ended December 31, 2011, U.S. federal government contracts and state, regional and local government contracts contributed approximately 2.9% and 16.2%, respectively, of our total consulting fee revenue, and foreign government contracts contributed approximately 21.5% of our total consulting fee revenue. Our inability to win profitable government contracts could harm our operations and adversely affect our net earnings. Government contracts are typically awarded through a heavily regulated procurement process. Some government contracts are awarded to multiple competitors, causing increases in overall competition and pricing pressure. In turn, the competition and pricing pressure may require us to make sustained post-award efforts to reduce costs under these contracts. If we are not successful in reducing the amount of costs, our profitability on these contracts may be negatively impacted. Also, some of our federal government contracts require U.S. government security clearances. If we or certain of our personnel were to lose these security clearances, our ability to continue performance of these contracts or to win new contracts requiring a clearance may be negatively impacted.

***Our business is subject to numerous laws, regulations and restrictions, and failure to comply with these laws, regulations and restrictions could subject us to fines, penalties, suspension or debarment.***

Our contracts and operations are subject to various laws and regulations. Prime contracts with various agencies of the U.S. federal government, and subcontracts with other prime contractors, are subject to numerous procurement regulations, including Federal Acquisition Regulation and the False Claims Act. We could be subject to fines, penalties or debarment, or suspended from receiving additional contracts with all U.S. government agencies if any one agency finds that we are not in compliance with the appropriate regulations. Although a small percentage of our business is from U.S. government contracts, suspension or debarment from business with the U.S. federal government could have a material adverse effect on our financial results.

Our international business subjects us to numerous U.S. and foreign laws and regulations, including, without limitation, regulations relating to economic sanctions and other trade controls, technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act and the anti-boycott provisions of the U.S. Export Administration Act. Changes in regulations or political environments may affect our ability to conduct business in foreign markets including investment, procurement and repatriation of earnings. Failure by

us or our sales representatives or consultants to comply with these laws and regulations could result in certain liabilities and could possibly result in suspension or debarment from government contracts, which could have other repercussions and thus could have a material adverse effect on our financial results.

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

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

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

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

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

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

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

At December 31, 2011, our backlog of uncompleted projects under contract or awarded was approximately \$2.295 billion. Approximately \$1.3 billion of our backlog is related to a contract entered into by our 51% owned HillStone subsidiary to supply building structural systems to TRAC Development Group Ltd. ( TRAC ) in connection with a major housing development in Iraq and \$200 million is related to a contract we entered into to provide project management and construction management services to TRAC in connection with the development. These contracts are, among other things, contingent upon TRAC successfully obtaining financing and final government approvals for the development, and we have not yet realized any revenue from these contracts. The inability to obtain such financing or governmental approvals, or other unforeseen events, such as terrorist acts or natural disasters, could lead to us not realizing any revenue under these contracts. We cannot assure you that the backlog attributed to any of our uncompleted projects under contract will be realized as revenue or, if realized, will result in profits.

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

***We depend on the continued services of our executive officers. We cannot assure you that we will be able to retain the services of these individuals.***

We are dependent upon the efforts and service of our executive officers, particularly Irvin E. Richter, our Chairman and Chief Executive Officer, and David L. Richter, our President and Chief Operating Officer, because of their knowledge, experience, skills and relationships with major clients and other members of our management team. Irvin E. Richter has served as our Chief Executive Officer since 1976. The loss of the services of our key executive officers, and particularly one or both of these individuals, for any reason, could have an adverse effect on our operations.

***Our ability to grow and compete in our industry will be harmed if we do not retain the continued service of our key management, sales and technical personnel and identify, hire and retain additional qualified personnel.***

There is intense competition for qualified management, sales and technical personnel in the industry sectors in which we compete. We may not be able to continue to attract and retain qualified personnel who are necessary for the development of our business or to replace qualified personnel. Any growth we experience is expected to place increased demands on our resources and will likely require the addition of personnel and the development of additional expertise by existing personnel. Also, some of our personnel hold security clearance levels required to obtain government projects and, if we were to lose some or all of these personnel, they may be difficult to replace. Loss of the services of, or failure to recruit, key personnel could limit our ability to complete existing projects successfully and to compete for new projects.

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

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

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

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

***Our services expose us to significant risks of liability and our insurance policies may not provide adequate coverage.***

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees that we derive from our services. In addition, we sometimes contractually assume liability under indemnification agreements. We cannot predict the magnitude of potential liabilities from the operation of our business.

