

Hill International, Inc.
 Form 4/A
 June 23, 2008

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 Van Winkle Hans A

(Last) (First) (Middle)

C/O HILL INTERNATIONAL,
 INC., 303 LIPPINCOTT CENTRE

(Street)

MARLTON, NJ 08053

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 Hill International, Inc. [HIN]

3. Date of Earliest Transaction
 (Month/Day/Year)
 06/12/2008

4. If Amendment, Date Original Filed(Month/Day/Year)
 06/16/2008

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 ___X___ Officer (give title below) _____ Other (specify below)

Pres., Proj Mgmt - Americas

6. Individual or Joint/Group Filing(Check Applicable Line)
 ___X___ Form filed by One Reporting Person
 ____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
common stock	06/12/2008		S	V 2,500 D	\$ 16.06 2,500 ⁽¹⁾	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Van Winkle Hans A C/O HILL INTERNATIONAL, INC. 303 LIPPINCOTT CENTRE MARLTON, NJ 08053			Pres., Proj Mgmt - Americas	

Signatures

/s/ Hans A. Van Winkle
Date: 06/23/2008

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Does not include 45,000 shares that the Reporting Person may purchase upon exercise of an option previously disclosed.

Remarks:

This amendment has been filed to correct an error made in the disclosure of the number of shares sold by the Reporting Person. Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ottom">

Edward J. Heffernan
2006 \$ 400,000 \$ 56,579 \$ 1,170,508 \$ 408,828 \$ 628,650 \$ 4,086 \$ 48,828 \$ 2,714,479
Executive Vice President and Chief Financial Officer

Ivan M. Szeftel
2006 \$ 460,000 \$ 66,066 \$ 1,532,637 \$ 538,998 \$ 825,844 \$ 6,831 \$ 96,088 \$ 3,526,464
Executive Vice President and President, Retail Credit Services

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John W. Scullion⁽⁵⁾

2006	\$ 549,622	\$ 91,296 ⁽⁶⁾	\$ 1,395,903	\$ 606,367	\$ 792,180	\$ 58,108	\$ 3,493,476
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President and Chief Operating Officer

Dwayne H. Tucker

2006	\$ 365,000	\$ 20,224	\$ 1,243,090	\$ 413,993	\$ 334,020	\$ 7,663	\$ 155,469	\$ 2,539,459
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Executive Vice President and President, Transaction Services

- (1) This column includes amounts deferred pursuant to the Executive Deferred Compensation Plan, as follows: \$95,133 deferred by Mr. Heffernan, \$26,892 deferred by Mr. Szeftel and \$49,000 deferred by Mr. Tucker.
- (2) Amounts in this column represent discretionary increases to Non-Equity Incentive Plan Compensation granted to the executive officers by the chief executive officer, in his sole discretion.
- (3) This column includes amounts deferred pursuant to the Executive Deferred Compensation Plan, as follows: \$82,227 deferred by Mr. Heffernan, \$71,352 deferred by Mr. Szeftel and \$177,122 deferred by Mr. Tucker.
- (4) See the All Other Compensation table below for further information regarding amounts included in this column.
- (5) Amounts included in this row are shown in US Dollars but were paid to Mr. Scullion in Canadian Dollars. We used an exchange rate of .86169 US Dollars per Canadian Dollar, which was the prevailing exchange rate as of December 29, 2006, the last business day of the year, to convert the amounts paid to US Dollars. Because Mr. Scullion resides in Canada and has responsibilities in both Canada and the US, Mr. Scullion is also covered by our Tax Equalization Policy that is generally available to all associates accepting international assignments.
- (6) This amount includes \$20,000 granted to Mr. Scullion commensurate with his appointment as President and Chief Operating Officer in October 2006, before his compensation was increased.

The amounts reported in the Stock Awards and Option Awards columns reflect the dollar amount, without any reduction for risk of forfeiture, recognized for financial reporting purposes for the fiscal year ended December 31, 2006 of awards of stock options and restricted stock or restricted stock units to each of the NEOs calculated in accordance with the provisions of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)), and were calculated using certain assumptions, as set forth in Note 13 to our audited financial statements for the fiscal year ended December 31, 2006, included in our Annual Report on Form 10-K, filed with the SEC on February 26, 2007. These amounts may include amounts from awards granted in and prior to 2006. This means that these numbers will be hard to compare with prior proxy statements. To see the value of awards made to the NEOs in 2006, see the Fiscal Year 2006 Grants of Plan Based Awards table below. Awards granted in 2006 and included in the Stock Awards and Option Awards columns were granted pursuant to the 2005

Long Term Incentive Plan, discussed in further detail below under the caption Equity Incentive Compensation.

The amounts reported in the Non-Equity Incentive Plan Compensation column reflect the amounts earned and paid to each NEO in February 2007 for 2006 performance under the Executive Annual Incentive Plan, as described below under the caption Non-Equity Incentive Compensation. These amounts are the actual amounts earned under the awards described in the Fiscal Year 2006 Grants of Plan-Based Awards table below. These payout amounts were computed in accordance with the pre-determined formula for the calculation of performance-based cash incentive compensation and the applicable weightings as set forth above in the Compensation Discussion and Analysis, and equate to the following percentages of target payout amounts: for Mr. Parks, 143%; for Mr. Heffernan, 143%; for Mr. Szeftel, 144%; for Mr. Scullion, 144%; and for Mr. Tucker, 73%.

The amounts reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column consist entirely of above-market earnings on compensation deferred pursuant to the Executive Deferred Compensation Plan, as described below following the Nonqualified Deferred Compensation table. Above-market earnings represent the difference between market interest rates determined pursuant to SEC rules and the 8.0% annual interest rate credited by the company on contributions.

All Other Compensation

Name	Registrant Contributions	Registrant Contributions	Life Insurance Premiums	Medical and Dental Insurance Premiums	Long-Term Disability Insurance Premiums	Perquisites and Personal Benefits
	to 401(k) and Retirement Savings Plan	to Executive Deferred Compensation Plan				
J. Michael Parks	\$ 16,031	\$ 34,619	\$ 130	\$ 10,722	\$ 150	\$ 14,255 ⁽¹⁾
Edward J. Heffernan	\$ 16,031	\$ 20,093	\$ 528	\$ 10,068	\$ 150	\$ 1,958 ⁽²⁾
Ivan M. Szeftel	\$ 16,031	\$ 29,483	\$ 607	\$ 10,588	\$ 150	\$ 39,229 ⁽³⁾
John W. Scullion ⁽⁴⁾			\$ 18	\$ 24,875 ⁽⁵⁾	\$ 10,039 ⁽⁶⁾	\$ 23,176 ⁽⁷⁾
Dwayne H. Tucker	\$ 16,031	\$ 12,680	\$ 483	\$ 10,202	\$ 150	\$ 115,923 ⁽⁸⁾

- (1) This amount includes supplemental life insurance premiums, an executive physical and travel and related expenses for his spouse in connection with company events.
- (2) This amount represents supplemental life insurance premiums.
- (3) This amount includes supplemental life insurance premiums, commuting and housing expenses, use of a company vehicle and travel and related expenses for his spouse in connection with company events.
- (4) Amounts included in this row are shown in US Dollars but were paid in Canadian Dollars. We used an exchange rate of .86169 US Dollars per Canadian Dollar, which was the prevailing exchange rate as of December 29, 2006, the last business day of the year, to convert the amounts paid to US Dollars.
- (5) This amount represents required employer contributions to Canada's health insurance program.

- (6) This amount includes both long-term disability insurance premiums and long term illness insurance premiums.
- (7) This amount includes supplemental life insurance premiums and travel and related expenses for his spouse in connection with company events.
- (8) This amount includes supplemental life insurance premiums, an executive physical, travel and related expenses for his spouse in connection with company events, relocation expenses, \$30,780 in commuting expenses, \$36,795 in housing expenses and \$25,026 in tax reimbursements for housing expenses. These amounts represent the entire amount reimbursed to Mr. Tucker.

**Fiscal Year 2006
Grants of Plan-Based Awards**

The following table provides information about equity and non-equity awards granted to the NEOs in 2006, including performance-based cash incentive compensation awards and stock option and restricted stock unit awards. Each award is shown separately for each NEO, with the corresponding vesting schedule for each equity award in the footnotes following this table.

Grant Date	Date Authorized by the Board of Directors or Compensation Committee (Relative to Option Awards)	Threshold (\$)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards or Number of Securities Underlying Option Awards			Closing Market Price on Grant Date (Relative to Option Awards)
			Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares or Units	Base Price of Option Awards (\$/Sh) ⁽¹⁾			
3/06					13,528	27,056 ⁽²⁾	54,112					
3/06						27,056 ⁽³⁾						
3/06	1/30/06					64,572 ⁽⁴⁾				\$ 43.01	\$ 43.01	
		\$ 715,260	\$ 1,100,000	\$ 1,650,600								
3/06					4,500	9,001 ⁽⁵⁾	18,002					
3/06						9,001 ⁽⁶⁾						
3/06	1/30/06					21,482 ⁽⁷⁾				\$ 43.01	\$ 43.01	
		\$ 286,000	\$ 440,000	\$ 660,000								

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3/06		6,255	12,511 ⁽⁸⁾	25,022			
3/06			12,511 ⁽⁹⁾				
3/06	1/30/06		29,859 ⁽¹⁰⁾		\$ 43.01	\$ 43.	
		\$ 373,750	\$ 575,000	\$ 862,500			
3/06		6,344	12,688 ⁽¹¹⁾	25,376			
3/06			12,688 ⁽¹²⁾				
3/06	1/30/06		30,281 ⁽¹³⁾		\$ 43.01	\$ 43.	
		\$ 232,428	\$ 550,125	\$ 825,188			
3/06		4,549	9,098 ⁽¹⁵⁾	18,196			
3/06			9,098 ⁽¹⁶⁾				
3/06	1/30/06		21,714 ⁽¹⁷⁾		\$ 43.01	\$ 43.	
		\$ 296,563	\$ 456,250	\$ 684,375			

- (1) The exercise price for stock options granted in 2006 is the fair market value of our common stock on the date of the grant, which, according to the terms of each of our equity plans, is equal to the average of the high and low prices on the New York Stock Exchange during the trading hours on the date of grant.
- (2) The award is for 27,056 shares of common stock represented by performance-based restricted stock units, which could be adjusted up or down at the time of vesting. On 2/16/07, based on the company's cash EPS growth rate in 2006, common stock equal to 200% of the target performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an aggregate of 54,112 fully vested shares.
- (3) The award is for 27,056 shares of common stock represented by time-based restricted stock units. The restrictions on 8,928 shares lapsed on 2/13/07, and the restrictions will lapse on 8,928 shares on 2/13/08 and on 9,200 shares on 2/13/09.
- (4)

The award is for options representing 64,572 shares of common stock, of which 21,308 options vested on 2/13/07, 21,309 options will vest on 2/13/08 and 21,955 options will vest on 2/13/09.

- (5) The award is for 9,001 shares of common stock represented by performance-based restricted stock units, which could be adjusted up or down at the time of vesting. On 2/16/07, based on the company's cash EPS growth rate in 2006, common stock equal to 200% of the target performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an aggregate of 18,002 fully vested shares.
- (6) The award is for 9,001 shares of common stock represented by time-based restricted stock units. The restrictions on 2,970 shares lapsed on 2/13/07, and the restrictions will lapse on 2,970 shares on 2/13/08 and on 3,061 shares on 2/13/09.
- (7) The award is for options representing 21,482 shares of common stock, of which 7,089 options vested on 2/13/07, 7,089 options will vest on 2/13/08 and 7,304 options will vest on 2/13/09.
- (8) The award is for 12,511 shares of common stock represented by performance-based restricted stock units, which could be adjusted up or down at the time of vesting. On 2/16/07, based on the company's cash EPS growth rate in 2006, common stock equal to 200% of the target performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an aggregate of 25,022 fully vested shares.

