SYKES ENTERPRISES INC
Form 10-Q
May 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2014

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ____________________

Commission File No. **0-28274**

Sykes Enterprises, Incorporated

(Exact name of Registrant as specified in its charter)

Florida	**56-1383460**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

400 North Ashley Drive, Suite 2800, Tampa, FL 33602

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (813) 274-1000

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No ¨

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

Large accelerated filer x 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 x

As of April 30, 2014, there were 43,922,642 outstanding shares of common stock.

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Sykes Enterprises, Incorporated and Subsidiaries

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except per share data)	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 210,498**	$ 211,985
Receivables, net	**272,352**	264,916
Prepaid expenses	**15,087**	15,710
Other current assets	**24,982**	20,672
Total current assets	**522,919**	513,283
Property and equipment, net	**114,653**	117,549
Goodwill, net	**196,386**	199,802
Intangibles, net	**71,956**	76,055
Deferred charges and other assets	**30,757**	43,572
	$ 936,671	$ 950,261
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	**$ 25,720**	$ 25,540
Accrued employee compensation and benefits	**72,804**	81,064
Current deferred income tax liabilities	**196**	84
Income taxes payable	**2,784**	1,274
Deferred revenue	**35,226**	35,025
Other accrued expenses and current liabilities	**30,752**	30,393
Total current liabilities	**167,482**	173,380
Deferred grants	**6,096**	6,637
Long-term debt	**96,000**	98,000
Long-term income tax liabilities	**20,182**	24,647
Other long-term liabilities	**11,357**	11,893
Total liabilities	**301,117**	314,557
Commitments and loss contingency (Note 13)		
Shareholders equity:		
Preferred stock, $0.01 par value, 10,000 shares authorized; no shares issued and outstanding	**-**	-
Common stock, $0.01 par value, 200,000 shares authorized; 44,069 and 43,997 shares issued, respectively	**441**	440
Additional paid-in capital	**278,780**	279,513
Retained earnings	**358,337**	349,366
Accumulated other comprehensive income (loss)	**(284)**	7,997
Treasury stock at cost: 127 and 122 shares, respectively	**(1,720)**	(1,612)
Total shareholders equity	**635,554**	635,704

	$	**936,671**	$	950,261

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share data)	Three Months Ended March 31, 2014	2013
Revenues	**$ 324,429**	$ 301,244
Operating expenses:		
Direct salaries and related costs	**221,625**	203,706
General and administrative	**73,377**	73,733
Depreciation, net	**11,298**	10,169
Amortization of intangibles	**3,651**	3,759
Total operating expenses	**309,951**	291,367
Income from operations	**14,478**	9,877
Other income (expense):		
Interest income	**231**	224
Interest (expense)	**(499)**	(508)
Other income (expense)	**663**	125
Total other income (expense)	**395**	(159)
Income before income taxes	**14,873**	9,718
Income taxes	**4,560**	3,200
Net income	**$ 10,313**	$ 6,518
Net income per common share:		
Basic	**$ 0.24**	$ 0.15
Diluted	**$ 0.24**	$ 0.15
Weighted average common shares outstanding:		
Basic	**42,739**	43,036
Diluted	**42,837**	43,052

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended March 31,	
(in thousands)	**2014**	**2013**
Net income	**$ 10,313**	$ 6,518
Other comprehensive income (loss), net of taxes:		
Foreign currency translation gain (loss), net of taxes	**(5,559)**	(5,728)
Unrealized gain (loss) on net investment hedge, net of taxes	**35**	282
Unrealized actuarial gain (loss) related to pension liability, net of taxes	**(21)**	(8)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	**(2,742)**	2,019
Unrealized gain (loss) on postretirement obligation, net of taxes	**6**	(43)
Other comprehensive income (loss), net of taxes	**(8,281)**	(3,478)
Comprehensive income (loss)	**$ 2,032**	$ 3,040

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Changes in Shareholders Equity

Three Months Ended March 31, 2014

(Unaudited)

