

---

---

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

---

**FORM 10-Q**

---

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

For the quarterly period ended June 30, 2015

OR

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

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

Commission file number: 001-33225

---

**Great Lakes Dredge & Dock Corporation**

(Exact name of registrant as specified in its charter)

---

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

**2122 York Road, Oak Brook, IL**  
(Address of principal executive offices)

**20-5336063**  
(I.R.S. Employer  
Identification No.)

**60523**  
(Zip Code)

**(630) 574-3000**  
(Registrant's telephone number, including area code)

---

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

As of July 31, 2015, 60,521,274 shares of the Registrant's Common Stock, par value \$.0001 per share, were outstanding.

---

---

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the Quarterly Period ended June 30, 2015

INDEX

|   | <u>Page</u> |
|---|-------------|
| <b><a href="#">Part I Financial Information (Unaudited)</a></b>   | <b>3</b>    |
| Item 1 <a href="#">Financial Statements</a>   | 3           |
| <a href="#">Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014</a>                                      | 3           |
| <a href="#">Condensed Consolidated Statements of Operations for the Three and Six Months ended June 30, 2015 and 2014</a>         | 4           |
| <a href="#">Condensed Consolidated Statements of Comprehensive Loss for the Three and Six Months ended June 30, 2015 and 2014</a> | 5           |
| <a href="#">Condensed Consolidated Statements of Equity for the Six Months ended June 30, 2015 and 2014</a>                       | 6           |
| <a href="#">Condensed Consolidated Statements of Cash Flows for the Six Months ended June 30, 2015 and 2014</a>                   | 7           |
| <a href="#">Notes to Condensed Consolidated Financial Statements</a>  | 8           |
| Item 2 <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>                      | 28          |
| Item 3 <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>   | 37          |
| Item 4 <a href="#">Controls and Procedures</a>  | 38          |
| <b><a href="#">Part II Other Information</a></b>  | <b>39</b>   |
| Item 1 <a href="#">Legal Proceedings</a>  | 39          |
| Item 1A <a href="#">Risk Factors</a>  | 39          |
| Item 2 <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>  | 39          |
| Item 3 <a href="#">Defaults Upon Senior Securities</a>  | 39          |
| Item 4 <a href="#">Mine Safety Disclosures</a>  | 39          |
| Item 5 <a href="#">Other Information</a>  | 39          |
| Item 6 <a href="#">Exhibits</a>   | 40          |
| <a href="#">Signature</a>   | 41          |
| <a href="#">Exhibit Index</a>   | 42          |

**PART I — Financial Information****Item 1. Financial Statements.****GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****Condensed Consolidated Balance Sheets  
(Unaudited)  
(in thousands, except per share amounts)**

|  | June 30,<br>2015        | December 31,<br>2014     |
|--|-------------------------|--------------------------|
| <b>ASSETS</b>  |                         |                          |
| <b>CURRENT ASSETS:</b>   |                         |                          |
| Cash and cash equivalents  | \$ 14,696               | \$ 42,389                |
| Accounts receivable — net  | 106,592                 | 113,188                  |
| Contract revenues in excess of billings  | 116,552                 | 82,557                   |
| Inventories  | 34,205                  | 34,735                   |
| Prepaid expenses and other current assets  | 67,730                  | 69,375                   |
| Total current assets   | <u>339,775</u>          | <u>342,244</u>           |
| PROPERTY AND EQUIPMENT — Net   | 418,308                 | 399,445                  |
| GOODWILL AND OTHER INTANGIBLE ASSETS — Net   | 89,014                  | 95,289                   |
| INVENTORIES — Noncurrent   | 37,084                  | 36,262                   |
| INVESTMENTS IN JOINT VENTURES  | 5,859                   | 7,889                    |
| OTHER  | 12,209                  | 12,105                   |
| <b>TOTAL</b>   | <b><u>\$902,249</u></b> | <b><u>\$ 893,234</u></b> |
| <b>LIABILITIES AND EQUITY</b>  |                         |                          |
| <b>CURRENT LIABILITIES:</b>  |                         |                          |
| Accounts payable   | \$ 119,119              | \$ 119,971               |
| Accrued expenses   | 60,884                  | 70,041                   |
| Billings in excess of contract revenues  | 3,904                   | 4,639                    |
| Current portion of long term debt  | 8,272                   | 5,859                    |
| Total current liabilities  | <u>192,179</u>          | <u>200,510</u>           |
| 7 $\frac{3}{8}$ % SENIOR NOTES   | 274,895                 | 274,880                  |
| REVOLVING CREDIT FACILITY  | 18,000                  | —                        |
| NOTES PAYABLE  | 53,880                  | 49,497                   |
| DEFERRED INCOME TAXES  | 89,368                  | 92,007                   |
| OTHER  | 21,759                  | 20,377                   |
| Total liabilities  | <u>650,081</u>          | <u>637,271</u>           |
| <b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>  |                         |                          |
| <b>EQUITY:</b>   |                         |                          |
| Common stock — \$.0001 par value; 90,000 authorized, 60,521 and 60,170 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively. | 6                       | 6                        |
| Additional paid-in capital   | 280,792                 | 278,166                  |
| Accumulated deficit  | (27,141)                | (21,475)                 |
| Accumulated other comprehensive loss   | (1,489)                 | (734)                    |
| Total equity   | <u>252,168</u>          | <u>255,963</u>           |
| <b>TOTAL</b>   | <b><u>\$902,249</u></b> | <b><u>\$ 893,234</u></b> |