We currently maintain comprehensive general liability, umbrella and professional liability insurance policies. Professional liability policies are claims made policies. Thus, only claims made during the term of the policy are covered. Additionally, our insurance policies may not protect us against potential liability due to various exclusions and retentions. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

***The project management and construction claims businesses are highly competitive and if we fail to compete effectively, we may miss new business opportunities or lose existing clients and our revenues and profitability may decline.***

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

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

Over the past 15 years, we have acquired 20 businesses and our strategy is to continue to expand and diversify our operations with additional acquisitions as strategic opportunities arise. If the competition for acquisitions increases, or if the cost of acquiring businesses or assets becomes too expensive, the number of suitable acquisition opportunities may decline, the cost of making an acquisition may increase or we may be forced to agree to less advantageous acquisitions terms for the companies that we are able to acquire. Alternatively, at the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, borrowing capacity under our credit facilities or the availability of alternative financing), may cause us to be unable to pursue or complete an acquisition. Our ability to grow our business, particularly through acquisitions, may depend on our ability to raise capital by selling equity or debt securities or obtaining additional debt financing. There can be no assurance that we will be able to obtain financing when we need it or on terms acceptable to us. Some of the financial, business and operational risks associated with acquisitions include:

Unexpected losses of key personnel or clients of the acquired business;

Difficulties arising from the increasing scope, geographic diversity and complexity of our operations;

Difficulties in integrating diverse corporate cultures and management styles;

Increased costs to improve or coordinate managerial, operational, financial and administrative systems;

Dilutive issuances of equity securities;

Increased amortization expense of acquired intangible assets;

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Changes in future market conditions could materially affect the determination of fair value and/or the impairment of goodwill acquired in connection with business combinations may result in future impairment charges;



Undisclosed or unknown liabilities associated with the acquired business;

Diversion of management's attention from other business concerns; and

Adverse effects on existing business relationships with clients.

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

***We may fail to realize expected values from our strategy of pursuing new business development opportunities.***

We intend to pursue new business opportunities focused primarily on providing development services in real estate infrastructure markets as part of our growth strategy. We can provide no assurance that new business development opportunities will be successful or that we will be able to sustain our growth through these new development opportunities. To the extent that these new business development opportunities are not feasible or are not profitable, we may fail to realize expected future growth. In particular, our 51%-owned subsidiary, HillStone intends to provide low-cost yet high durability housing primarily in developing countries. We expect to provide project management and construction management service in connection with the development projects contracted by HillStone. A contract entered into by HillStone to supply building structural systems to TRAC accounted for \$1.3 billion and a contract we entered into to provide project management and construction management services to TRAC accounted for \$200 million of the total backlog of \$2.295 billion as of December 31, 2011. This contract is contingent upon TRAC successfully obtaining financing and final government approvals. We expect HillStone could be a significant contributor to our expected growth over the next several years. To the extent that HillStone or other opportunities we pursue do not perform to our expectations, we may fail to achieve a significant portion of our expected future growth. To date, HillStone has generated no revenue.

***We may be required to write-off all or a portion of the remaining value of our goodwill or other intangibles of companies we have acquired.***

Under U.S. generally accepted accounting principles, we review our intangible assets, including goodwill, for impairment at least annually or when events or changes in circumstances indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or other intangible assets may not be recoverable, include a sustained decline in our stock price and market capitalization, reduced future cash flow estimates and slower growth rates in our industry. We may be required to record a significant non-cash impairment charge in our financial statements during the period in which any impairment of our goodwill or other intangible assets is determined, negatively impacting our results of operations and stockholders' equity.

***Our effective tax rate may increase or decrease.***

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe that our tax estimates and tax positions are reasonable, they could be materially affected by many factors including the final outcome of tax audits and related litigation, the introduction of new tax accounting standards, legislation, regulations, and related interpretations, our global mix of earnings, the realizability of deferred tax assets and changes in uncertain tax positions. An increase or decrease in our effective tax rate could have a material adverse impact on our financial condition and results of operations.

***If our internal controls prove to be ineffective, it could impact our business and operating results.***

The Company's internal control over financial reporting may not prevent or detect misstatements because of the inherent limitations of internal controls or otherwise, including the possibility of human error, the circumvention or overriding of controls or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed and we could fail to meet our financial reporting obligations.