	Common Stock						
(in thousands)	Shares Issued	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2013	43,997	$ 440	$ 279,513	$ 349,366	$ 7,997	$ (1,612)	$ 635,704
Stock-based compensation expense	-	-	754	-	-	-	754
Excess tax benefit (deficiency) from stock-based compensation	-	-	54	-	-	-	54
Vesting of common stock and restricted stock under equity award plans, net of forfeitures	202	2	(279)	-	-	(108)	(385)
Repurchase of common stock	-	-	-	-	-	(2,605)	(2,605)
Retirement of treasury stock	(130)	(1)	(1,262)	(1,342)	-	2,605	-
Comprehensive income (loss)	-	-	-	10,313	(8,281)	-	2,032
Balance at March 31, 2014	**44,069**	**$ 441**	**$ 278,780**	**$ 358,337**	**$ (284)**	**$ (1,720)**	**$ 635,554**

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	Three Months Ended March 31, 2014	2013
Cash flows from operating activities:		
Net income	$ **10,313**	$ 6,518
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	**11,539**	10,422
Amortization of intangibles	**3,651**	3,759
Amortization of deferred grants	**(589)**	(253)
Unrealized foreign currency transaction (gains) losses, net	**277**	291
Stock-based compensation expense	**754**	664
Excess tax (benefit) from stock-based compensation	**(54)**	-
Deferred income tax provision (benefit)	**3,371**	(2,043)
Net (gain) loss on disposal of property and equipment	**48**	9
Bad debt expense	**6**	305
Unrealized (gains) losses on financial instruments, net	**950**	1,418
Amortization of deferred loan fees	**65**	65
Other	**(122)**	66
Changes in assets and liabilities:		
Receivables	**(7,079)**	(21,019)
Prepaid expenses	**515**	(575)
Other current assets	**(6,182)**	(3,164)
Deferred charges and other assets	**8,329**	931
Accounts payable	**2,537**	(5,295)
Income taxes receivable / payable	**(868)**	499
Accrued employee compensation and benefits	**(7,545)**	(7,194)
Other accrued expenses and current liabilities	**(1,321)**	1,460
Deferred revenue	**1,271**	295
Other long-term liabilities	**(3,710)**	28
Net cash provided by (used for) operating activities	**16,156**	(12,813)
Cash flows from investing activities:		
Capital expenditures	**(11,706)**	(13,066)
Proceeds from sale of property and equipment	**16**	34
Investment in restricted cash	**-**	(7)
Release of restricted cash	**168**	-
Net cash (used for) investing activities	**(11,522)**	(13,039)

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Sykes Enterprises, Incorporated and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Continued)

(in thousands)	Three Months Ended March 31, 2014	2013
Cash flows from financing activities:		
Payments of long-term debt	**(2,000)**	(2,000)
Proceeds from issuance of long-term debt	**-**	22,000
Excess tax benefit from stock-based compensation	**54**	-
Cash paid for repurchase of common stock	**(2,605)**	-
Proceeds from grants	**58**	103
Shares repurchased for minimum tax withholding on equity awards	**(385)**	(93)
Net cash provided by (used for) financing activities	**(4,878)**	20,010
Effects of exchange rates on cash	**(1,243)**	(3,682)
Net increase (decrease) in cash and cash equivalents	**(1,487)**	(9,524)
Cash and cash equivalents beginning	**211,985**	187,322
Cash and cash equivalents ending	**$ 210,498**	$ 177,798
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	**$ 445**	$ 481
Cash paid during period for income taxes	**$ 3,796**	$ 5,017
Non-cash transactions:		
Property and equipment additions in accounts payable	**$ 3,916**	$ 3,354
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	**$ 6**	$ (43)

See accompanying Notes to Condensed Consolidated Financial Statements.