- (9) The award is for 12,511 shares of common stock represented by time-based restricted stock units. The restrictions on 4,128 shares lapsed on 2/13/07, and the restrictions will lapse on 4,129 shares on 2/13/08 and on 4,254 shares on 2/13/09.
- (10) The award is for options representing 29,859 shares of common stock, of which 9,853 options vested on 2/13/07, 9,853 options will vest on 2/13/08 and 10,153 options will vest on 2/13/09.
- (11) The award is for 12,688 shares of common stock represented by performance-based restricted stock units, which could be adjusted up or down at the time of vesting. On 2/16/07, based on the company's cash EPS growth rate in 2006, common stock equal to 200% of the target performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an aggregate of 25,376 fully vested shares.
- (12) The award is for 12,688 shares of common stock represented by time-based restricted stock units. The restrictions on 4,187 shares lapsed on 2/13/07, and the restrictions will lapse on 4,187 shares on 2/13/08 and on 4,314 shares on 2/13/09.
- (13) The award is for options representing 30,281 shares of common stock, of which 9,992 options vested on 2/13/07, 9,993 options will vest on 2/13/08 and 10,296 options will vest on 2/13/09.
- (14) Amounts included in this row are shown in US Dollars but were paid to Mr. Scullion in Canadian Dollars. We used an exchange rate of .86169 US Dollars per Canadian Dollar, which was the prevailing exchange rate as of December 29, 2006, the last business day of the year, to convert the amounts paid to US Dollars.
- (15) The award is for 9,098 shares of common stock represented by performance-based restricted stock units, which could be adjusted up or down at the time of vesting. On 2/16/07, based on the company's cash EPS growth rate in 2006, common stock equal to 200% of the target performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an aggregate of 18,196 fully vested shares.
- (16) The award is for 9,098 shares of common stock represented by time-based restricted stock units. The restrictions lapsed on 3,002 shares on 2/13/07, and the restrictions will lapse on 3,002 shares on 2/13/08 and on 3,094 shares on 2/13/09.
- (17) The award is for options representing 21,714 shares of common stock, of which 7,165 options vested on 2/13/07, 7,166 options will vest on 2/13/08 and 7,383 options will vest on 2/13/09.

Non-equity incentive plan awards were made pursuant to the Executive Annual Incentive Plan, discussed in further detail below under the caption Non-Equity Incentive Compensation. Actual payout amounts of these awards have already been determined and were paid in February 2007, and are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above. The amounts in this Fiscal Year 2006 Grants of Plan Based Awards table represent the threshold, target and maximum payout amounts of the awards made in February 2006 to each of the NEOs.

Equity incentive plan awards were granted pursuant to the 2005 Long Term Incentive Plan, discussed in further detail below under the caption Equity Incentive Compensation. Portions of these awards subsequently vested in February 2007, as indicated in the footnotes to this table. Full grant date fair value of equity awards granted in 2006 is computed in accordance with SFAS 123(R) and reflects the total amount of the award to be spread over the applicable vesting period, as described in the footnotes to this table. The amount recognized for financial reporting purposes under SFAS 123(R) of the target awards granted is included in the Stock Awards and Option Awards columns of the

Summary Compensation Table above.

Equity Incentive Compensation

Stock option and restricted stock unit awards granted in 2006 were granted pursuant to the 2005 Long Term Incentive Plan, which was adopted by the board of directors on March 31, 2005 and approved by stockholders on June 7, 2005. The exercise price for stock options granted in 2006 is the fair market value of our common stock on the date of the grant, which, according to the terms of each of our equity plans, is equal to the average of the high and low prices on the New York Stock Exchange during the trading hours on the date of grant. The stock options vest ratably over three years and expire ten years after the date of grant, if unexercised. The first tranche of stock options granted in 2006 vested on February 13, 2007. Time-based restricted stock unit awards granted in 2006 vest ratably over a three year period. The first tranche of time-based restricted stock units granted in 2006 vested on February 13, 2007.

Performance-based restricted stock unit awards granted in 2006 vested in February 2007 based on 2006 cash EPS growth, with the number of shares ultimately received determined on a fixed scale with a minimum cash EPS growth rate of 10% necessary to receive a minimum 50% of the award, 18% cash EPS growth to receive 100% of the award, and at least 36% cash EPS growth to receive a maximum 200% of the award. These target growth rates were selected to emulate long-term historical S&P 500

performance at the 50th, 75th and 90th percentiles, respectively. For purposes of this calculation, cash EPS includes stock-based compensation expense, net of tax. Based on the company's cash EPS growth in excess of 36% in 2006, our NEOs received 200% of the performance-based restricted stock unit awards granted in 2006.

Upon termination of an executive officer for cause, all unexercised options granted to such executive officer shall immediately be forfeited. If an executive officer terminates employment for any other reason, including retirement, death or disability but excluding a qualifying termination following a change in control event, such executive officer may, for a limited time period, exercise those options that were exercisable immediately prior to such termination of employment. All unvested shares of restricted stock or restricted stock units granted to an executive officer will be forfeited upon that executive officer's termination of employment for any reason other than a qualifying termination following a change in control event. Additional information regarding change in control events is set forth below under the caption Potential Payments upon Termination or Change in Control.

The 2005 Long Term Incentive Plan provides for awards of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and other performance-based awards to selected officers, associates, non-employee directors and consultants performing services for us or any of our affiliates. The 2005 Long Term Incentive Plan is an omnibus plan that gives us flexibility to adjust to changing market forces. On June 13, 2005, we filed a Registration Statement on Form S-8, File No. 333-125770, with the SEC to register an additional 4,750,000 shares of common stock, par value \$0.01 per share, that may be issued and sold under the 2005 Long Term Incentive Plan. As of December 31, 2006, as a result of grants made under all of our equity plans, there were 4,872,000 shares of common stock subject to outstanding options at a weighted average exercise price of \$30.98, 889,954 shares of time-based restricted stock or time-based restricted stock units and 219,455 shares of performance-based restricted stock or performance-based restricted stock units granted to associates.

The 2005 Long Term Incentive Plan is administered by the compensation committee, which has full and final authority to make awards, establish the terms thereof, and administer and interpret the 2005 Long Term Incentive Plan in its sole discretion unless authority is specifically reserved to the board of directors under the 2005 Long Term Incentive Plan, our certificate of incorporation or bylaws, or applicable law. Following certain significant corporate events, unusual and non-recurring corporate events or following changes in applicable laws, regulations or accounting principles, the compensation committee has the authority under the 2005 Long Term Incentive Plan to waive performance conditions relating to an award, and to make adjustments to any award that the compensation committee feels is appropriate. Further, the compensation committee may reduce payout amounts under performance-based awards if, in the discretion of the compensation committee, such a reduction is appropriate. The compensation committee may not, however, increase the payout amount for any such performance-based award. In addition, the 2005 Long Term Incentive Plan does not permit stock options to be repriced at a lower exercise price, or otherwise modified or amended in such a manner that would constitute a repricing. Under the 2005 Long Term Incentive Plan, the compensation committee has the authority to cancel or require repayment of an award in the event a participant or former participant breaches any non-solicitation agreement entered into with the company.

Any action of the compensation committee with respect to the 2005 Long Term Incentive Plan will be final, conclusive and binding on all persons. The compensation committee may delegate certain responsibilities to our officers or managers. The board of directors may delegate, by a resolution adopted by the board of directors, authority to one or more of our officers to do one or both of the following: (1) designate the officers and employees who will be granted awards under the 2005 Long Term Incentive Plan; and (2) determine the number of shares subject to specific awards to be granted to such officers and employees.

The number of shares that may be delivered upon the exercise of incentive stock options may not exceed 4,000,000. During any calendar year no participant under the 2005 Long Term Incentive Plan

may be granted awards of more than 500,000 shares of stock, subject to adjustments. We may reserve for the purposes of the 2005 Long Term Incentive Plan, out of our authorized but unissued shares of stock or out of shares of stock reacquired by us in any manner, or partly out of each, such number of shares of stock as shall be determined by the board of directors. In addition, any shares of stock that were not issued under our predecessor stock plans, including shares subject to awards that may have been forfeited under our predecessor stock plans, may be the subject of awards granted under the 2005 Long Term Incentive Plan. The maximum number of shares of stock available for awards shall be reduced by the number of shares in respect of which the award is granted or denominated. If any stock option is exercised by tendering shares either actually or by attestation, as full or partial payment of the exercise price, the maximum number of shares available shall be increased by the number of shares so tendered. Shares of stock allocable to an expired, canceled, settled or otherwise terminated portion of an award may again be the subject of awards granted thereunder. In addition, any shares of stock withheld for payment of taxes may be the subject of awards granted under this plan and the number of shares equal to the difference between the number of stock appreciation rights exercised and the number of shares delivered upon exercise shall again be available for awards.

The 2005 Long Term Incentive Plan provides for awards of incentive stock options to any person employed by us or by any of our affiliates. The exercise price for incentive stock options granted under the 2005 Long Term Incentive Plan may not be less than 100% of the fair market value of our common stock on the date of grant. If an incentive stock option is granted to an employee who owns 10% or more of our common stock, the exercise price of that stock option may not be less than 110% of the fair market value of our common stock on the date of grant. The 2005 Long Term Incentive Plan also provides for awards of nonqualified stock options to any officers, employees, non-employee directors or consultants performing services for us or our affiliates. The exercise price for nonqualified stock options granted under the 2005 Long Term Incentive Plan may not be less than 100% of the fair market value of our common stock on the date of grant. Under the 2005 Long Term Incentive Plan, stock options generally vest one-third per year over three years and terminate on the tenth anniversary of the date of grant. The 2005 Long Term Incentive Plan gives our board of directors discretion to determine the vesting provisions of each individual stock option. In the event of a change in control, this plan provides that our board of directors may provide for accelerated vesting of stock options.

The compensation committee is authorized under the 2005 Long Term Incentive Plan to grant restricted stock or performance share awards with restrictions that may lapse over time or upon the achievement of specified performance targets. Restrictions may lapse separately or in such installments as the compensation committee may determine. A participant granted restricted stock or performance shares shall have the stockholder rights as may be set forth in the applicable agreement, including, for example, the right to vote the restricted stock or performance shares.

The compensation committee is authorized under the 2005 Long Term Incentive Plan to grant restricted stock unit awards. Until all restrictions upon restricted stock units granted to a participant shall have lapsed, the participant may not be a stockholder of us, nor have any of the rights or privileges of a stockholder of us, including rights to receive dividends and voting rights with respect to the restricted stock units. We will establish and maintain a separate account for each participant who has received an award of restricted stock units, and such account will be credited for the number of restricted stock units granted to such participant. Restricted stock unit awards granted under the 2005 Long Term Incentive Plan may vest at such time or times and on such terms and conditions as the compensation committee may determine. The agreement evidencing the award of restricted stock units will set forth any such terms and conditions. As soon as practicable after each vesting date of an award of restricted stock units, payment will be made in stock (based upon the fair market value of our common stock on the day all restrictions lapse).