See notes to unaudited condensed consolidated financial statements.

## Great Lakes Dredge &amp; Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations  
(Unaudited)  
(in thousands, except per share amounts)

|  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|--|--------------------------------|-------------------|------------------------------|-------------------|
|  | 2015                           | 2014              | 2015                         | 2014              |
| Contract revenues  | \$238,877                      | \$184,709         | \$413,434                    | \$359,091         |
| Costs of contract revenues   | 206,590                        | 158,506           | 370,465                      | 311,981           |
| Gross profit   | 32,287                         | 26,203            | 42,969                       | 47,110            |
| General and administrative expenses  | 15,543                         | 15,918            | 33,491                       | 33,788            |
| Impairment of goodwill   | 2,750                          | —                 | 2,750                        | —                 |
| (Gain) loss on sale of assets — net  | 5                              | 16                | (3)                          | 168               |
| Operating income   | 13,989                         | 10,269            | 6,731                        | 13,154            |
| Interest expense — net   | (5,567)                        | (5,012)           | (11,197)                     | (10,028)          |
| Equity in loss of joint ventures   | (2,616)                        | (1,435)           | (3,714)                      | (3,278)           |
| Gain on bargain purchase acquisition                                       | —                              | 2,197             | —                            | 2,197             |
| Other income (expense)   | (618)                          | (39)              | (1,059)                      | 26                |
| Income (loss) from continuing operations before income taxes               | 5,188                          | 5,980             | (9,239)                      | 2,071             |
| Income tax (provision) benefit   | (2,464)                        | (2,097)           | 3,573                        | (644)             |
| Income (loss) from continuing operations                                   | 2,724                          | 3,883             | (5,666)                      | 1,427             |
| Loss from discontinued operations, net of income taxes                     | —                              | (5,320)           | —                            | (8,059)           |
| Net income (loss)  | <u>\$ 2,724</u>                | <u>\$ (1,437)</u> | <u>\$ (5,666)</u>            | <u>\$ (6,632)</u> |
| Basic earnings (loss) per share attributable to continuing operations      | 0.05                           | 0.06              | (0.09)                       | 0.02              |
| Basic loss per share attributable to discontinued operations, net of tax   | —                              | (0.08)            | —                            | (0.13)            |
| Basic earnings (loss) per share  | \$ 0.05                        | \$ (0.02)         | \$ (0.09)                    | \$ (0.11)         |
| Basic weighted average shares  | 60,473                         | 59,863            | 60,369                       | 59,786            |
| Diluted earnings (loss) per share attributable to continuing operations    | 0.05                           | 0.06              | (0.09)                       | 0.02              |
| Diluted loss per share attributable to discontinued operations, net of tax | —                              | (0.08)            | —                            | (0.13)            |
| Diluted earnings (loss) per share  | \$ 0.05                        | \$ (0.02)         | \$ (0.09)                    | \$ (0.11)         |
| Diluted weighted average shares  | 60,924                         | 60,538            | 60,369                       | 60,459            |