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Sykes Enterprises, Incorporated and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Three Months Ended March 31, 2014 and 2013

(Unaudited)

Note 1. Overview and Basis of Presentation

Business Sykes Enterprises, Incorporated and consolidated subsidiaries (SYKES or the Company) provides comprehensive outsourced customer contact management solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, and healthcare industries. SYKES provides flexible, high-quality outsourced customer contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to its clients customers. Utilizing SYKES integrated onshore/offshore global delivery model, SYKES provides its services through multiple communication channels encompassing phone, e-mail, social media, text messaging and chat. SYKES complements its outsourced customer contact management services with various enterprise support services in the United States that encompass services for a company s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides fulfillment services including multilingual sales order processing via the Internet and phone, payment processing, inventory control, product delivery and product returns handling. The Company has operations in two reportable segments entitled (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, in which the client base is primarily companies in the United States that are using the Company s services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East and Africa.

Basis of Presentation The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or U.S. GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for any future quarters or the year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission (SEC) on February 20, 2014.

Principles of Consolidation The condensed consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Subsequent events or transactions have been evaluated through the date and time of issuance of the condensed consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the accompanying condensed consolidated financial statements.

New Accounting Standards Not Yet Adopted

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-08 *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASU 2014-08). The amendments in ASU 2014-08 indicate that only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity s operations and financial results will be reported as discontinued operations in the financial statements. Currently, a component of an entity that is a reportable segment, an operating segment, a reporting unit, a subsidiary, or an asset group is eligible for discontinued operations

presentation. The amendments should be applied to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The Company does not expect the adoption of ASU 2014-08 to materially impact its financial condition, results of operations and cash flows.

New Accounting Standards Recently Adopted

In March 2013, the FASB issued ASU 2013-05 *Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). The amendments in ASU 2013-05 indicate that a cumulative translation adjustment (CTA) is attached to the parent s investment in a foreign entity and should be released in a manner consistent with the derecognition guidance on investments in entities. Thus, the entire amount of the CTA associated with the foreign entity would be released when there has been a sale of a subsidiary or group of net assets within a foreign entity and the sale represents the substantially complete liquidation of the investment in the foreign entity, a loss of a controlling financial interest in an investment in a foreign entity (i.e., the foreign entity is deconsolidated), or a step acquisition for a foreign entity (i.e., when an entity has changed from applying the equity method for an investment in a foreign entity to consolidating the foreign entity). ASU 2013-05 does not change the requirement to release a pro rata portion of the CTA of the foreign entity into earnings for a partial sale of an equity method investment in a foreign entity. The amendments in ASU 2013-05 are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. The adoption of ASU 2013-05 on January 1, 2014 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In July 2013, the FASB issued ASU 2013-11 *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASU 2013-11). The amendments in ASU 2013-11 indicate that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of ASU 2013-11 on January 1, 2014 resulted in a $3.1 million reclassification of a portion of the Company s unrecognized tax benefits from Long-term income tax liabilities to Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheet as of March 31, 2014. See Note 11, Income Taxes, for further information.

Note 2. Costs Associated with Exit or Disposal Activities

Fourth Quarter 2011 Exit Plan

During 2011, the Company announced a plan to rationalize seats in certain U.S. sites and close certain locations in EMEA (the Fourth Quarter 2011 Exit Plan). The details are described below, by segment.

Americas

During 2011, as part of an on-going effort to streamline excess capacity related to the integration of the ICT Group, Inc. (ICT) acquisition and align it with the needs of the market, the Company announced a plan to rationalize approximately 900 seats in the U.S., some of which were revenue generating, and migrated the associated revenues to other locations within the U.S. Approximately 300 employees were affected and the Company has completed the actions associated with the Fourth Quarter 2011 Exit Plan in the Americas.

The major costs incurred as a result of these actions are program transfer costs, facility-related costs (primarily consisting of those costs associated with the real estate leases), and impairments of long-lived assets (primarily leasehold improvements and equipment) estimated at $1.9 million as of March 31, 2014 ($1.9 million at December

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31, 2013). The Company recorded $0.5 million of the costs associated with these actions as non-cash impairment charges, while approximately $1.4 million represents cash expenditures for program transfer and facility-related costs, including obligations under the leases, the last of which ends in February 2017. The Company has paid $0.9 million in cash through March 31, 2014 under the Fourth Quarter 2011 Exit Plan in the Americas.