The compensation committee is also authorized under the 2005 Long Term Incentive Plan to grant stock appreciation rights, known as SARs. The exercise price per SAR shall be determined by the compensation committee and may not be less than the fair market value of a share of stock on the date of grant. The full or partial exercise of SARs that provide for stock settlement shall be made only by a

written notice specifying the number of SARs with respect to which the award is being exercised. Upon the exercise of SARs, the participant is entitled to receive an amount in shares determined by multiplying (a) the appreciation value by (b) the number of SARs being exercised, minus the number of shares withheld for payment of taxes. The compensation committee may limit the number of shares that may be delivered with respect to any award of SARs by including such a limit in the agreement evidencing SARs at the time of grant.

Non-Equity Incentive Compensation

The awards of non-equity incentive compensation made in 2006 were made pursuant to the Executive Annual Incentive Plan, which the board of directors adopted on March 31, 2005 and the stockholders approved on June 7, 2005. The purpose of the Executive Annual Incentive Plan is to provide an incentive to our executive officers to contribute to our annual growth and profitability objectives, to retain such executive officers and where possible, to qualify the compensation paid under the Executive Annual Incentive Plan for tax deductibility under Section 162(m) of the Internal Revenue Code. The Executive Annual Incentive Plan focuses on matching rewards with results and encourages executive officers to make significant contributions toward our financial results by providing a basic reward for reaching minimum expectations, plus an upside for reaching our aspirational goals.

Each NEO has a target payout amount that is expressed as a percentage of his or her annualized base salary. In 2006, for Mr. Parks, the target payout amount was 131% of base salary, for Mr. Heffernan, 110% of base salary, for Mr. Szeftel, 125% of base salary, for Mr. Scullion, 100% of base salary and for Mr. Tucker, 125% of base salary. In addition, our chief executive officer has the discretion, as authorized by the compensation committee, to adjust each payout up or down by up to 10% from the amount communicated to the executive officer. Awards in 2006 were contingent upon meeting segment specific and/or corporate EBITDA targets, segment specific and/or corporate revenue targets and target levels of associate engagement. Weightings applicable to each of these components varied by NEO, as detailed further in the Compensation Discussion and Analysis above. Eligibility to receive the revenue component was also contingent upon meeting a pre-determined corporate cash EPS growth objective, which for 2006 was \$2.16 per share. Our corporate performance targets for 2006 were \$1.68 billion in revenue, \$400 million in EBITDA and a 70% associate engagement rate. Segment specific revenue, EBITDA and associate engagement targets varied among the segments to reflect differences in performance objectives.

For the 2006 performance year, our corporate EBITDA results were 128.9% of target and corporate revenue results were 119% of target. In accordance with the pre-determined formula for the calculation of performance-based cash incentive compensation payouts and the applicable weightings as set forth above in the Compensation Discussion and Analysis, our NEOs received the payouts of performance-based cash incentive compensation as set forth in the Summary Compensation Table and accompanying footnotes above. The performance-based cash incentive compensation payments under the Executive Annual Incentive Plan in respect of the 2006 performance year were paid in February 2007.

Each covered employee (as defined in Section 162(m) of the Internal Revenue Code), executive officer that reports directly to our chief executive officer and any other key employees who are selected by our compensation committee may participate in the Executive Annual Incentive Plan. The Executive Annual Incentive Plan is administered by the compensation committee, which has full and final authority to: (1) select participants; (2) grant awards; (3) establish the terms and conditions of the awards; (4) notify the participants of such awards and the terms thereof; and (5) administer and interpret the Executive Annual Incentive Plan in its full discretion. The compensation committee may delegate certain responsibilities to our officers, one or more members of the compensation committee or the board of directors.

The compensation committee will establish the performance target(s) for each performance award, consisting of one or more business criteria permitted as performance measures, one or more target levels of performance with respect to

each such performance measure, and the amount or amounts payable or other rights that the participant will be entitled to upon achievement of such target levels of performance.

Business criteria that may underlie performance measures include, for example, cash EPS, EBITDA or total stockholder return, among others. More than one performance target may be incorporated into an award, in which case achievement with respect to each performance target may be assessed individually or in combination with each other. Performance targets shall be objective and shall otherwise meet the requirements of Section 162(m) of the Internal Revenue Code. Performance targets may differ for performance awards granted to any one participant or to different participants. No participant may be granted awards in excess of \$5.0 million in any calendar year.

Under the Executive Annual Incentive Plan, the compensation committee has the authority to reduce or eliminate an award to a participant after a termination of an executive officer or a reduction in duties and may adjust performance targets or awards to take into account certain significant corporate events or in response to changes in relevant accounting or other rules and regulations. Further, the board of directors or the compensation committee, if so designated by the board of directors, has authority to amend, modify or suspend the Executive Annual Incentive Plan and the terms and provisions of any award granted thereunder that has not yet been paid.

Under Section 409A of the Internal Revenue Code, certain awards granted under the Executive Annual Incentive Plan could be determined to be deferred compensation and subject to a 20% excise tax if the terms of the awards do not meet the requirements of Section 409A of the Internal Revenue Code and any regulations or guidance issued thereunder. To the extent applicable, the Executive Annual Incentive Plan is intended to comply with Section 409A of the Internal Revenue Code. To that end, the compensation committee will interpret and administer the Executive Annual Incentive Plan in accordance with Section 409A of the Internal Revenue Code. In addition, any Executive Annual Incentive Plan provision that is determined to violate the requirements of Section 409A of the Internal Revenue Code will be void and without effect, and any provision that Section 409A of the Internal Revenue Code requires that is not expressly set forth in the Executive Annual Incentive Plan will be deemed to be included in the Executive Annual Incentive Plan, and the Executive Annual Incentive Plan will be administered in all respects as if any such provision were expressly included in the Executive Annual Incentive Plan. In addition, the timing of payment of certain awards will be revised as necessary for compliance with Section 409A of the Internal Revenue Code. The compensation committee will establish the duration of each performance period at the time that it sets the performance targets applicable to that performance period. Performance period shall mean a calendar year or such shorter or longer period as designated by the compensation committee.

Executive Deferred Compensation Plan

We adopted the Executive Deferred Compensation Plan in December 2004 as a successor to our former Supplemental Executive Retirement Plan, a substantially similar deferred compensation plan. The purpose of the Executive Deferred Compensation Plan is to help certain key individuals maximize their pre-tax savings and company contributions that are otherwise restricted due to tax limitations. The Executive Deferred Compensation Plan allows the participant to contribute:

up to 50% of eligible compensation on a pre-tax basis;

any pre-tax 401(k) contributions that would otherwise be returned because of reaching the statutory limit under Section 415 of the Internal Revenue Code; and

any retirement savings plan contributions for compensation in excess of the statutory limits.

Account balances accrue interest at a rate of 8.0% per year, which is currently above market rates as defined by the SEC; this interest rate may be adjusted periodically by the committee of management that administers the Executive Deferred Compensation Plan. Further details of the Executive Deferred Compensation Plan are set forth below following the Nonqualified Deferred Compensation table.

Other Compensation Plans

Alliance Data Systems 401(k) and Retirement Savings Plan

The Alliance Data Systems 401(k) and Retirement Savings Plan is a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code of 1986. Contributions made by associates or by us to the 401(k) and Retirement Savings Plan, and income earned on these contributions, are not taxable to associates until withdrawn from the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan covers U.S. employees, who are at least 21 years old, of ADS Alliance Data Systems, Inc., one of our wholly owned subsidiaries, and any other subsidiary or affiliated organization that adopts this 401(k) and Retirement Savings Plan. In addition, seasonal or on-call associates must complete a year of eligibility service before they may participate in the 401(k) and Retirement Savings Plan. We, and all of our U.S. subsidiaries, are currently covered under the 401(k) and Retirement Savings Plan.

We amended our 401(k) and Retirement Savings Plan effective January 1, 2004 to better benefit the majority of our associates. The new 401(k) and Retirement Savings Plan is an IRS approved safe harbor plan design that eliminates the need for most discrimination testing. Eligible associates can participate in the 401(k) and Retirement Savings Plan immediately upon joining us and after six months of employment begin receiving company matching contributions. On the first three percent of savings, we match dollar-for-dollar. An additional fifty cents for each dollar an associate contributes is matched for savings of more than three percent and up to five percent of pay. All company matching contributions are immediately vested. In addition to the company match, we may make an additional annual contribution based on our profitability. This contribution, subject to board of directors approval, is based on a percentage of pay and is subject to a separate five-year vesting schedule.

In 2006, we made regular matching contributions under the 401(k) and Retirement Savings Plan as described in the preceding paragraph, and an additional discretionary matching contribution was approved by our board of directors in an amount equal to 2% of the participant's compensation (as defined in the 401(k) and Retirement Savings Plan) during the 2006 plan year up to the Social Security wage base, and 4% of any compensation in excess of the Social Security wage base. The discretionary matching contribution vests 20% over five years for participants with less than five years of service. All of these contributions vest immediately if the participating associate retires at age 65 or later, becomes disabled, dies or if the 401(k) and Retirement Savings Plan terminates.

On July 20, 2001, we registered 1,500,000 shares of our common stock for issuance in accordance with our 401(k) and Retirement Savings Plan pursuant to a Registration Statement on Form S-8, File No. 333-65556.

Employment Agreements

We generally do not enter into employment agreements with our associates. However, in connection with some of our acquisitions we have entered into agreements with selected key individuals to ensure the success of the integration of the acquisition and long-term business strategies. Further, we previously entered into employment agreements with Messrs. Parks and Szeftel, as described below, to ensure their retention throughout the early stages of our growth. The terms of these employment agreements are generally no longer applicable except for certain severance or benefits in the event of a termination, as described below. However, pursuant to the terms of our change in control agreements with our executive officers, as described below, if an executive officer becomes entitled to a severance amount under the change in control agreement, the executive officer will not be entitled to severance payments under any other agreement or arrangement, including any employment agreement. The compensation and benefits determinations for Messrs. Parks and Szeftel are currently made by the board of directors and compensation committee, consistent with the company's compensation policies as described herein.

J. Michael Parks. We entered into an employment agreement with Mr. Parks effective March 10, 1997 pursuant to which he serves as chairman of the board of directors and chief executive officer. The

agreement provided that Mr. Parks would receive a minimum annual base salary of \$475,000 and an annual incentive bonus of \$400,000 for fiscal year 1997, based on the achievement of our financial goals, with a bonus of \$100,000 guaranteed for the first two years. Under the agreement, we granted Mr. Parks options to purchase 333,332 shares of our common stock at an exercise price of \$9.00 per share, all of which have been exercised. Additionally, Mr. Parks is entitled to participate in our 401(k) and Retirement Savings Plan, our Executive Annual Incentive Plan and any other employee benefits as provided to other executive officers. Under this agreement, Mr. Parks is entitled to 18 months of continued base salary and benefits if terminated for any reason other than a qualifying termination following a change in control event, which is governed by the terms of the change in control agreement discussed below under the caption Potential Payments upon Termination or Change in Control.