***Our use of accounting estimates involves judgment and could impact our financial results.***

The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that directly affect our reported financial condition. Our most critical accounting estimates are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, under Critical Accounting Policies. In addition, as discussed in Note 16,

Commitments and Contingencies, we make certain estimates including decisions related to legal proceedings and reserves. These estimates and assumptions involve the use of judgment. As a result, actual financial results may differ.

**Risks Related to Ownership of Our Common Stock**

***The market price for our common stock could be volatile and could decline, resulting in a substantial or complete loss of your investment.***

The stock markets, including the New York Stock Exchange on which our common stock is listed, have experienced significant price and volume fluctuations. As a result, the market price of our common stock could be similarly volatile, and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including:

Our operating performance and the performance of other similar companies;

Actual or anticipated differences in our operating results;

Changes in our revenue or earnings estimates or recommendations by securities analysts;

Publication of research reports about us or our industry by securities analysts;

Additions and departures of key personnel;

Speculation in the press or investment community;

Actions by institutional stockholders;

Changes in accounting principles;

Terrorist acts and other events affecting political, economic or civil conditions in one or more foreign countries in which we operate;  
and

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General market conditions, including factors unrelated to our performance.

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

As of March 1, 2012, there were 38,503,403 shares of our common stock outstanding. An additional 3,821,541 shares of our common stock may be issued upon the exercise of options held by employees, management and directors. We also have the authority to issue up to 1,000,000 shares of preferred stock with terms that are determined by our Board of Directors and additional options and warrants to purchase shares of

our common stock without stockholder approval. In addition, we recently registered for issuance of 20,000,000 shares and 8,000,000 shares with the SEC. These shares may be used for working capital and general corporate purposes, or used in future acquisitions, respectively, subject to the restrictions of our credit agreement. Sales of a substantial number of these shares in the public market, or factors relating to the terms we may determine for our preferred stock, options or warrants, could decrease the market price of our common stock. In addition, the perception that such sales might occur may cause the market price of our common stock to decline. Future issuances or sales of our common stock could have an adverse effect on the market price of our common stock.

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

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

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

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

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

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

Our Board of Directors is expressly authorized to make, alter or repeal our bylaws;

Our Board of Directors is divided into three classes of service with staggered three-year terms. This means that only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective terms;

Our Board of Directors is authorized to issue preferred stock without stockholder approval;

Only our Board of Directors, Chairman of the Board, our Chief Executive Officer or the holders of a majority in amount of our capital stock issued and outstanding and entitled to vote may call a special meeting of stockholders; this means that minority stockholders cannot force stockholder consideration of a proposal, including a proposal to replace our Board of Directors, by calling a special meeting of stockholders prior to such time authorized by our Board of Directors, Chairman of the Board, our Chief Executive Officer or the holders of a majority in amount of our capital stock issued and outstanding and entitled to vote;

Our bylaws require advance notice for stockholder proposals and director nominations;

Our bylaws limit the removal of directors and the filling of director vacancies; and

We will indemnify officers and directors against losses that may incur in connection with investigations and legal proceedings resulting from their services to us, which may include services in connection with takeover defense measures. These provisions may make it more difficult for stockholders to take specific corporate actions and could have the effect of delaying or preventing a change in control of the Company.

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

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

As of December 31, 2011, Irvin E. Richter, David L. Richter and other members of the Richter family beneficially owned approximately 38% of our common stock. This concentration of ownership could significantly influence matters requiring stockholder approval and could delay, deter or prevent a change in control of the Company or other business combinations that might otherwise be beneficial to our other stockholders. Accordingly, this concentration of ownership may impact the market price of our common stock. In addition, the interest of our significant stockholders may not always coincide with the interest of the Company's other stockholders. In deciding how to vote on such matters, they may be influenced by interests that conflict with our other stockholders.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

Our executive and operating offices are located at 303 Lippincott Centre, Marlton, New Jersey 08053. We lease all of our office space and do not own any real property. The telephone number at our executive office is (856) 810-6200. In addition to our executive offices, we have approximately 100 operating leases for office facilities throughout the world. Due to acquisition and growth we may have more than one operating lease in the cities in which we are located. Additional space may be required as our business expands geographically, but we believe we will be able to obtain suitable space as needed.