See notes to unaudited condensed consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries****Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**  
**(in thousands)**

|   | <b>Three Months Ended</b> |                 | <b>Six Months Ended</b> |                   |
|---|---------------------------|-----------------|-------------------------|-------------------|
|   | <b>June 30,</b>           |                 | <b>June 30,</b>         |                   |
|   | <b>2015</b>               | <b>2014</b>     | <b>2015</b>             | <b>2014</b>       |
| Net income (loss)                                   | \$2,724                   | \$ (1,437)      | \$ (5,666)              | \$ (6,632)        |
| Currency translation adjustment — net of tax (1)    | 53                        | 216             | (755)                   | 27                |
| Net unrealized gain on derivatives — net of tax (2) | —                         | 259             | —                       | (30)              |
| Other comprehensive income (loss) — net of tax      | 53                        | 475             | (755)                   | (3)               |
| Comprehensive (income) loss                         | <u>\$2,777</u>            | <u>\$ (962)</u> | <u>\$ (6,421)</u>       | <u>\$ (6,635)</u> |

- (1) Net of income tax (expense) benefit of \$(35) and \$(143) for the three months ended June 30, 2015 and 2014, respectively and \$500 and \$(17) for six months ended June 30, 2015 and 2014, respectively.
- (2) Net of income tax (expense) benefit of \$173 and \$(21) for the three and six months ended June 30, 2014, respectively.

See notes to unaudited condensed consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Equity**  
**(Unaudited)**  
**(in thousands)**

|  | Great Lakes Dredge & Dock Corporation shareholders |                    |                            |                           |                                      |                          | Noncontrolling Interests | Total |
|--|--|--------------------|----------------------------|---------------------------|--------------------------------------|--------------------------|--------------------------|-------|
|  | Shares of Common Stock                             | Common Stock       | Additional Paid-In Capital | Accumulated Deficit       | Accumulated Other Comprehensive Loss | Total                    |                          |       |
| BALANCE — January 1, 2015  | 60,170   | \$ 6               | \$278,166                  | \$ (21,475)               | \$ (734)                             | \$ —                     | \$255,963                |       |
| Share-based compensation   | 93   | —                  | 2,058                      | —                         | —                                    | —                        | 2,058                    |       |
| Vesting of restricted stock units, including impact of shares withheld for taxes | 98   | —                  | (265)                      | —                         | —                                    | —                        | (265)                    |       |
| Exercise of options and purchases from employee stock plans                      | 160  | —                  | 846                        | —                         | —                                    | —                        | 846                      |       |
| Excess income tax benefit from share-based compensation                          | —  | —                  | (13)                       | —                         | —                                    | —                        | (13)                     |       |
| Net loss   | —  | —                  | —                          | (5,666)                   | —                                    | —                        | (5,666)                  |       |
| Other comprehensive loss — net of tax  | —  | —                  | —                          | —                         | (755)                                | —                        | (755)                    |       |
| <b>BALANCE — June 30, 2015</b>   | <b><u>60,521</u></b>                               | <b><u>\$ 6</u></b> | <b><u>\$280,792</u></b>    | <b><u>\$ (27,141)</u></b> | <b><u>\$ (1,489)</u></b>             | <b><u>\$ —</u></b>       | <b><u>\$252,168</u></b>  |       |
|  | Great Lakes Dredge & Dock Corporation shareholders |                    |                            |                           |                                      |                          |                          |       |
|  | Shares of Common Stock                             | Common Stock       | Additional Paid-In Capital | Accumulated Deficit       | Accumulated Other Comprehensive Loss | Noncontrolling Interests | Total                    |       |
| BALANCE — January 1, 2014  | 59,670   | \$ 6               | \$275,183                  | \$ (31,770)               | \$ (473)                             | \$ (845)                 | \$242,101                |       |
| Share-based compensation   | 63   | —                  | 987                        | —                         | —                                    | —                        | 987                      |       |
| Vesting of restricted stock units, including impact of shares withheld for taxes | 110  | —                  | (484)                      | —                         | —                                    | —                        | (484)                    |       |
| Exercise of options and purchases from employee stock plans                      | 112  | —                  | 620                        | —                         | —                                    | —                        | 620                      |       |
| Excess income tax benefit from share-based compensation                          | —  | —                  | 64                         | —                         | —                                    | —                        | 64                       |       |
| Purchase of noncontrolling interest  | —  | —                  | (988)                      | —                         | —                                    | 845                      | (143)                    |       |
| Net loss   | —  | —                  | —                          | (6,632)                   | —                                    | —                        | (6,632)                  |       |
| Other comprehensive loss — net of tax  | —  | —                  | —                          | —                         | (3)                                  | —                        | (3)                      |       |
| <b>BALANCE — June 30, 2014</b>   | <b><u>59,955</u></b>                               | <b><u>\$ 6</u></b> | <b><u>\$275,382</u></b>    | <b><u>\$ (38,402)</u></b> | <b><u>\$ (476)</u></b>               | <b><u>\$ —</u></b>       | <b><u>\$236,510</u></b>  |       |

See notes to unaudited condensed consolidated financial statements.