Ivan M. Szeftel. We entered into an employment agreement with Mr. Szeftel dated May 4, 1998 pursuant to which he serves as the president of our retail services division. The agreement provides that Mr. Szeftel is entitled to receive a minimum annual base salary of \$325,000, subject to increases based on annual reviews. Under the agreement, we granted Mr. Szeftel options to purchase 111,111 shares of our common stock at an exercise price of \$9.00 per share, all of which have been exercised. Mr. Szeftel is entitled to participate in our 401(k) and Retirement Savings Plan, our Executive Annual Incentive Plan and any other benefits as provided to other executive officers. Except in connection with a change in control event, which is governed by the terms of the change in control agreement discussed below under the caption Potential Payments upon Termination or Change in Control, this agreement provides for a severance payment equal to 12 months base salary if we terminate Mr. Szeftel's employment without cause or if Mr. Szeftel terminates his employment for good reason. We may elect to make this severance payment as a lump sum or in installments. If we elect to pay the severance amount in installments, Mr. Szeftel will be entitled to continued benefits for a period of 12 months. Mr. Szeftel's employment agreement contains definitions for the terms termination without cause and termination for good reason. Termination without cause includes termination for any reason other than the commission of a felony, dishonesty, fraud, material misrepresentation, willful misconduct and gross neglect of responsibilities. Good reason for termination by Mr. Szeftel includes the occurrence of any of the following events: (1) a material change in job title, position or responsibilities; (2) a change in required home base or work location; or (3) any material breach by the company of the terms of the employment agreement.

Fiscal Year 2006
Outstanding Equity Awards at Fiscal Year-End

The following table provides information on the holdings of stock options and restricted stock and restricted stock units by the NEOs. This table includes unexercised and unvested stock options and unvested restricted stock and unvested restricted stock units. Each equity award is shown separately for each NEO, with the corresponding vesting schedule for each award in the footnotes following this table.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares or Units of Other Rights That Have Not Vested (#)	Market Value of Shares or Units of Other Rights That Have Not Vested (\$)
J. Michael Parks	63,131	-	-	\$ 9.90	5/6/09				
J. Michael Parks	230,000	-	-	\$ 15.00	8/31/10				
J. Michael Parks	109,388	-	-	\$ 12.00	6/7/11				
J. Michael Parks	106,203	-	-	\$ 24.03	6/23/13				
J. Michael Parks	85,332	43,959 ⁽¹⁾	-	\$ 31.38	2/2/14				
J. Michael Parks	19,346	39,280 ⁽²⁾	-	\$ 41.32	2/3/15				
J. Michael Parks		64,572 ⁽³⁾	-	\$ 43.01	2/13/16				
J. Michael Parks						41,197 ⁽⁴⁾	\$ 2,573,577		
J. Michael Parks						38,167 ⁽⁵⁾	\$ 2,384,292		

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J. Michael Parks						
Edward J. Heffernan	28,699		\$ 24.03	6/23/13		
Edward J. Heffernan	22,926	11,809 ⁽⁶⁾	\$ 31.38	2/2/14		
Edward J. Heffernan	6,381	12,956 ⁽⁷⁾	\$ 41.32	2/3/15		
Edward J. Heffernan		21,482 ⁽⁸⁾	\$ 43.01	2/13/16		
Edward J. Heffernan					19,591 ⁽⁹⁾	\$ 1,223,850
Edward J. Heffernan					9,001 ⁽¹⁰⁾	\$ 562,292
Ivan M. Szeftel	52,001		\$ 15.00	8/31/10		
Ivan M. Szeftel	42,528		\$ 24.03	6/23/13		
Ivan M. Szeftel	27,788	14,315 ⁽¹¹⁾	\$ 31.38	2/2/14		
Ivan M. Szeftel	8,947	18,166 ⁽¹²⁾	\$ 41.32	2/3/15		
Ivan M. Szeftel		29,859 ⁽¹³⁾	\$ 43.01	2/13/16		
Ivan M. Szeftel					24,977 ⁽¹⁴⁾	\$ 1,560,313
Ivan M. Szeftel					12,511 ⁽¹⁵⁾	\$ 781,562
John W. Scullion	53,334		\$ 15.00	8/31/10		
John W. Scullion	40,325		\$ 12.00	6/7/11		
John W. Scullion	35,723		\$ 24.03	6/23/13		
John W. Scullion	22,926	11,809 ⁽¹⁶⁾	\$ 31.38	2/2/14		
John W. Scullion	6,887	13,985 ⁽¹⁷⁾	\$ 41.32	2/3/15		
John W. Scullion	16,460	8,231 ⁽¹⁸⁾	\$ 41.32	2/3/15		
John W. Scullion		30,281 ⁽¹⁹⁾	\$ 43.01	2/13/16		
John W. Scullion					20,686 ⁽²⁰⁾	\$ 1,292,254
John W. Scullion					12,688 ⁽²¹⁾	\$ 792,619
Dwayne H. Tucker	21,839		\$ 15.00	8/31/10		
Dwayne H. Tucker	1		\$ 12.00	6/7/11		
	33,171		\$ 24.03	6/23/13		

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Dwayne H. Tucker					
Dwayne H. Tucker	22,230	11,452 ⁽²²⁾	\$ 31.38	2/2/14	
Dwayne H. Tucker	5,402	10,968 ⁽²³⁾	\$ 41.32	2/3/15	
Dwayne H. Tucker	1,519	3,085 ⁽²⁴⁾	\$ 40.82	3/31/15	
Dwayne H. Tucker		21,714 ⁽²⁵⁾	\$ 43.01	2/13/16	
Dwayne H. Tucker					23,090 ⁽²⁶⁾ \$ 1,442,432
Dwayne H. Tucker					16,098 ⁽²⁷⁾ \$ 1,005,642

- (1) These 43,959 options subsequently vested on 2/2/07.
- (2) 19,346 options subsequently vested on 2/3/07; the remaining 19,934 options will vest on 2/3/08.
- (3) 21,308 options subsequently vested on 2/13/07; 21,309 options are scheduled to vest on 2/13/08 and 21,955 options are scheduled to vest on 2/13/09.
- (4) Shares and stock units subject to time-based restrictions. The restrictions subsequently lapsed on 6,965 shares on 2/5/07 and on 8,928 units on 2/13/07; the restrictions are scheduled to lapse on 7,176 shares on 2/3/08, on 8,928 units on 2/13/08 and on 9,200 units on 2/13/09.
- (5) Shares and stock units subject to performance-based restrictions. The restrictions on 11,111 shares of performance-based restricted stock granted 2/3/05 subsequently lapsed on 2/5/07. In addition, on 2/16/07, based on the company's cash EPS growth rate in 2006, 200% of the performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an additional 27,056 shares.
- (6) These 11,809 options subsequently vested on 2/2/07.
- (7) 6,381 options subsequently vested on 2/3/07; the remaining 6,575 options are scheduled to vest on 2/3/08.
- (8) 7,089 options subsequently vested on 2/13/07; 7,089 options are scheduled to vest on 2/13/08 and 7,304 options are scheduled to vest on 2/13/09.
- (9) Shares and stock units subject to time-based restrictions. The restrictions subsequently lapsed on 2,297 shares on 2/5/07 and on 2,970 units on 2/13/07; the restrictions are scheduled to lapse on 5,926 shares on 12/9/07, on 2,367 shares on 2/3/08, on 2,970 units on 2/13/08 and on 3,061 units on 2/13/09.
- (10) Stock units subject to performance-based restrictions. Subsequently, on 2/16/07, based on the company's cash EPS growth rate in 2006, 200% of the performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an additional 9,001 shares.
- (11) These 14,315 options subsequently vested on 2/2/07.
- (12) 8,947 options subsequently vested on 2/3/07; the remaining 9,219 options are scheduled to vest on 2/3/08.
- (13) 9,853 options subsequently vested on 2/13/07; 9,853 options are scheduled to vest on 2/13/08 and 10,153 options are scheduled to vest on 2/13/09.
- (14) Shares and stock units subject to time-based restrictions. The restrictions subsequently lapsed on 3,221 on 2/5/07 and on 4,128 units on 2/13/07; the restrictions are scheduled to lapse on 5,926 shares on 12/9/07, on 3,319 shares on 2/3/08, on 4,129 units on 2/13/08 and on 4,254 units on 2/13/09.
- (15) Stock units subject to performance-based restrictions. Subsequently, on 2/16/07, based on the company's cash EPS growth rate in 2006, 200% of the performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an additional 12,511 shares.
- (16) These 11,809 options subsequently vested on 2/2/07.

- (17) 6,887 options subsequently vested on 2/3/07; the remaining 7,098 options are scheduled to vest on 2/3/08.
- (18) These 8,231 options are scheduled to vest on 12/9/07.
- (19) 9,992 options subsequently vested on 2/13/07; 9,993 options are scheduled to vest on 2/13/08 and 10,296 options are scheduled to vest on 2/13/09.
- (20) Shares and stock units subject to time-based restrictions. The restrictions subsequently lapsed on 2,480 shares on 2/5/07 and on 4,187 units on 2/13/07; the restrictions are scheduled to lapse on 2,963 shares on 12/9/07, on 2,555 shares on 2/3/08, on 4,187 units on 2/13/08 and on 4,314 units on 2/13/09.
- (21) Stock units subject to performance-based restrictions. Subsequently, on 2/16/07, based on the company's cash EPS growth rate in 2006, 200% of the performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an additional 12,688 shares.
- (22) These 11,452 options vested on 2/2/07.
- (23) 5,402 options subsequently vested on 2/3/07; the remaining 5,566 options are scheduled to vest on 2/3/08.
- (24) 1,519 options subsequently vested on 2/3/07; the remaining 1,566 options are scheduled to vest on 2/3/08.
- (25) 7,165 options subsequently vested on 2/13/07; 7,166 options are scheduled to vest on 2/13/08 and 7,383 options are scheduled to vest on 2/13/09.
- (26) Shares and stock units subject to time-based restrictions. The restrictions subsequently lapsed on 2,495 shares on 2/5/07, on 3,002 units on 2/13/07 and on 3,000 shares on 3/31/07; the restrictions are scheduled to lapse on 5,926 shares on 12/9/07, on 2,571 shares on 2/3/08, on 3,002 units on 2/13/08 and on 3,094 units on 2/13/09.
- (27) Shares and stock units subject to performance-based restrictions. The restrictions on 7,000 shares of performance-based restricted stock granted 3/31/05 subsequently lapsed on 3/31/07. In addition, on 2/16/07, based on the company's cash EPS growth rate in 2006, 200% of the performance-based restricted stock unit award granted on 2/13/06 was received, resulting in the issuance of an additional 9,098 shares.

Portions of these awards subsequently vested in February and March 2007, as indicated in the footnotes to this table. Market values of the restricted stock and restricted stock unit awards shown in this table are based on the closing market price of our common stock as of December 31, 2006, which was \$62.47, and assume the satisfaction of applicable vesting conditions. For additional information about the stock option and restricted stock and restricted stock unit awards, see the description of the 2005 Long Term Incentive Plan above under the caption Equity Incentive Compensation.

Fiscal Year 2006
Option Exercises and Stock Vested

The following table provides information on stock option exercises and restricted stock and restricted stock units vested during 2006.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
J. Michael Parks	238,888	\$ 10,100,982	41,924 ⁽¹⁾	\$ 1,890,077
Edward J. Heffernan	81,737 ⁽²⁾	\$ 3,022,703	16,089 ⁽³⁾	\$ 845,282
Ivan M. Szeftel	69,714	\$ 2,899,649	20,177 ⁽⁴⁾	\$ 1,032,639
John W. Scullion	78,985	\$ 3,317,693	13,933	\$ 692,518
Dwayne H. Tucker	22,518	\$ 643,069	16,963 ⁽⁵⁾	\$ 885,340

(1) Of the 41,924 shares acquired by Mr. Parks on vesting, 13,474 shares were withheld to pay withholding taxes.

(2) 1,699 shares were delivered by Mr. Heffernan in payment of the exercise price of 6,918 employee stock options.