The following tables summarize the accrued liability associated with the Americas Fourth Quarter 2011 Exit Plan s exit or disposal activities and related charges for the three months ended March 31, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Three Months Ended March 31, 2014	Cash Payments	Other Non-Cash Changes	Ending Accrual at March 31, 2014
Lease obligations and facility exit costs	$ 512	$ -	$ (43)	$ -	$ 469

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Three Months Ended March 31, 2013	Cash Payments	Other Non-Cash Changes	Ending Accrual at March 31, 2013
Lease obligations and facility exit costs	$ 682	$ -	$ (35)	$ -	$ 647

EMEA

During 2011, to improve the Company s overall profitability and improve its cost structure in the EMEA region by optimizing its capacity utilization, the Company committed to close a customer contact management center in South Africa and a customer contact management center in Ireland, as well as some capacity rationalization in the Netherlands, all components of the EMEA segment. While the Company migrated approximately $3.2 million of annualized call volumes of the Ireland facility to other facilities within EMEA, the Company did not migrate the remaining call volume in Ireland or any of the annualized revenue from the Netherlands or South Africa facilities, which was $18.8 million for 2011, to other facilities within the region. The number of seats rationalized across the EMEA region approximated 900 with approximately 500 employees affected by the actions. The Company closed these facilities and substantially completed the actions associated with the EMEA plan on September 30, 2012.

The major costs incurred as a result of these actions are facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs estimated at $6.7 million as of March 31, 2014 ($6.7 million as of December 31, 2013). The Company recorded $0.5 million of the costs associated with these actions as non-cash impairment charges, while approximately $6.2 million represents cash expenditures for severance and related costs and facility-related costs, primarily rent obligations to be paid through the remainder of the noncancelable term of the leases, the last of which ended in March 2013. The Company has paid $5.9 million in cash through March 31, 2014 under the Fourth Quarter 2011 Exit Plan in EMEA.

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The following tables summarize the accrued liability associated with EMEA s Fourth Quarter 2011 Exit Plan s exit or disposal activities and related charges for the three months ended March 31, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Three Months Ended March 31, 2014	Cash Payments	Other Non-Cash Changes (2)	Ending Accrual at March 31, 2014
Severance and related costs	$ 131	$ -	$ -	$ 1	**$ 132**
Legal-related costs	-	-	-	-	-
	$ 131	$ -	$ -	$ 1	**$ 132**

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Three Months Ended March 31, 2013 (1)	Cash Payments	Other Non-Cash Changes (2)	Ending Accrual at March 31, 2013
Severance and related costs	$ 187	$ 6	$ (7)	$ (4)	$ 182
Legal-related costs	10	1	(7)	1	5
	$ 197	$ 7	$ (14)	$ (3)	$ 187

(1) During 2013, the Company recorded additional severance and related costs and legal-related costs, which are recorded in General and administrative costs in the accompanying Condensed Consolidated Statement of Operations.

(2) Effect of foreign currency translation.

Fourth Quarter 2010 Exit Plan

During 2010, in furtherance of the Company s long-term goals to manage and optimize capacity utilization, the Company committed to and closed a customer contact management center in the United Kingdom and a customer contact management center in Ireland, both components of the EMEA segment (the Fourth Quarter 2010 Exit Plan). These actions were substantially completed by January 31, 2011.

The major costs incurred as a result of these actions were facility-related costs (primarily consisting of those costs associated with the real estate leases), impairments of long-lived assets (primarily leasehold improvements and equipment) and severance-related costs totaling $2.5 million as of March 31, 2014 ($2.5 million as of December 31, 2013). The Company recorded $0.2 million of the costs associated with these actions as non-cash impairment charges, while approximately $2.1 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ended in March 2014, and $0.2 million represents cash expenditures for severance-related costs. As of March 31, 2014, the remaining accrual relates primarily to the lease restoration obligation, which is expected to be settled by December 31, 2014. The Company has paid $1.8 million in cash through March 31, 2014 under the Fourth Quarter 2010 Exit Plan.