**Great Lakes Dredge & Dock Corporation and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(in thousands)**

|  | Six Months Ended<br>June 30, |                    |
|--|------------------------------|--------------------|
|  | 2015                         | 2014               |
| <b>OPERATING ACTIVITIES:</b>   |                              |                    |
| Net loss   | \$ (5,666)                   | \$ (6,632)         |
| Loss from discontinued operations, net of income taxes                                     | —                            | (8,059)            |
| Income (loss) from continuing operations   | (5,666)                      | 1,427              |
| Adjustments to reconcile net income (loss) to net cash flows used in operating activities: |                              |                    |
| Depreciation and amortization  | 33,025                       | 21,921             |
| Equity in loss of joint ventures   | 4,939                        | 3,278              |
| Deferred income taxes  | (3,659)                      | (6,292)            |
| (Gain) loss on sale of assets  | (3)                          | 168                |
| Impairment of goodwill   | 2,750                        | —                  |
| Gain on bargain purchase acquisition   | —                            | (2,197)            |
| Gain on adjustment of contingent consideration   | (8,444)                      | —                  |
| Amortization of deferred financing fees  | 1,212                        | 576                |
| Unrealized net gain from mark-to-market valuations of derivatives                          | (2,629)                      | —                  |
| Unrealized foreign currency gain   | (789)                        | (56)               |
| Share-based compensation expense   | 2,058                        | 987                |
| Excess income tax benefit from share-based compensation                                    | 13                           | (64)               |
| Changes in assets and liabilities:   |                              |                    |
| Accounts receivable  | 5,644                        | 21,052             |
| Contract revenues in excess of billings  | (34,625)                     | (21,387)           |
| Inventories  | (291)                        | (1,188)            |
| Prepaid expenses and other current assets  | 1,418                        | 5,217              |
| Accounts payable and accrued expenses  | 1,126                        | (12,611)           |
| Billings in excess of contract revenues  | (750)                        | 5,266              |
| Other noncurrent assets and liabilities  | (2,210)                      | (1,106)            |
| Net cash flows provided by (used in) operating activities of continuing operations         | (6,881)                      | 14,991             |
| Net cash flows used in operating activities of discontinued operations                     | —                            | (3,965)            |
| Cash provided by (used in) operating activities  | (6,881)                      | 11,026             |
| <b>INVESTING ACTIVITIES:</b>   |                              |                    |
| Purchases of property and equipment  | (36,830)                     | (48,525)           |
| Proceeds from dispositions of property and equipment                                       | 115                          | 341                |
| Payments on vendor performance obligations (Note 9)  | —                            | (3,100)            |
| Payments for acquisitions of businesses  | —                            | (2,048)            |
| Net cash flows used in investing activities of continuing operations                       | (36,715)                     | (53,332)           |
| Net cash flows provided by investing activities of discontinued operations                 | —                            | 5,275              |
| Cash used in investing activities  | (36,715)                     | (48,057)           |
| <b>FINANCING ACTIVITIES:</b>   |                              |                    |
| Deferred financing fees  | (29)                         | —                  |
| Taxes paid on settlement of vested share awards  | (265)                        | (484)              |
| Repayments of term loan facility   | (2,500)                      | —                  |
| Repayments of equipment debt   | (506)                        | (41)               |
| Proceeds from equipment debt   | 410                          | —                  |
| Purchase of noncontrolling interest  | —                            | (205)              |
| Exercise of options and purchases from employee stock plans                                | 846                          | 620                |
| Excess income tax benefit from share-based compensation                                    | (13)                         | 64                 |
| Borrowings under revolving loans   | 79,000                       | 69,500             |
| Repayments of revolving loans  | (61,000)                     | (69,500)           |
| Net cash provided by (used in) financing activities  | 15,943                       | (46)               |
| Effect of foreign currency exchange rates on cash and cash equivalents                     | (40)                         | (194)              |
| Net decrease in cash and cash equivalents  | (27,693)                     | (37,271)           |
| Cash and cash equivalents at beginning of period   | 42,389                       | 75,338             |
| Cash and cash equivalents at end of period   | <u>\$ 14,696</u>             | <u>\$ 38,067</u>   |
| <b>Supplemental Cash Flow Information</b>  |                              |                    |
| Cash paid for interest   | <u>\$ 12,296</u>             | <u>\$ 9,521</u>    |
| Cash paid (refunded) for income taxes  | <u>\$ 987</u>                | <u>\$ (11,033)</u> |
| <b>Non-cash Investing and Financing Activities</b>   |                              |                    |
| Property and equipment purchased but not yet paid  | <u>\$ 2,690</u>              | <u>\$ 9,197</u>    |
| Property and equipment purchased on capital leases and equipment notes                     | <u>\$ 1,825</u>              | <u>\$ 1,309</u>    |
| Purchase of noncontrolling interest  | <u>\$ —</u>                  | <u>\$ 988</u>      |
| Property and equipment purchased on notes payable  | <u>\$ 15,569</u>             | <u>\$ —</u>        |