(3) Of the 16,089 shares acquired by Mr. Heffernan on vesting, 5,113 shares were withheld to pay withholding taxes.

(4) Of the 20,177 shares acquired by Mr. Szeftel on vesting, 7,093 shares were withheld to pay withholding taxes.

(5) Of the 16,963 shares acquired by Mr. Tucker on vesting, 5,417 shares were withheld to pay withholding taxes.

All values in this table reflect gross amounts before payment of any applicable withholding tax and broker commissions. For Stock Awards, the value realized on vesting is calculated by multiplying the number of shares vested by the average of the high and low prices of our common stock on the New York Stock Exchange during the trading hours on the date of vesting.

Nonqualified Deferred Compensation

The table below provides information on the nonqualified deferred compensation of the NEOs in 2006, including contributions by each NEO and by the company and earnings on contributions credited during 2006.

Name	Executive Contributions in Last Fiscal Year (\$)⁽¹⁾	Registrant Contributions in Last Fiscal Year (\$)⁽²⁾	Aggregate Earnings in Last Fiscal Year (\$)⁽³⁾	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
J. Michael Parks		\$ 34,619	\$ 160,225		\$ 2,108,312
Edward J. Heffernan	\$ 95,134	\$ 20,093	\$ 25,331		\$ 375,059
Ivan M. Szeftel	\$ 97,338	\$ 29,483	\$ 42,376		\$ 598,456
John W. Scullion					
Dwayne H. Tucker	\$ 49,000	\$ 12,680	\$ 47,576		\$ 650,369

(1) All amounts in this column were included in the Salary and Non-Equity Incentive Compensation columns of the Summary Compensation Table above.

(2) All amounts in this column were included in the All Other Compensation column of the Summary Compensation Table above.

- (3) The amounts in this column include all interest accrued on contributions under the Executive Deferred Compensation Plan. The above-market portion of such earnings, as defined by the SEC, is included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table above.

Executive Deferred Compensation Plan

We adopted the Executive Deferred Compensation Plan in December 2004 as a successor to our former Supplemental Executive Retirement Plan, a substantially similar deferred compensation plan. The purpose of the Executive Deferred Compensation Plan is to help certain key individuals maximize their pre-tax savings and company contributions that are otherwise restricted due to tax limitations. Eligibility under the Executive Deferred Compensation Plan requires an individual to: (1) be a regular, full-time U.S. employee of ADS Alliance Data Systems, Inc., one of our wholly owned subsidiaries; (2) receive a base salary equal to or greater than \$150,000 on an annual basis, or have received total compensation on an annual basis of at least \$170,000 as of December 31, 2003 and have not fallen below that amount in any subsequent year; and (3) be a participant in the Alliance Data Systems 401(k) and Retirement Savings Plan. The Executive Deferred Compensation Plan allows the participant to contribute:

up to 50% of eligible compensation on a pre-tax basis;

any pre-tax 401(k) contributions that would otherwise be returned because of reaching the statutory limit under Section 415 of the Internal Revenue Code; and

any retirement savings plan contributions for compensation in excess of the statutory limits.

At the time of enrollment, a participant may direct the company to withhold a percentage of the participant's base salary and also, provided the enrollment is effective no later than April 1st of the applicable year, the performance-based cash incentive compensation earned for services performed in the year. The percentage selected for each type of compensation is determined by the participant and may be any whole number percentage up to 50%. A participant may terminate an election to make contributions to the Executive Deferred Compensation Plan at any time during the year, but may not decrease or increase the election until the next calendar year. In addition, we will allocate to the participant any contributions to the Alliance Data Systems 401(k) and Retirement Savings Plan that would otherwise have been returned to the participant as a result of the limit imposed by the Internal Revenue Code on such 401(k) contributions. This allocation includes non-matching retirement contributions and discretionary profit-sharing contributions to the Alliance Data Systems 401(k) and Retirement Savings Plan that were similarly restricted. Loans are not available under the Executive Deferred Compensation Plan. Contributions made under the Executive Deferred Compensation Plan are unfunded and generally subject to the claims of our general unsecured creditors.

Each participant is 100% vested in his or her own contributions. A participant becomes 100% vested in the retirement savings plan contributions after five continuous years of service. In the event of a change in control, as defined under the Executive Deferred Compensation Plan, participants will be 100% vested in their retirement savings plan contributions, and we will establish a rabbi trust to which we will contribute sufficient assets to fully fund all accounts under the Executive Deferred Compensation Plan. The assets in the rabbi trust will remain subject to the claims of our unsecured creditors. Account balances accrue interest at a rate of 8.0% per year, which is above market rates as defined by the SEC; this interest rate may be adjusted periodically by the committee of management that administers the Executive Deferred Compensation Plan.

A participant who is actively employed generally may not withdraw or otherwise access any amounts credited under the Executive Deferred Compensation Plan. However, at the time a participant elects to make elective contributions,

that participant may elect to have all contributions made pursuant to that election for that year distributed as of January 1 of any subsequent year, subject however, to any restriction imposed under Internal Revenue Code Section 409A. The distribution shall be made within 60 days of the specified date or, if earlier, the date required in the event of cessation of employment, retirement or disability, as described below. Furthermore, amounts may be withdrawn in the event of an unforeseeable emergency, within the meaning of Internal Revenue Code Section 409A(a)(2)(B)(ii). Any

such early withdrawal must be approved by the committee of management administering the Executive Deferred Compensation Plan and may not exceed the amount necessary to meet the emergency, taking into account other assets available to the participant, as well as any taxes incurred as a result of the distribution. If the committee of management administering the Executive Deferred Compensation Plan approves a distribution on this basis, the distribution shall be made as soon as practicable thereafter; and the participant's right to make elective contributions shall be suspended until the first day of the following year. If a participant ceases to be actively employed, retires or becomes disabled, the participant will receive the value of his or her account within 60 days of the end of the quarter in which he or she became eligible for the distribution unless the participant is a Specified Employee under Internal Revenue Code Section 409A, in which case distributions are delayed for six months following the end of the quarter in which the participant becomes eligible for the distribution, unless the executive officer dies before that time. Under current Internal Revenue Code Section 409A, each of our NEOs is considered a Specified Employee. In the event of termination due to death, the balance of the account will be distributed in one lump sum to the executive officer's designated beneficiary. A distribution from the Executive Deferred Compensation Plan is taxed as ordinary income and is not eligible for any special tax treatment. The Executive Deferred Compensation Plan is designed and administered to comply with the Internal Revenue Code Section 409A regulations.

Potential Payments upon Termination or Change in Control

Termination Following a Change in Control Event

We believe that executive performance generally may be hampered by distraction, uncertainty and other activities in the event of an actual or threatened change in control event. In order to reduce such adverse effects and encourage fair treatment of our executive officers in connection with any such change in control event, we have entered into a change in control agreement with each of our executive officers, including our NEOs.

Qualifying Terminations

Payouts under the change in control agreement are triggered upon a qualifying termination, defined in the change in control agreement as: (1) termination by the executive officer for good reason within two years of a change in control event; or (2) termination of the executive officer by the company without cause within two years of a change in control event. With regard to our chief executive officer, termination for good reason or termination without cause must occur within three years of a change in control event. A termination of the executive officer's employment due to disability, retirement or death will not constitute a qualifying termination.

Pursuant to the change in control agreement, cause for termination includes: (1) material breach of an executive officer's covenants or obligations under any applicable employment agreement or offer letter or any other agreement for services or non-compete agreement; (2) continued failure after written notice from the company or any applicable affiliate to satisfactorily perform assigned job responsibilities or to follow the reasonable instructions of the executive officer's superiors, including, without limitation, the board of directors; (3) commission of a crime constituting a felony (or its equivalent) under the laws of any jurisdiction in which we or any of our applicable affiliates conducts business or other crime involving moral turpitude; or (4) material violation of any material law or regulation or any policy or code of conduct adopted by the company or engaging in any other form of misconduct which, if it were made public, could reasonably be expected to adversely affect the business reputation or affairs of the company or of an affiliate. The board of directors, in good faith, shall determine all matters and questions relating to whether the executive officer has been discharged for cause. Pursuant to the change in control agreement, good reason for termination by the executive officer includes the occurrence of any of the following events, in each case without the executive officer's consent: (1) lessening of the executive officer's responsibilities; (2) a reduction of at least five percent in the executive officer's annual salary and/or incentive compensation; or (3) the company's requiring the executive officer to be based

anywhere other than within 50 miles of the executive officer's place of employment at the time of the occurrence of the change in control, except for reasonably required travel to the extent substantially consistent with the executive officer's business travel obligations as in existence at the time of the change in control. If an executive is party to an employment agreement, offer letter or any other agreement for services with us that contains a definition for either "cause" or "good reason" and that agreement is in effect at the time of termination of employment, the definition in that agreement will prevail over the definition contained in the change in control agreement described here.

Payments and Benefits Following a Qualifying Termination

Upon a qualifying termination, the executive officer will be paid all earned and accrued salary due and owing to the executive officer, a pro-rata portion of the executive officer's target bonus, continued medical, dental and hospitalization coverages for a pre-determined period, as described below, other benefits due under benefit plans, all accrued and unpaid vacation and a severance amount. For our chief executive officer, the severance amount is equal to three times the sum of his current base salary and target cash incentive compensation, and for our chief financial officer and other executive officers, the severance amount is equal to two times the sum of the executive officer's current base salary and target cash incentive compensation. Any severance amounts to which the executive officer is entitled will be paid in a lump sum within thirty days of execution by the executive officer of a general release. If an executive officer ceases to be actively employed following a change in control, he or she will receive the value of his or her deferred compensation account, if any, no earlier than six months following the end of the quarter in which the termination occurred, unless the executive officer dies before that time.

After a qualifying termination, the executive officer and his or her dependents are eligible to receive equivalent medical, dental and hospitalization coverages and benefits as provided to the executive officer immediately prior to the change in control event or qualifying termination. For our chief executive officer, such coverage and benefits will continue for a period of 36 months following a qualifying termination, and for our chief financial officer and other executive officers, for a period of 24 months following a qualifying termination. The change in control agreement further provides that if any payments or benefits that the executive officer receives are subject to the "golden parachute" excise tax imposed under Section 4999 of the Internal Revenue Code, the executive officer will be entitled to a "gross-up" payment so that the executive officer is placed in the same after-tax position as if no excise tax had been imposed.

Impact on Outstanding Equity

In the event of a change in control, all equity awards made to the executive officer that remain outstanding generally remain subject to the terms and conditions set forth in any governing plan or award documents applicable to the equity awards. Our equity plans provide that our board of directors may accelerate vesting of stock options and restricted stock or restricted stock units in the event of a change in control. Further, in the event of a qualifying termination within twelve months of a change in control event, all restrictions on stock options and restricted stock or restricted stock units will lapse. Stock options will be exercisable following a qualifying termination until the earlier of the end of the option term or the end of the one year period following a qualifying termination.

Other General Terms of the Change in Control Agreement

The change in control agreement provides a mechanism to resolve disputes, does not constitute a contract of employment, and automatically renews every three years unless we provide 90 days advance written notice of our intent to terminate.

Other Termination Events

Generally, our executive officers are not entitled to any payments, benefits or any accelerated vesting or lapse of restrictions with respect to their outstanding equity awards following a termination for

reasons other than a qualifying termination in connection with a change in control event. While we previously entered into employment agreements with Messrs. Parks and Szeftel to ensure their retention throughout the early stages of our growth, the terms of these employment agreements are generally no longer applicable except for certain severance or benefits in the event of a termination, as described below. Further, pursuant to the terms of our change in control agreements with our executive officers, as described above, if an executive officer becomes entitled to a severance amount under the change in control agreement, the executive officer will not be entitled to severance payments under any other agreement or arrangement, including any employment agreement.