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

**U.S./Canada**

Atlanta, GA  
Austin, TX  
Baltimore, MD  
Bellevue, WA  
Bensalem, PA  
Boston, MA  
Columbus, OH  
Dallas, TX  
Danbury, CT  
Granite Bay, CA  
Houston, TX  
Irvine, CA  
Jacksonville, FL  
Las Vegas, NV  
Lemont Furnace, PA  
Los Angeles, CA  
Marlton, NJ  
Miami, FL  
Montgomeryville, PA  
New Orleans, LA  
New York, NY  
North Canton, OH  
Ontario, CA  
Orlando, FL  
Palm Coast, FL  
Perrysburg, OH  
Philadelphia, PA  
Phoenix, AZ  
Pittsburgh, PA  
Portland, OR  
Portsmouth, OH  
San Diego, CA  
San Ramón, CA  
Spokane, WA  
State College, PA  
Tampa, FL  
Toronto, Canada  
Vancouver, Canada  
Washington, DC

**Europe**

Athens, Greece  
Baku, Azerbaijan  
Barcelona, Spain  
Belgrade, Serbia  
Birmingham, UK  
Bristol, UK  
Bucharest, Romania  
Daresbury, UK  
Dusseldorf, Germany  
Edinburgh, Scotland  
Glasgow, Scotland  
Hong Kong, China  
Istanbul, Turkey  
Leeds, UK  
London, UK  
Madrid, Spain  
Munich, Germany  
Teesside, UK  
Warsaw, Poland  
Winchester, UK

**Latin America**

Mexico City, Mexico  
Parauapebas, Brazil  
Rio de Janeiro, Brazil  
Santiago, Chile  
Sao Paulo, Brazil  
Trinidad and Tobago

**Middle East**

Abu Dhabi, UAE  
Aqaba, Jordan  
Damascus, Syria  
Doha, Qatar  
Dubai, UAE  
Jeddah, Saudi Arabia  
Manama, Bahrain  
Musqat, Oman  
Riyadh, Saudi Arabia  
Sharq, Kuwait

**North Africa**

Cairo, Egypt  
Casablanca, Morocco  
Tripoli, Libya

**Asia/Pacific**

Beijing, China  
Brisbane, Australia  
Danang City, Vietnam  
Ho Chi Min, Vietnam  
Kuala Lumpur, Malaysia  
Perth, Australia  
Shanghai, China  
Singapore  
Sydney, Australia  
Tokyo, Japan

**Item 3. Legal Proceedings.**

***Litigation***

On July 16, 2009, Al Areen Desert Resort Holding Company ( Al Areen ) filed a complaint with the Ministry of Justice & Islamic Affairs in the Kingdom of Bahrain against the Company alleging breach of contract and other causes of action in connection with its performance of a construction project known as Al Areen Desert Spa and Resort (the Project ), seeking the sum of approximately 10,200,000 Bahraini Dinars (approximately

\$27,052,000) in damages. The Company provided project management services on the Project and Al Areen failed to pay the Company 679,000 Bahraini Dinars (approximately \$1,801,000) for services rendered on the Project. The Company served notice of termination on April 28, 2009.

On September 26, 2009, the Company filed a Request for Arbitration with the International Chamber of Commerce, International Court of Arbitration, seeking the sum of 679,000 Bahraini Dinars. On June 29, 2011, the parties executed a settlement agreement under which Al Areen paid to the Company the sum of 394,000 Bahraini Dinars (approximately \$1,043,000) and withdrew its claims against the Company. During 2009, the Company had reserved \$531,000. During 2011, the Company wrote off the remaining \$227,000.

***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. It is the opinion of management, after consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures.**

Not applicable.

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

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

	Price Range	
	High	Low
<b>2011</b>		
<b>Fourth Quarter</b>	<b>\$ 5.99</b>	<b>\$ 4.30</b>
<b>Third Quarter</b>	<b>6.41</b>	<b>3.92</b>
<b>Second Quarter</b>	<b>7.38</b>	<b>3.75</b>
<b>First Quarter</b>	<b>6.96</b>	<b>4.70</b>
2010		
Fourth Quarter	\$ 6.63	\$ 4.29
Third Quarter	5.31	3.59
Second Quarter	6.79	3.80
First Quarter	6.65	4.78

**Stockholders**

As of March 1, 2012, there were 105 holders of record of our common stock. However, a single record stockholder account may represent multiple beneficial owners, including owners of shares in street name accounts. As a result, we believe there are more than 5,000 beneficial owners of our common stock.