The following tables summarize the accrued liability associated with the Fourth Quarter 2010 Exit Plan s exit or disposal activities and related charges during the three months ended March 31, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Three Months Ended March 31,	Cash Payments	Other Non-Cash Changes (1)	Ending Accrual at March 31, 2014

		2014			
Lease obligations and facility exit costs	$ 538	$ -	$ (106)	$ 1	**$ 433**

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Three Months Ended March 31, 2013	Cash Payments	Other Non-Cash Changes (1)	Ending Accrual at March 31, 2013
Lease obligations and facility exit costs	$ 539	$ -	$ (75)	$ (15)	**$ 449**

(1) Effect of foreign currency translation.

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Third Quarter 2010 Exit Plan

During 2010, consistent with the Company s long-term goals to manage and optimize capacity utilization, the Company closed or committed to close four customer contact management centers in The Philippines and consolidated or committed to consolidate leased space in our Wilmington, Delaware and Newtown, Pennsylvania locations (the Third Quarter 2010 Exit Plan). These actions were substantially completed by January 31, 2011.

The major costs incurred as a result of these actions were impairments of long-lived assets (primarily leasehold improvements) and facility-related costs (primarily consisting of those costs associated with the real estate leases) estimated at $10.5 million as of March 31, 2014 ($10.5 million as of December 31, 2013), all of which are in the Americas segment. The Company recorded $3.8 million of the costs associated with these actions as non-cash impairment charges, while approximately $6.7 million represents cash expenditures for facility-related costs, primarily rent obligations to be paid through the remainder of the lease terms, the last of which ends in February 2017. The Company has paid $5.0 million in cash through March 31, 2014 under the Third Quarter 2010 Exit Plan.

The following tables summarize the accrued liability associated with the Third Quarter 2010 Exit Plan s exit or disposal activities and related charges for the three months ended March 31, 2014 and 2013 (in thousands):

	Beginning Accrual at January 1, 2014	Charges (Reversals) for the Three Months Ended March 31, 2014	Cash Payments	Other Non-Cash Changes	Ending Accrual at March 31, 2014
Lease obligations and facility exit costs	$ 1,793	$ -	$ (96)	$ -	$ 1,697

	Beginning Accrual at January 1, 2013	Charges (Reversals) for the Three Months Ended March 31, 2013	Cash Payments	Other Non-Cash Changes [1]	Ending Accrual at March 31, 2013
Lease obligations and facility exit costs	$ 2,551	$ -	$ (224)	$ 1	$ 2,328

[1] Effect of foreign currency translation.

Restructuring Liability Classification

The following table summarizes the Company s short-term and long-term accrued liabilities associated with its exit and disposal activities, by plan, as of March 31, 2014 and December 31, 2013 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	EMEA Fourth Quarter 2011 Exit Plan	Fourth Quarter 2010 Exit Plan	Third Quarter 2010 Exit Plan	Total
March 31, 2014					
Short-term accrued restructuring liability [1]	**$ 136**	**$ 132**	**$ 433**	**$ 495**	**$ 1,196**
Long-term accrued restructuring liability [2]	**333**	**-**	**-**	**1,202**	**1,535**

Ending accrual at March 31, 2014	**$**	**469**	**$**	**132**	**$**	**433**	**$**	**1,697**	**$**	**2,731**
December 31, 2013										
Short-term accrued restructuring liability [1]	$	136	$	131	$	538	$	440	$	1,245
Long-term accrued restructuring liability [2]		376		-		-		1,353		1,729
Ending accrual at December 31, 2013	$	512	$	131	$	538	$	1,793	$	2,974

[1] Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheets.
[2] Included in Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets.

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Note 3. Fair Value

Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* (ASC 820) requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair Value of Financial Instruments The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash, Short-Term and Other Investments, Investments Held in Rabbi Trust and Accounts Payable The carrying values for cash, short-term and other investments, investments held in rabbi trust and accounts payable approximate their fair values.

Foreign Currency Forward Contracts and Options Foreign currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.

Long-Term Debt The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates.

Fair Value Measurements ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10-20 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 825 *Financial Instruments* (ASC 825) permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option permitted under ASC 825 for any of its financial assets and financial liabilities that are not already recorded at fair value.