J. Michael Parks. We entered into an employment agreement with Mr. Parks effective March 10, 1997 pursuant to which he serves as chairman of the board of directors and chief executive officer. Under this agreement, Mr. Parks is entitled to 18 months of continued base salary and benefits if terminated for any reason other than a qualifying termination in connection with a change in control event, which is governed by the terms of the change in control agreement discussed above.

Ivan M. Szeftel. We entered into an employment agreement with Mr. Szeftel dated May 4, 1998 pursuant to which he serves as the president of our retail services division. Except in connection with a qualifying termination in connection with a change in control event, which is governed by the terms of the change in control agreement discussed above, Mr. Szeftel's agreement provides for a severance payment equal to 12 months base salary if we terminate Mr. Szeftel's employment without cause or if Mr. Szeftel terminates his employment for good reason. We may elect to make this severance payment as a lump sum or in installments. If we elect to pay the severance amount in installments, Mr. Szeftel will be entitled to continued benefits for a period of 12 months. Mr. Szeftel's employment agreement contains definitions for the terms termination without cause and termination for good reason. Termination without cause includes termination for any reason other than the commission of a felony, dishonesty, fraud, material misrepresentation, willful misconduct and gross neglect of responsibilities. Good reason for termination by Mr. Szeftel includes the occurrence of any of the following events: (1) a material change in job title, position or responsibilities; (2) a change in required home base or work location; or (3) any material breach by the company of the terms of the employment agreement. Pursuant to the terms of the change in control agreement, these definitions in Mr. Szeftel's employment agreement apply in lieu of those set forth in the change in control agreement described above.

Impact on Outstanding Equity

Upon termination of an executive officer for cause, all unexercised options granted to the executive officer will immediately be forfeited. If an executive officer terminates employment for any other reason, including retirement, death or disability, but excluding a qualifying termination in connection with a change in control event, as described above, the executive officer may, for a limited time period, exercise those options that were exercisable immediately prior to his or her termination of employment. All unvested shares of restricted stock or restricted stock units granted to an executive officer will be forfeited upon that executive officer's termination of employment for any reason other than a qualifying termination in connection with a change in control event, as described above.

Distribution of Deferred Compensation

If an executive officer ceases to be actively employed, retires or becomes disabled, he or she will receive the value of his or her deferred compensation account, if any, no earlier than six months following the end of the quarter in which the termination occurred, unless the executive officer dies before that time. In the event of termination due to death, the balance of the account will be distributed in one lump sum to the executive officer's designated beneficiary.

The following tables show estimated payouts in the event of a termination of employment in the circumstances described above, assuming such event occurred as of December 31, 2006.

J. Michael Parks

Payments and Benefits Upon Separation	Change in Control: Termination Without Cause or Termination by Executive Officer for Good Reason	Termination for Any Reason Other Than Change in Control
Severance Amount	\$ 5,820,000 ⁽¹⁾	\$ 1,260,000 ⁽²⁾
Pro Rata Target Cash Incentive Compensation for 2006	\$ 1,100,000	
Benefits	\$ 32,165	\$ 16,083
Accelerated Equity	\$ 8,411,898 ⁽³⁾	
Excise Tax and Gross-Up	\$ 2,330,747 ⁽⁴⁾	

- (1) Represents the severance amount payable pursuant to the change in control agreement described above, and is equal to three times the sum of Mr. Parks' current base salary and target cash incentive compensation.
- (2) Represents the salary continuation pursuant to Mr. Parks' employment agreement, as described above, and is equal to 18 months current base salary.
- (3) Represents the intrinsic value of Mr. Parks' accelerated stock options and the value of Mr. Parks' accelerated restricted stock and restricted stock units as if exercised or sold on December 31, 2006, calculated in each case using the closing price of our common stock on December 29, 2006 (\$62.47).
- (4) Represents the gross-up payment in respect of the excise tax imposed by Section 4999 of the Internal Revenue Code, so that Mr. Parks would be placed in the same after-tax position as if no excise tax had been imposed.

Ivan M. Szeftel

Payments and Benefits Upon Separation	Change in Control: Termination Without Cause or Termination by Executive Officer for Good Reason	Termination Without Cause or Termination by Executive Officer for Good Reason	Termination for Any Other Reason

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Severance Amount	\$ 2,070,000 ⁽¹⁾	\$ 460,000 ⁽²⁾
Pro Rata Target Cash Incentive Compensation for 2006	\$ 575,000	
Benefits	\$ 21,177	\$ 10,588 ⁽³⁾
Value of Accelerated Equity	\$ 3,755,258 ⁽⁴⁾	
Excise Tax and Gross-Up ⁽⁵⁾		

- (1) Represents the severance amount pursuant to the change in control agreement described above, and is equal to two times the sum of Mr. Szeftel's current base salary and target cash incentive compensation.
- (2) Represents the severance amount pursuant to Mr. Szeftel's employment agreement, as described above, and is equal to 12 months current base salary.
- (3) Depending on how we elect to pay Mr. Szeftel the severance amount, benefits may or may not be continued during the one year severance period.
- (4) Represents the intrinsic value of Mr. Szeftel's accelerated stock options and the value of Mr. Szeftel's accelerated restricted stock and restricted stock units as if exercised or sold on December 31, 2006, calculated in each case using the closing price of our common stock on December 29, 2006 (\$62.47).
- (5) We have determined that the payments to Mr. Szeftel in the event of a qualifying termination following a change in control event on December 31, 2006 are not excess parachute payments for purposes of Section 280G of the Internal Revenue Code, and are therefore not subject to excise tax and a corresponding gross-up payment.

Edward J. Heffernan

Payments and Benefits Upon Separation	Change in Control: Termination Without Cause or Termination by Executive Officer for Good Reason	Termination for Any Reason Other Than Change in Control
Severance Amount	\$ 1,680,000 ⁽¹⁾	
Pro Rata Target Cash Incentive Compensation for 2006	\$ 440,000	
Benefits	\$ 20,137	
Value of Accelerated Equity	\$ 2,845,343 ⁽²⁾	
Excise Tax and Gross-Up ⁽³⁾		

- (1) Represents the severance amount pursuant to the change in control agreement described above, and is equal to two times the sum of Mr. Heffernan's current base salary and target cash incentive compensation.
- (2) Represents the intrinsic value of Mr. Heffernan's accelerated stock options and the value of Mr. Heffernan's accelerated restricted stock and restricted stock units as if exercised or sold on December 31, 2006, calculated in each case using the closing price of our common stock on December 29, 2006 (\$62.47).
- (3) We have determined that the payments to Mr. Heffernan in the event of a qualifying termination following a change in control event on December 31, 2006 are not "excess parachute payments" for purposes of Section 280G of the Internal Revenue Code, and are therefore not subject to excise tax and a corresponding gross-up payment.

John W. Scullion⁽¹⁾

Payments and Benefits Upon Separation	Change in Control: Termination Without Cause or Termination by Executive Officer for Good Reason	Termination for Any Reason Other Than Change in Control
Severance Amount	\$ 2,199,494 ⁽²⁾	
Pro Rata Target Cash Incentive Compensation for 2006	\$ 550,125	
Benefits	\$ 49,749 ⁽³⁾	
Value of Accelerated Equity	\$ 3,511,152 ⁽⁴⁾	
Excise Tax and Gross-Up ⁽⁵⁾		

- (1) Amounts included in this table are shown in US Dollars but would be paid to Mr. Scullion in Canadian Dollars.
- (2) Represents the severance amount pursuant to the change in control agreement described above, and is equal to two times the sum of Mr. Scullion's current base salary and target cash incentive compensation.
- (3) Represents amounts that would be paid on behalf of Mr. Scullion in connection with the Canadian Employer Health Insurance Supplement.
- (4) Represents the intrinsic value of Mr. Scullion's accelerated stock options and the value of Mr. Scullion's accelerated restricted stock and restricted stock units as if exercised or sold on December 31, 2006, calculated in each case using the closing price of our common stock on December 29, 2006 (\$62.47).
- (5) We have determined that the payments to Mr. Scullion in the event of a qualifying termination following a change in control event on December 31, 2006 are not excess parachute payments for purposes of Section 280G of the Internal Revenue Code, and are therefore not subject to excise tax and a corresponding gross-up payment.

Dwayne H. Tucker

Payments and Benefits Upon Separation	Change in Control: Termination Without Cause or	Termination for Any Reason Other Than Change in Control
	Termination by Executive Officer for Good Reason	
Severance Amount	\$ 1,642,500 ⁽¹⁾	
Pro Rata Target Cash Incentive Compensation for 2006	\$ 456,250	
Benefits	\$ 20,404	
Value of Accelerated Equity	\$ 3,525,435 ⁽²⁾	
Excise Tax and Gross-Up ⁽³⁾		

- (1) Represents the severance amount pursuant to the change in control agreement described above, and is equal to two times the sum of Mr. Tucker's current base salary and target cash incentive compensation.
- (2) Represents the intrinsic value of Mr. Tucker's accelerated stock options and the value of Mr. Tucker's accelerated restricted stock and restricted stock units as if exercised or sold on December 31, 2006, calculated in each case using the closing price of our common stock on December 29, 2006 (\$62.47).
- (3) We have determined that the payments to Mr. Tucker in the event of a qualifying termination following a change in control event on December 31, 2006 are not excess parachute payments for purposes of Section 280G of the Internal Revenue Code, and are therefore not subject to excise tax and a corresponding gross-up payment.

Director Compensation

Name⁽¹⁾	Fees Earned or Paid in Cash (\$)⁽²⁾	Stock Awards (\$)⁽³⁾	Option Awards (\$)⁽⁴⁾	Change in Pension Value and Non-qualified Incentive Deferred		All Compensation Other (\$)	Total (\$)
				Plan Compensation (\$)	Earnings Compensation (\$)		
Bruce K. Anderson	\$ 44,500	\$ 34,024	\$ 57,261				\$ 135,785
Roger H. Ballou	\$ 64,500	\$ 34,024	\$ 57,261		\$ 100		\$ 155,885
Lawrence M. Benveniste, Ph.D.	\$ 51,000	\$ 34,024	\$ 66,127		\$ 100		\$ 151,251
D. Keith Cobb	\$ 60,500	\$ 34,024	\$ 66,127				\$ 160,651
E. Linn Draper, Jr., Ph.D.	\$ 51,000	\$ 34,633	\$ 41,026		\$ 100		\$ 126,759

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Kenneth R. Jensen	\$ 64,500	\$ 34,024	\$ 73,932	\$ 172,456
Robert A. Minicucci	\$ 54,000	\$ 34,024	\$ 51,704	\$ 139,728

- (1) J. Michael Parks, Chairman of the Board of Directors and Chief Executive Officer, is not included in this table because he is an associate of the company and thus receives no compensation for his service as a director. The compensation received by Mr. Parks as an associate of the company is shown in the Summary Compensation Table above.
- (2) This column includes amounts deferred pursuant to the Non-Employee Director Deferred Compensation Plan, as follows: \$15,000 deferred by Mr. Ballou, \$15,000 deferred by Mr. Benveniste and \$15,000 deferred by Mr. Draper.
- (3) The full grant date fair value under SFAS 123(R) of awards made in 2006 is \$24,553.38.
- (4) The full grant date fair value under SFAS 123(R) of awards made in 2006 is \$33,342.93.