**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(dollar amounts in thousands, except per share amounts or as otherwise noted)**

**1. Basis of presentation**

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the “Company” or “Great Lakes”) and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of June 30, 2015, and its results of operations for the three and six months ended June 30, 2015 and 2014 and cash flows for the six months ended June 30, 2015 and 2014 have been included.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel and project overhead. Hourly labor is generally hired on a project-by-project basis. Costs of contract revenues vary significantly depending on the type and location of work performed and assets utilized. Generally, capital projects have the highest margins due to the complexity of the projects, while coastal protection projects have the most volatile margins because they are most often exposed to variability in weather conditions.

The Company’s cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. These costs have averaged approximately 20% to 22% of total costs of contract revenues over the prior three years. During the year, both equipment utilization and the timing of fixed cost expenditures fluctuate significantly. Accordingly, the Company allocates these fixed equipment costs to interim periods in proportion to revenues recognized over the year, to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on its dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over or under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year.

The Company has four operating segments that, through aggregation, comprise two reportable segments: dredging and environmental & remediation. Four operating segments were aggregated into two reportable segments as the segments have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment. The Company has determined that the operating segments are the Company’s four reporting units. Due to a decline in the overall financial performance and declining cash flows in the Terra Contracting Services, LLC (“Terra”) reporting unit, the Company concluded there was a triggering event that required an interim impairment test for the reporting unit in the second quarter of 2015 and recorded a goodwill impairment charge of \$2,750 during the quarter ended June 30, 2015. This impairment of goodwill is discussed in Note 6.

In connection with the acquisition of Magnus Pacific (“Magnus”) in the fourth quarter of 2014, the Company issued a secured promissory note to the former owners of Magnus which has terms that could reduce the amount owed based on minimum EBITDA expectations. The Company remeasures the fair value of the promissory note at each reporting period based on projections of the earnings target for the business. Based on the Company’s projections at June 30, 2015, Magnus is not expected to reach the minimum EBITDA threshold for 2015 designated in the secured promissory note; therefore, the Company has reduced the remaining fair value by \$7,013 to zero and is reflected in general and administrative expenses.

The condensed consolidated results of operations and comprehensive income for the interim periods presented herein are not necessarily indicative of the results to be expected for the full year.

***Recent Accounting Pronouncements***

In April 2015, the Financial Accounting Standards Board issued Accounting Standard Update No. 2015-03 (“ASU 2015-03”), *Interest — Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This update is effective for fiscal years beginning after December 15, 2015, and is required to be applied retrospectively. The Company does not expect a material impact to our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standard Update No. 2014-09 (“ASU 2014-09”), *Revenue from Contracts with Customers (Topic 606)*, which supersedes the existing revenue recognition requirements. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 has been deferred to be

## [Table of Contents](#)

effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, which will be our first quarter of fiscal 2018. Early adoption is permitted in fiscal 2017. We are currently evaluating the impact of ASU 2014-09 on our consolidated financial statements.