Determination of Fair Value The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value on a recurring basis, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

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Money Market and Open-End Mutual Funds The Company uses quoted market prices in active markets to determine the fair value of money market and open-end mutual funds, which are classified in Level 1 of the fair value hierarchy.

Foreign Currency Forward Contracts and Options The Company enters into foreign currency forward contracts and options over the counter and values such contracts using quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk. The key inputs include forward or option foreign currency exchange rates and interest rates. These items are classified in Level 2 of the fair value hierarchy.

Investments Held in Rabbi Trust The investment assets of the rabbi trust are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 6, Investments Held in Rabbi Trust, and Note 15, Stock-Based Compensation.

Guaranteed Investment Certificates Guaranteed investment certificates, with variable interest rates linked to the prime rate, approximate fair value due to the automatic ability to re-price with changes in the market; such items are classified in Level 2 of the fair value hierarchy.

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The Company s assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following (in thousands):

			Fair Value Measurements at March 31, 2014 Using:		
		Balance at March 31, 2014	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Money market funds and open-end mutual funds included in Cash and cash equivalents	(1)	$ 87,513	$ 87,513	$ -	$ -
Money market funds and open-end mutual funds in Deferred charges and other assets	(1)	10	10	-	-
Foreign currency forward and option contracts	(2)	764	-	764	-
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(3)	5,622	5,622	-	-
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(3)	1,318	1,318	-	-
Guaranteed investment certificates	(4)	80	-	80	-
		$ 95,307	**$ 94,463**	**$ 844**	**$ -**
Liabilities:					
Long-term debt	(5)	$ 96,000	$ -	$ 96,000	$ -
Foreign currency forward and option contracts	(6)	7,068	-	7,068	-
		$ 103,068	**$ -**	**$ 103,068**	**$ -**

			Fair Value Measurements at December 31, 2013 Using:		
		Balance at December 31, 2013	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
Assets:					
Money market funds and open-end mutual funds included in Cash and cash equivalents	(1)	$ 50,627	$ 50,627	$ -	$ -
Money market funds and open-end mutual funds in Deferred charges and other assets	(1)	11	11	-	-
Foreign currency forward and option contracts	(2)	2,240	-	2,240	-
Equity investments held in a rabbi trust for the Deferred Compensation Plan	(3)	5,251	5,251	-	-
Debt investments held in a rabbi trust for the Deferred Compensation Plan	(3)	1,170	1,170	-	-
Guaranteed investment certificates	(4)	80	-	80	-
		$ 59,379	**$ 57,059**	**$ 2,320**	**$ -**
Liabilities:					
Long-term debt	(5)	$ 98,000	$ -	$ 98,000	$ -
Foreign currency forward and option contracts	(6)	5,063	-	5,063	-

	$ 103,063	$ -	$ 103,063	$ -

(1) In the accompanying Condensed Consolidated Balance Sheet.
(2) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 5, Financial Derivatives.
(3) Included in Other current assets in the accompanying Condensed Consolidated Balance Sheet. See Note 6, Investments Held in Rabbi Trust.
(4) Included in Deferred charges and other assets in the accompanying Condensed Consolidated Balance Sheet.
(5) The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates. See Note 9, Borrowings.
(6) Included in Other accrued expenses and current liabilities in the accompanying Condensed Consolidated Balance Sheet. See Note 5, Financial Derivatives.

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Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, like those associated with acquired businesses, including goodwill, other intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if these assets were determined to be impaired. The adjusted carrying values for assets measured at fair value on a nonrecurring basis (no liabilities) subject to the requirements of ASC 820 were not material at March 31, 2014 and December 31, 2013.