The amounts reported in the Stock Awards and Option Awards columns reflect the dollar amount, without any reduction for risk of forfeiture, recognized for financial reporting purposes for the fiscal year ended December 31, 2006 of awards of stock options and restricted stock to each of the directors calculated in accordance with the provisions of SFAS 123(R), and were calculated using certain assumptions, as set forth in Note 13 to our audited financial statements for the fiscal year ended December 31, 2006, included in our Annual Report on Form 10-K, filed with the SEC on February 26, 2007. These amounts may include amounts from awards granted in and prior to 2006. This means that these numbers will be hard to compare with prior proxy statements. The full grant date fair value of these Stock Awards and Option Awards granted in 2006, calculated in accordance with SFAS 123(R) and

indicated by footnote to this table, reflects the total amount of the awards to be spread over the applicable vesting period. Awards granted in 2006 and included in the Stock Awards and Option Awards columns were granted pursuant to the 2005 Long Term Incentive Plan, discussed in further detail above under the caption Equity Incentive Compensation.

The amounts reported in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column are comprised entirely of above-market earnings on compensation deferred pursuant to the Non-Employee Director Deferred Compensation Plan, as described below. Above-market earnings represent the difference between market interest rates determined pursuant to SEC rules and the 8.0% annual interest rate credited by the company on contributions.

Director Aggregate Outstanding Equity Awards at Fiscal Year-End

Name	Stock Awards (#) ⁽¹⁾	Option Awards Exercisable (#)	Option Awards Unexercisable (#)
Bruce K. Anderson	2,786	53,102	4,889
Roger H. Ballou	2,786	11,102	4,889
Lawrence M. Benveniste, Ph.D.	1,695	4,230	5,553
D. Keith Cobb	1,695	4,230	5,553
E. Linn Draper, Jr., Ph.D.	1,251	2,316	4,889
Kenneth R. Jensen	2,786	52,438	5,553
Robert A. Minicucci	2,786	55,479	2,512

(1) Stock awards listed in this column are fully vested but may not be sold or otherwise transferred until one year after the applicable director's service on the board of directors terminates.

Members of our board of directors who are also officers or officers or employees of our company do not receive compensation for their services as directors. All directors are reimbursed for reasonable out-of-pocket expenses incurred while serving on the board of directors and any committee of the board of directors. For the 2005–2006 term of the board of directors, beginning in June 2005 and ending in June 2006, non-employee director compensation included:

an annual cash retainer of \$30,000;

a cash fee per board of directors meeting of \$1,500;

a cash fee per committee meeting for committee members (other than committee chairs) of \$1,000;

a cash fee per committee meeting for committee chairs of \$1,500; and

an annual equity award valued at \$80,000, delivered 70% in nonqualified stock options and 30% in restricted stock (the stock options are valued using the Binomial-Lattice model, which uses the 45-day average closing price multiplied by the binomial value as determined by an outside consultant, and the number of shares of restricted stock is determined using the 45-day average closing price).

The non-employee director compensation package was revised for the 2006 – 2007 term of the board of directors, beginning in June 2006 and ending in June 2007, to better align the company's total board of directors compensation package with market competitive rates. While the meeting fees and annual equity award remain unchanged, the annual cash retainer was increased from \$30,000 to \$40,000 and the following cash retainers were added:

audit committee chair retainer of \$10,000;

audit committee member retainer of \$2,500;

compensation committee chair retainer of \$5,000; and

nominating/corporate governance committee chair retainer of \$5,000.

The annual cash retainers and equity awards are paid at the beginning of the director's service year, and prior year meeting fees are paid at the end of the service year. While the restricted stock granted is immediately vested, non-employee directors may not sell or otherwise transfer the stock until one year after their service on the board of directors terminates. The exercise price for stock options granted in 2006 is the fair market value of our common stock on the date of the grant, which, according to the terms of each of our equity plans, is equal to the average of the high and low prices on the New York Stock Exchange during the trading hours on the date of grant. The stock options granted each year to a director vest ratably over the remaining one, two or three years of that director's service term. This means that in addition to length of tenure, the number of exercisable and unexercisable stock options held by each director, as set forth above, will vary by class of director. Stock options expire ten years after the date of grant, if unexercised. During 2006, we granted a total of 3,206 shares of our common stock and 17,584 stock options to the board of directors, in each case, pursuant to the 2005 Long Term Incentive Plan.

We offer our non-employee directors the option to defer up to 50% of their cash compensation under our Non-Employee Director Deferred Compensation Plan. Any non-employee director is eligible to participate in the Non-Employee Director Deferred Compensation Plan. To be eligible to make contributions, a director must complete and file an enrollment form prior to the beginning of the calendar year in which the director performs the services for which the election is to be effective. Participants are always 100% vested in their contributions and related earnings. Account balances accrue interest at a rate of 8.0% per year, which is currently above market rates as defined by the SEC; this interest rate may be adjusted periodically by the committee of management that administers the Non-Employee Director Deferred Compensation Plan, which committee also administers the Executive Deferred Compensation Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 12, 2007: (1) by each director and nominee for director; (2) by each of the named executive officers included in the Summary Compensation Table set forth under the caption Director and Executive Compensation ; (3) by all of our directors and executive officers as a group; and (4) by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock. Except as otherwise indicated, the named beneficial owner has sole voting and investment power with respect to the shares held by such beneficial owner. The shares owned by our directors and executive officers, as indicated below, may be pledged pursuant to the terms of the individual s customary brokerage agreements.

Name of Beneficial Owner	Shares Beneficially Owned ⁽¹⁾	Percent of Shares Beneficially Owned ⁽¹⁾
J. Michael Parks ⁽²⁾	775,560	1.0%
Ivan M. Szeftel ⁽³⁾	212,229	*
John W. Scullion ⁽⁴⁾	215,512	*
Edward J. Heffernan ⁽⁵⁾	124,351	*
Dwayne H. Tucker ⁽⁶⁾	124,933	*
Bruce K. Anderson ⁽⁷⁾	899,064	1.1%
Roger H. Ballou ⁽⁸⁾	16,559	*
Lawrence M. Benveniste, Ph.D. ⁽⁹⁾	11,478	*
D. Keith Cobb ⁽¹⁰⁾	12,278	*
E. Linn Draper, Jr., Ph.D. ⁽¹¹⁾	4,738	*
Kenneth R. Jensen ⁽¹²⁾	70,777	*
Robert A. Minicucci ⁽¹³⁾	199,583	*
All directors and executive officers as a group (19 individuals) ⁽¹⁴⁾	3,024,285	3.8%
TimesSquare Capital Management, LLC ⁽¹⁵⁾ 1177 Avenue of the Americas, 39 th Floor New York, New York 10036	4,124,933	5.2%

* Less than 1%

(1) Beneficial ownership is determined in accordance with the SEC s rules. In computing percentage ownership of each person, shares of common stock subject to options held by that person that are currently exercisable, or exercisable within 60 days of April 12, 2007, are deemed to be beneficially owned. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of each other person. The percentage of shares beneficially owned is based upon 78,658,735 shares of common stock outstanding as of April 12, 2007.

(2) Includes options to purchase 698,013 shares of common stock which are exercisable within 60 days of April 12, 2007.

(3)

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Includes options to purchase 164,379 shares of common stock which are exercisable within 60 days of April 12, 2007.

- (4) Includes options to purchase 164,018 shares of common stock which are exercisable within 60 days of April 12, 2007.
- (5) Includes options to purchase 83,285 shares of common stock which are exercisable within 60 days of April 12, 2007.
- (6) Includes options to purchase 109,700 shares of common stock which are exercisable within 60 days of April 12, 2007.
- (7) Includes options to purchase 54,273 shares of common stock which are exercisable within 60 days of April 12, 2007. This amount does not include options to purchase 1,256 shares of common stock, which are exercisable on June 12, 2007.
- (8) Includes options to purchase 12,273 shares of common stock, which are exercisable within 60 days of April 12, 2007. This amount does not include options to purchase 1,256 shares of common stock, which are exercisable on June 12, 2007.
- (9) Includes options to purchase 9,783 shares of common stock, which are exercisable within 60 days of April 12, 2007.
- (10) Includes options to purchase 9,783 shares of common stock, which are exercisable within 60 days of April 12, 2007.
- (11) Includes options to purchase 3,487 shares of common stock, which are exercisable within 60 days of April 12, 2007. This amount does not include options to purchase 1,256 shares of common stock, which are exercisable on June 12, 2007.
- (12) Includes options to purchase 57,991 shares of common stock, which are exercisable within 60 days of April 12, 2007.

- (13) Includes options to purchase 55,479 shares of common stock which are exercisable within 60 days of April 12, 2007. This amount does not include options to purchase 828 shares of common stock, which are exercisable on June 12, 2007.
- (14) Includes options to purchase an aggregate of 1,678,500 shares of common stock which are exercisable within 60 days of April 12, 2007 held by Messrs. Parks, Szeftel, Scullion, Heffernan, Tucker, Utay, Finkelman, Taylor, Carter, Iaccarino, Kubic, Pearson, Anderson, Ballou, Benveniste, Cobb, Draper, Jensen and Minicucci.
- (15) Based on a Schedule 13G filed with the SEC on February 9, 2007, TimesSquare Capital Management, LLC beneficially owns 4,124,933 shares of common stock, 3,535,352 of which it has sole voting power and 4,124,933 of which it has sole dispositive power.

REPORT OF THE AUDIT COMMITTEE

The audit committee of the board of directors assists the board of directors in fulfilling its oversight responsibilities by reviewing: (1) the integrity of the company's financial statements; (2) the company's compliance with legal and regulatory requirements; (3) the independent accountant's qualifications and independence; and (4) the performance of the company's internal audit department. The audit committee appoints, compensates, and oversees the work of the independent accountant. The audit committee reviews with the independent accountant the plans and results of the audit engagement, approves and pre-approves professional services provided by the independent accountant, considers the range of audit and non-audit fees, and reviews the adequacy of the company's financial reporting process. The audit committee met with the independent accountant without the presence of any of the other members of the board of directors or management and met with the full board of directors without the presence of the independent accountant to help ensure the independence of the independent accountant. The board of directors has adopted a written charter for the audit committee, posted at <http://www.alliancedata.com>.

The audit committee obtained from the independent accountant, Deloitte & Touche LLP, a formal written statement describing all relationships between the company and the independent accountant that might bear on the accountant's independence, and has discussed with the independent accountant the independent accountant's independence. Consistent with the Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, the audit committee has satisfied itself that the non-audit services provided by the independent accountant are compatible with maintaining the independent accountant's independence. The audit committee reviewed with the independent accountant the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees, as amended, issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. The lead audit partner having primary responsibility for the audit and the concurring audit partner will be rotated at least every five years. The audit committee also discussed with management, internal audit, and the independent accountant the quality and adequacy of the company's disclosure controls and procedures. In addition, the audit committee reviewed with internal audit the risk-based audit plan, responsibilities, budget, and staffing.

The audit committee reviewed and discussed with management, internal audit and the independent accountant the company's system of internal control over financial reporting in compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The audit committee discussed the classification of deficiencies under standards established by the Public Company Accounting Oversight Board (United States). Management determined and the independent accountant concluded that no identified deficiency, nor the aggregation of same, rose to the level of a material weakness based on the independent accountant's judgment.