### 2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similarly to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. For the six months ended June 30, 2015, the dilutive effect of 488 thousand stock options and restricted stock units were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during this period. For the three months ended June 30, 2015, 1,019 thousand stock options or restricted stock units were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. For the three and six months ended June 30, 2014, 518 thousand and 420 thousand, respectively, stock options or restricted stock units were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. The computations for basic and diluted earnings (loss) per share from continuing operations are as follows:

| (shares in thousands)  | Three Months Ended |          | Six Months Ended |          |
|--|--------------------|----------|------------------|----------|
|  | June 30,<br>2015   | 2014     | June 30,<br>2015 | 2014     |
| Income (loss) from continuing operations                       | \$ 2,724           | \$ 3,883 | \$ (5,666)       | \$ 1,427 |
| Loss on discontinued operations, net of income taxes           | —                  | (5,320)  | —                | (8,059)  |
| Net income (loss)  | 2,724              | (1,437)  | (5,666)          | (6,632)  |
| Weighted-average common shares outstanding — basic             | 60,473             | 59,863   | 60,369           | 59,786   |
| Effect of stock options and restricted stock units             | 451                | 675      | —                | 673      |
| Weighted-average common shares outstanding — diluted           | 60,924             | 60,538   | 60,369           | 60,459   |
| Earnings (loss) per share from continuing operations — basic   | \$ 0.05            | \$ 0.06  | \$ (0.09)        | \$ 0.02  |
| Earnings (loss) per share from continuing operations — diluted | \$ 0.05            | \$ 0.06  | \$ (0.09)        | \$ 0.02  |

### 3. Accounts receivable and contracts in progress

Accounts receivable at June 30, 2015 and December 31, 2014 are as follows:

|  | June 30,<br>2015 | December 31,<br>2014 |
|--|------------------|----------------------|
| Completed contracts                          | \$ 25,938        | \$ 15,342            |
| Contracts in progress                        | 65,651           | 72,459               |
| Retainage                                    | 17,424           | 27,371               |
|  | 109,013          | 115,172              |
| Allowance for doubtful accounts              | (754)            | (578)                |
| Total accounts receivable — net              | \$ 108,259       | \$ 114,594           |
| Current portion of accounts receivable — net | \$ 106,592       | \$ 113,188           |
| Long-term accounts receivable and retainage  | 1,667            | 1,406                |
| Total accounts receivable — net              | \$ 108,259       | \$ 114,594           |

## [Table of Contents](#)

The components of contracts in progress at June 30, 2015 and December 31, 2014 are as follows:

|  | June 30,<br>2015  | December 31,<br>2014 |
|--|-------------------|----------------------|
| Costs and earnings in excess of billings:                          |                   |                      |
| Costs and earnings for contracts in progress                       | \$ 506,399        | \$ 833,368           |
| Amounts billed   | (404,833)         | (759,877)            |
| Costs and earnings in excess of billings for contracts in progress | 101,566           | 73,491               |
| Costs and earnings in excess of billings for completed contracts   | 14,986            | 9,066                |
| Total contract revenues in excess of billings                      | <u>\$ 116,552</u> | <u>\$ 82,557</u>     |
| Billings in excess of costs and earnings:                          |                   |                      |
| Amounts billed   | \$ (70,463)       | \$ (181,698)         |
| Costs and earnings for contracts in progress                       | 66,559            | 177,059              |
| Total billings in excess of contract revenues                      | <u>\$ (3,904)</u> | <u>\$ (4,639)</u>    |

#### 4. Accrued expenses

Accrued expenses at June 30, 2015 and December 31, 2014 are as follows:

|                                       | June 30,<br>2015 | December 31,<br>2014 |
|---------------------------------------|------------------|----------------------|
| Insurance                             | \$17,569         | \$ 16,778            |
| Accumulated deficit in joint ventures | 11,856           | 10,383               |
| Payroll and employee benefits         | 9,236            | 8,808                |
| Interest                              | 7,710            | 8,270                |
| Percentage of completion adjustment   | 2,640            | 1,870                |
| Income and other taxes                | 2,593            | 5,857                |
| Fuel hedge contracts                  | 400              | 3,029                |
| Other                                 | 8,880            | 15,046               |
| Total accrued expenses                | <u>\$60,884</u>  | <u>\$ 70,041</u>     |