Note 4. Intangible Assets

The following table presents the Company s purchased intangible assets as of March 31, 2014 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	**$ 102,014**	**$ (38,736)**	**$ 63,278**	8
Trade name	**11,600**	**(3,135)**	**8,465**	8
Non-compete agreements	**1,215**	**(1,088)**	**127**	2
Proprietary software	**850**	**(850)**	**-**	2
Favorable lease agreement	**449**	**(363)**	**86**	2
	$ 116,128	**$ (44,172)**	**$ 71,956**	8

The following table presents the Company s purchased intangible assets as of December 31, 2013 (in thousands):

	Gross Intangibles	Accumulated Amortization	Net Intangibles	Weighted Average Amortization Period (years)
Customer relationships	$ 102,774	$ (35,873)	$ 66,901	8
Trade name	11,600	(2,803)	8,797	8
Non-compete agreements	1,220	(1,009)	211	2
Proprietary software	850	(847)	3	2
Favorable lease agreement	449	(306)	143	2

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The Agreement also includes customary mutual releases of each of the parties.

The Order, among other things, dismisses the suit with prejudice and vacates the status quo order. The Order also deems both the Issuer's proposal to amend the Issuer's Bylaws to implement majority voting and the Issuer's proposal to provide for an annual advisory vote on named executive officer compensation to have been adopted.

The Court entered the Order on September 19, 2016.

Given the terms of the Agreement and the Order, the Issuer will not take any additional steps with respect to the previously announced postponement of the 2016 Annual Meeting, including issuing a new proxy statement. The postponed 2016 Annual Meeting, which was to be held on October 21, 2016, is cancelled.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 is hereby amended to add the following:

On September 16, 2016, Bulldog and the Issuer entered into the Agreement defined and described in Item 4 above and attached as Exhibit 99.1 hereto.

Item 7. Material to be Filed As Exhibits.

Item 7 is hereby amended to add the following exhibit:

99.1 Settlement Agreement and Mutual Release by and among Bulldog Investments, LLC and Hill International, Inc., dated September 16, 2016.

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SIGNATURES

After reasonable inquiry and to the best of his or its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: September 20, 2016

FULL VALUE PARTNERS, L.P.

By: Full Value Advisors, LLC General Partner

By: /s/ Phillip Goldstein
Name: Phillip Goldstein
Title: Manager

BULLDOG INVESTORS, LLC

By: /s/ Phillip Goldstein
Name: Phillip Goldstein
Title: Member

/s/ Andrew Dakos
ANDREW DAKOS

/s/ Phillip Goldstein
PHILLIP GOLDSTEIN

/s/ Steven Samuels
STEVEN SAMUELS

CRESCENDO PARTNERS II, L.P., SERIES M2

By: Crescendo Investments II, LLC
General Partner

By: /s/ Eric Rosenfeld
Name: Eric Rosenfeld
Title: Managing Member

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CRESCENDO
INVESTMENTS II,
LLC

By: /s/ Eric Rosenfeld
Name: Eric Rosenfeld
Title: Managing Member

CRESCENDO
PARTNERS III, L.P.

By: Crescendo Investments III, LLC
General Partner

By: /s/ Eric Rosenfeld
Name: Eric Rosenfeld
Title: Managing Member

CRESCENDO
INVESTMENTS III,
LLC

By: /s/ Eric Rosenfeld
Name: Eric Rosenfeld
Title: Managing Member

CRESCENDO
ADVISORS II, LLC

By: /s/ Eric Rosenfeld
Name: Eric Rosenfeld

Title: Managing Member

JAMARANT CAPITAL, L.P.

By: Jamarant Investors, LLC
General Partner

By: /s/ Gregory R. Monahan
Name: Gregory R. Monahan
Title: Managing Member

By: /s/ David Sgro
Name: David Sgro

JAMARANT INVESTORS, LLC

By: /s/ Gregory R. Monahan
Name: Gregory R. Monahan
Title: Managing Member

By: /s/ David Sgro
Name: David Sgro
Title: Managing Member

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JAMARANT ADVISORS, LLC

By: /s/ Gregory R. Monahan
Name: Gregory R. Monahan
Title: Managing Member

By: /s/ David Sgro
Name: David Sgro
Title: Managing Member

/s/ Eric Rosenfeld
ERIC ROSENFELD, Individually and as attorney-in-fact for Paul Evans and Charles Gillman

/s/ Gregory R. Monahan
GREGORY R. MONAHAN

/s/ David Sgro
DAVID SGRO

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