The audit committee reviewed and discussed with management and the independent accountant the audited financial statements for the year ended December 31, 2006. Management has the responsibility for the preparation of the financial statements and the reporting process. The independent accountant has the responsibility for the examination of the financial statements and expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States. Based on the review and discussions with management and the independent accountant as described in this report, the audit committee recommended to the board of directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2006, as filed with the SEC.

This report has been furnished by the current members of the audit committee.

D. Keith Cobb, Chair
Roger H. Ballou

Kenneth R. Jensen

PROPOSAL TWO: RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

During fiscal year 2006, Deloitte & Touche LLP served as the independent registered public accounting firm for the company and also provided certain tax and other audit-related services. See Fees and Services below. A representative of Deloitte & Touche LLP is expected to be present at the 2007 annual meeting and will have an opportunity to make a statement if so desired and to answer appropriate questions from the stockholders.

In connection with the audit of the 2006 financial statements, we entered into an engagement letter with Deloitte & Touche LLP which set forth the terms by which Deloitte & Touche LLP performed audit services for us. That engagement letter is subject to a limitation on our right to assign or transfer a claim without the prior written consent of Deloitte & Touche LLP. The audit committee does not believe that such provision limits the ability of stockholders to seek redress from Deloitte & Touche LLP.

Required Vote and Recommendation

If a quorum is present and a majority of the shares represented, in person or by proxy, and entitled to vote are in favor of Proposal Two, the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2007 will be ratified. Votes marked For Proposal Two will be counted in favor of ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2007. An

Abstention with respect to Proposal Two will not be voted on that item, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an Abstention will have the effect of a vote Against Proposal Two. Except as otherwise directed and except for those proxies representing shares held in the ADS Stock Fund portion of the Alliance Data Systems 401(k) and Retirement Savings Plan for which no voting preference is indicated, proxies solicited by the board of directors will be voted to approve the selection by the audit committee of Deloitte & Touche LLP as the independent registered public accounting firm of the company for the fiscal year ending December 31, 2007.

Stockholder ratification of the selection of Deloitte & Touche LLP as the company's independent registered public accounting firm is not required by our bylaws or otherwise. However, the board of directors is submitting the selection of Deloitte & Touche LLP to the stockholders for ratification. If the stockholders do not ratify the selection, the audit committee will reconsider whether it is appropriate to select a different independent registered public accounting firm. In such event, the audit committee may retain Deloitte & Touche LLP, notwithstanding the fact that the stockholders did not ratify the selection, or may select another independent registered public accounting firm without re-submitting the matter to the stockholders. Even if the selection is ratified, the audit committee reserves the right in its discretion to select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the company and its stockholders.

Fees and Services

The billed fees for services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, during 2005 and 2006 were as follows:

	2005	2006
Audit Fees ⁽¹⁾	\$ 2,514,756	\$ 2,640,000
Audit-Related Fees ⁽²⁾	1,030,140	730,000

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Tax Fees ⁽³⁾	645,529	977,275
All Other Fees ⁽⁴⁾	130,090	125,000
Total Fees	\$ 4,320,785	\$ 4,472,275

- (1) Consists of fees for the audits of our financial statements for the years ended December 31, 2005 and 2006, reviews of our interim quarterly financial statements, and evaluation of our compliance with Section 404 of the Sarbanes-Oxley Act.

- (2) Consists of fees for service auditors reports (SAS 70), accounting consultations, credit card receivables master trust securitizations, review and support for securities issuances as well as acquisition assistance.
- (3) Tax consultation and advice and tax return preparation.
- (4) Other fees include due diligence and securitization related assistance.

Our audit committee has resolved to pre-approve all audit and permissible non-audit services to be performed for us by our independent accountant, Deloitte & Touche LLP. The audit committee pre-approved all fees noted above for 2006. Non-audit services that have received pre-approval include tax preparation, tax consultation and advice, assistance with our securitization program, SAS 70 reporting and acquisition assistance. The audit committee has considered whether the provision of the above services is compatible with maintaining the independent accountant's independence. The members of our audit committee believe that the payment of the fees set forth above would not prohibit Deloitte & Touche LLP from maintaining its independence.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR 2007.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who beneficially own more than 10% of our common stock, to file reports of ownership and changes in ownership of our common stock with the SEC and the New York Stock Exchange. Our directors, executive officers, and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies furnished to us and representations from our directors and executive officers, we believe that all Section 16(a) filing requirements for the year ended December 31, 2006 applicable to our directors, executive officers, and greater than 10% beneficial owners were satisfied. Based on written representations from our directors and executive officers, we believe that no Forms 5 for directors, executive officers and greater than 10% beneficial owners were required to be filed with the SEC that have not been filed for the period ended December 31, 2006.

INCORPORATION BY REFERENCE

With respect to any filings with the SEC into which this proxy statement is incorporated by reference, the material under the headings Compensation Committee Report and Report of the Audit Committee shall not be incorporated into such filings nor shall it be deemed filed.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

If you and other residents at your mailing address own shares of common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which you hold stock through that broker or bank. Nevertheless, each stockholder will receive a separate proxy card. This practice, known as householding, is designed to reduce our printing and postage costs. If you did not respond that you did not want to participate in householding, the broker or bank will assume that you have consented and will send one copy of our annual report and proxy statement to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to Household Department, 51 Mercedes Way, Edgewood, New York 11717. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if you did not receive an individual copy of this proxy statement or our annual report, we will send a copy upon written or oral request. Requests should be directed to Alan M. Utay, Corporate Secretary, Alliance Data Systems Corporation, 17655 Waterview Parkway, Dallas, Texas 75252.

OTHER MATTERS

The board of directors knows of no matters that are likely to be presented for action at the annual meeting other than the re-election of directors and the ratification of the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the company for 2007, as previously described. If any other matter properly comes before the annual meeting for action, it is intended that the persons named in the accompanying proxy and acting hereunder will vote or refrain from voting in accordance with their best judgment pursuant to the discretionary authority conferred by the proxy.

By order of the Board of Directors

J. Michael Parks
Chairman of the Board of Directors and
Chief Executive Officer

April 27, 2007
Dallas, Texas

Electronic Voting Instructions

**You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 p.m., Eastern Time, on June 5, 2007.

Vote by Internet

Log on to the Internet and go to **www.investorvote.com**

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

X

Annual Meeting Proxy Card

6 IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. 6

A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.

1. Election of Directors:	For	Withhold		For	Withhold		For	Withhold
01 - Lawrence M. Benveniste, Ph.D.	<input type="radio"/>	<input type="radio"/>	02 - D. Keith Cobb	<input type="radio"/>	<input type="radio"/>	03 - Kenneth R. Jensen	<input type="radio"/>	<input type="radio"/>

	For	Against	Abstain
2. To ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of Alliance Data Systems Corporation for 2007.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

IN THEIR DISCRETION, THE PROXIES ARE ALSO AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, MANAGEMENT PRESENTLY IS NOT AWARE OF ANY SUCH MATTERS TO BE PRESENTED FOR ACTION.

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

Please
print
date
below.

/ /

6 IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.6

Proxy - ALLIANCE DATA SYSTEMS CORPORATION

ANNUAL MEETING OF STOCKHOLDERS

This Proxy is Solicited by the Board of Directors of Alliance Data Systems Corporation for use at the Annual Meeting on June 6, 2007

By signing this proxy, you revoke all prior proxies and appoint Edward J. Heffernan and Michael D. Kubic, and each of them, with each having the full power to appoint his substitute, to represent and to vote all the shares of Common Stock of Alliance Data Systems Corporation you held in your account on April 12, 2007 at the Annual Meeting of Stockholders of Alliance Data Systems Corporation, and any adjournment or postponement of such meeting, in the manner specified on the other side of this proxy. **If no direction is given, this proxy will be voted for the election of the directors indicated and for the approval of Proposal Two.** In their discretion, Mr. Heffernan and Mr. Kubic are also authorized to vote upon such other matters as may properly come before the meeting. Management presently is not aware of any such matters to be presented for action.

See reverse for voting instructions.

Electronic Voting Instructions

**You can vote by Internet or telephone!
Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 p.m., Eastern Time, on June 1, 2007.

Vote by Internet

Log on to the Internet and go to **www.investorvote.com**

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

X

Annual Meeting Proxy Card

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A Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.

1. Election of Directors:	For	Withhold		For	Withhold		For	Withhold
01 - Lawrence M. Benveniste, Ph.D.	<input type="radio"/>	<input type="radio"/>	02 - D. Keith Cobb	<input type="radio"/>	<input type="radio"/>	03 - Kenneth R. Jensen	<input type="radio"/>	<input type="radio"/>

	For	Against	Abstain
2. To ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of Alliance Data Systems Corporation for 2007.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

IN THEIR DISCRETION, THE PROXIES ARE ALSO AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, MANAGEMENT PRESENTLY IS NOT AWARE OF ANY SUCH MATTERS TO BE PRESENTED FOR ACTION.

B Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.
(mm/dd/yyyy)

Please
print
date
below.

/ /

6 IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.6

Proxy ALLIANCE DATA SYSTEMS CORPORATION

ANNUAL MEETING OF STOCKHOLDERS

This proxy is solicited by the Board of Directors of Alliance Data Systems Corporation for use at the Annual Meeting on June 6, 2007

By signing this proxy, you revoke all prior proxies and appoint The 401(k) Company, having the full power to appoint its substitute, to represent and to vote all the shares of Common Stock of Alliance Data Systems Corporation you held in your ADS Stock Fund account on April 12, 2007 at the Annual Meeting of Stockholders of Alliance Data Systems Corporation, and any adjournment or postponement of such meeting, in the manner specified on the other side of this proxy. The 401(k) Company will only vote shares as directed and will not vote those for which no direction is received. All voting instructions must be received by the close of business on June 1, 2007 in order to be included in the tabulation.

On the reverse side of this proxy card are instructions for voting on the matters that will be considered at the Annual Meeting of Stockholders to be held on June 6, 2007. Additional information about Alliance Data Systems Corporation and the matters to be voted on are included in our Proxy Statement and 2006 Annual Report.

PROXY VOTING CARD IN CONNECTION WITH THE ADS STOCK FUND IN THE ALLIANCE DATA SYSTEMS CORPORATION 401(k) AND RETIREMENT SAVINGS PLAN

Shown on the reverse side of this proxy card are the number of shares of Common Stock of Alliance Data Systems Corporation, if any, beneficially held by you in the ADS Stock Fund portion of your 401(k) and Retirement Savings Plan as of April 12, 2007. The number of shares held in the ADS Stock Fund were provided by The 401(k) Company. By completing and mailing this card in time for delivery before June 1, 2007, you will have voted all of your shares held in the ADS Stock Fund. If you own shares of Common Stock of Alliance Data Systems Corporation outside of this plan, you will receive separate proxy materials that you should complete and return in the envelope provided with those materials.

Voting Authorization for ADS Stock Fund - I hereby appoint The 401(k) Company, as proxy, with the power to appoint its substitute, and hereby authorize them to represent and to vote, as designated on the reverse side, all the shares of Common Stock of Alliance Data Systems Corporation beneficially held by me in the ADS Stock Fund on April 12, 2007, at the Annual Meeting of Stockholders of Alliance Data Systems Corporation to be held on June 1, 2007, and at any adjournment or postponement thereof, in the manner specified on the reverse side of this proxy card. With respect to the ADS Stock Fund shares, this proxy, when properly executed, will be voted as directed by the undersigned stockholder. **If no direction is given, this proxy will not be voted.**

See reverse for voting instructions.

(continued, and to be signed and dated, on the reverse side)