#### 5. Long-term debt

##### *Credit Agreement*

On June 4, 2012, the Company entered into a senior revolving credit agreement (as subsequently amended, the "Credit Agreement") with certain financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America, N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. The Credit Agreement provides for a senior revolving credit facility in an aggregate principal amount of up to \$210,000, multicurrency borrowings up to a \$50,000 sublimit and swingline loans up to a \$10,000 sublimit. The Credit Agreement also includes an incremental loans feature that will allow the Company to increase the senior revolving credit facility by an aggregate principal amount of up to \$15,000. This feature is subject to lenders providing incremental commitments for such increase, provided that no default or event of default exists, and the Company being in pro forma compliance with the existing financial covenants, both before and after giving effect to the increase, and subject to other standard conditions. The Credit Agreement is collateralized by a substantial portion of the Company's operating equipment with a net book value at June 30, 2015 of \$155,526.

Depending on the Company's consolidated leverage ratio (as defined in the Credit Agreement), borrowings under the revolving credit facility will bear interest at the option of the Company at either a LIBOR rate plus a margin of between 1.50% to 2.50% per annum or a base rate plus a margin of between 0.50% to 1.50% per annum.

## [Table of Contents](#)

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company's surety bonding provider. The Credit Agreement requires the Company to maintain a net leverage ratio less than or equal to 4.50 to 1.00 as of the end of each fiscal quarter and a minimum fixed charge coverage ratio of 1.25 to 1.00.

The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. During a year, the Company frequently borrows and repays amounts under its revolving credit facility. As of June 30, 2015, the Company had \$18,000 of borrowings on the revolver and \$110,487 of letters of credit outstanding, resulting in \$81,513 of availability under the Credit Agreement. At June 30, 2015, the Company was in compliance with its various financial covenants under the Credit Agreement.

### *Term loan facility*

On November 4, 2014, the Company entered into a senior secured term loan facility consisting of a term loan in an aggregate principal amount of \$50,000 (the "Term Loan Facility") pursuant to a Loan and Security Agreement (the "Loan Agreement") by and among the lenders party thereto from time to time and Bank of America, N.A., as administrative agent. The Company has borrowed an aggregate principal amount of \$47,360. The proceeds from the Term Loan Facility will be used for the working capital and general corporate purposes of the Company, including to repay borrowings under the Credit Agreement made to finance the construction of the Company's dual mode articulated tug/barge trailing suction hopper dredge (the "ATB").

The Term Loan Facility has a term of 5 years. The borrowings under the Term Loan Facility bear interest at a fixed rate of 4.655% per annum. If an event of default occurs under the Loan Agreement, the interest rate will increase by 2.00% per annum during the continuance of such event of default.

The Term Loan Facility provides for monthly amortization payments, payable in arrears, which commenced on December 4, 2014, at an annual amount of (i) approximately 10% of the principal amount of the Term Loan Facility during the first two years of the term, (ii) approximately 20% of the principal amount of the Term Loan Facility during the third and fourth years of the term, and (iii) approximately 25% of the principal amount of the Term Loan Facility during the final year of the term, with the remainder due on the maturity date of the facility. In addition, the Company has usual and customary mandatory prepayment provisions and may optionally prepay the Term Loan Facility in whole or in part at any time, subject to a minimum prepayment amount.

The Loan Agreement includes customary representations, affirmative and negative covenants and events of default for financings of this type and includes the same financial covenants that are currently set forth in the Credit Agreement. The Term Loan Facility is collateralized by a portion of the Company's operating equipment with a net book value at June 30, 2015 of \$47,707.

### *Senior notes*

The Company has outstanding \$275,000 of 7.375% senior notes due February 2019. There is an optional redemption on all notes. The redemption prices are 103.7% in 2015, 101.8% in 2016 and 100% in any year following, until the notes mature in 2019. Interest is paid semi-annually and principal is due at maturity.

### *Other*

The Company enters into note arrangements to finance certain vessels and ancillary equipment. During the first quarter of 2015, the Company financed the \$15,569 acquisition of a vessel previously under an operating lease with a note bearing interest at 5.75% to maturity in 2023. The current portion of all equipment notes is \$3,145. The long term portion is \$14,047 and is included in notes payable.

## **6. Impairment of goodwill**

The Company's annual goodwill impairment test is conducted in the third quarter of each year and interim evaluations are performed when the Company determines that a triggering event has occurred that would more likely than not reduce the fair value of goodwill below its carrying value. Due to a decline in the overall financial performance and declining cash flows in the Terra reporting unit, the Company concluded there was a triggering event that required an interim impairment test for the reporting unit in the second quarter of 2015.