**Dividends**

We have not paid any dividends on our common stock. The payment of dividends in the future will be contingent upon our earnings, if any, capital requirements and general financial condition of our business. The payment of any dividends is within the discretion of our Board of Directors. It is the present intention of our Board to retain all earnings, if any, for use in our business operations and other capital needs and, accordingly, we do not anticipate declaring any dividends in the foreseeable future.

**Securities Authorized for Issuance under Equity Compensation Plans**

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

**Recent Sales of Unregistered Securities**

None.



**Performance Graph**

The performance graph and table below compare the cumulative total return of our common stock for the period December 31, 2006 to December 31, 2011 with the comparable cumulative total returns of the Russell 2000 Index (of which the Company is a component stock) and a peer group, which consists of the following ten companies: AECOM Technology Corp. (ACM), Michael Baker Corp. (BKR), Exponent, Inc. (EXPO), Fluor Corporation (FLR), ICF International, Inc. (ICFI), Jacobs Engineering Group, Inc. (JEC), Navigant Consulting, Inc. (NCI), Tutor Perini Corp. (TPC), Tetra Tech, Inc. (TTEK), and URS Corp. (URS).

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Hill International, Inc	\$ 198.17	\$ 98.46	\$ 87.27	\$ 90.48	\$ 71.88
Russell 2000 Index	98.45	65.18	82.90	105.16	100.75
Peer Group	175.12	117.17	111.20	132.31	107.39

**Item 6. Selected Financial Data.**

The following is selected financial data from the Company's audited consolidated financial statements for each of the last five years. This data should be read in conjunction with the Company's consolidated financial statements (and related notes) appearing elsewhere in this report and with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. The data presented below is in thousands, except for earnings per share data.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
<b>Income Statement Data:</b>					
Consulting fee revenue	\$ 399,254	\$ 382,099	\$ 364,010	\$ 333,882	\$ 203,118
Reimbursable expenses	102,202	69,659	57,772	46,600	87,205
Total revenue	501,456	451,758	421,782	380,482	290,323
Cost of services	227,991	213,349	209,052	183,485	107,447
Reimbursable expenses	102,202	69,659	57,772	46,600	87,205
Total direct expenses	330,193	283,008	266,824	230,085	194,652
Gross profit	171,263	168,750	154,958	150,397	95,671
Selling, general and administrative expenses	175,312	151,634	136,683	131,857	80,280
Equity in earnings of affiliates	(190)	(1,503)	(8,222)	(3,658)	(2,221)
Operating (loss) profit	(3,859)	18,619	26,497	22,198	17,612
Interest expense (income), net	7,262	3,144	1,737	(134)	433
(Loss) earnings before income taxes	(11,121)	15,475	24,760	22,332	17,179
Income tax (benefit) expense	(6,186)	481	4,577	3,654	2,788
Consolidated net (loss) earnings	(4,935)	14,994	20,183	18,678	14,391
Less: net earnings noncontrolling interests	1,082	778	713	1,027	247
Net (loss) earnings attributable to Hill International, Inc.	\$ (6,017)	\$ 14,216	\$ 19,470	\$ 17,651	\$ 14,144
Basic earnings per common share Hill International, Inc.	\$ (0.16)	\$ 0.36	\$ 0.49	\$ 0.43	\$ 0.53
Basic weighted average common shares outstanding	38,414	39,258	39,659	40,809	26,720
Diluted earnings per common share Hill International, Inc.	\$ (0.16)	\$ 0.36	\$ 0.49	\$ 0.43	\$ 0.45
Diluted weighted average common shares outstanding	38,414	39,824	40,124	41,148	31,387

	As of December 31,				
	2011	2010	2009	2008	2007
<b>Selected Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 17,924	\$ 39,406	\$ 30,923	\$ 20,430	\$ 66,128
Accounts receivable, net	197,906	180,856	130,900	118,124	83,151
Current assets	231,833	237,466	183,602	161,492	162,428
Total assets	407,512	370,851	291,539	254,041	207,199
Current liabilities	108,800	104,465	82,657	80,563	59,648
Total debt	94,759	74,959	28,244	18,887	3,312
Stockholders' equity:					
Hill International, Inc. share of equity	\$ 154,136	\$ 161,091	\$ 155,635	\$ 135,506	\$ 128,371

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Noncontrolling interests	<b>18,258</b>	7,005	4,005	3,510	259
Total equity	<b>\$ 172,394</b>	\$ 168,096	\$ 159,640	\$ 139,016	\$ 128,630