## [Table of Contents](#)

In connection with the Company's preparation of this Quarterly Report on Form 10-Q, the Company performed step one of the goodwill impairment test as of June 30, 2015, which compared the fair value of the Terra reporting unit against its carrying amount, including goodwill. In deriving the fair value of the Terra reporting unit, the Company used both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA from continuing operations. Based on the first step analysis, management concluded that the fair value of the Terra reporting unit was less than its carrying value; therefore, the Company performed step two of the goodwill impairment analysis.

Step two of the goodwill impairment analysis measures the impairment charge by allocating the reporting unit's fair value to all of the assets and liabilities of the reporting unit in a hypothetical analysis that calculates implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. Any excess of the carrying value of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill is recorded as a loss on impairment of goodwill. Management determined that the Terra reporting unit's implied fair value of goodwill was below the carrying value as of June 30, 2015. As a result, the Company has recorded an impairment charge of \$2,750 in the second quarter of 2015.

The change in the carrying value of goodwill for the period ended June 30, 2015 is as follows:

|                                | <u>Dredging Segment</u> | <u>Environmental &amp;<br/>Remediation Segment</u> | <u>Total</u>           |
|--------------------------------|-------------------------|--|------------------------|
| Balance — December 31, 2014    | \$ 76,575               | \$ 9,750   | \$86,325               |
| Impairment of goodwill         | —                       | (2,750)  | (2,750)                |
| <b>BALANCE — June 30, 2015</b> | <b><u>\$ 76,575</u></b> | <b><u>\$ 7,000</u></b>                             | <b><u>\$83,575</u></b> |

### **7. Fair value measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established by GAAP that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The accounting guidance describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

## [Table of Contents](#)

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. At times, the Company holds certain derivative contracts that it uses to manage foreign currency risk or commodity price risk. The Company does not hold or issue derivatives for speculative or trading purposes. The fair values of these financial instruments are summarized as follows:

| <u>Description</u>   | <u>At June 30,<br/>2015</u> | <u>Fair Value Measurements at Reporting Date Using</u>                            |  |  |
|----------------------|-----------------------------|---|--|--|
|                      |                             | <u>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant Other<br/>Observable Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable Inputs<br/>(Level 3)</u> |
| Fuel hedge contracts | \$ 400                      | \$ —  | \$ 400   | \$ —   |

| <u>Description</u>   | <u>At December 31,<br/>2014</u> | <u>Fair Value Measurements at Reporting Date Using</u>                            |  |  |
|----------------------|---------------------------------|---|--|--|
|                      |                                 | <u>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level 1)</u> | <u>Significant Other<br/>Observable Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable Inputs<br/>(Level 3)</u> |
| Fuel hedge contracts | \$ 3,029                        | \$ —  | \$ 3,029   | \$ —   |

### **Foreign exchange contracts**

The Company has exposure to foreign currencies that fluctuate in relation to the U.S. dollar. The Company periodically enters into foreign exchange forward contracts to hedge this risk. At June 30, 2015, there were no outstanding contracts.

### **Fuel hedge contracts**

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements, which occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with its domestic dredging contracts. The Company's goal is to hedge approximately 80% of the fuel requirements for work in domestic backlog.

As of June 30, 2015, the Company was party to various swap arrangements to hedge the price of a portion of its diesel fuel purchase requirements for work in its backlog to be performed through May 2016. As of June 30, 2015, there were 6.3 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through May 2016. Under these swap agreements, the Company will pay fixed prices ranging from \$1.83 to \$3.01 per gallon.

At June 30, 2015 and December 31, 2014, the fair value liability of the fuel hedge contracts was estimated to be \$400 and \$3,029, respectively, and is recorded in accrued expenses. Changes in the fair value of fuel hedge contracts being recorded in the Statement of Operations are recorded as cost of contract revenues. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

The Company is exposed to counterparty credit risk associated with non-performance of its various derivative instruments. The Company's risk would be limited to any unrealized gains on current positions. To help mitigate this risk, the Company transacts only with counterparties that are rated as investment grade or higher. In addition, all counterparties are monitored on a continuous basis.

## [Table of Contents](#)

The fair value of the fuel hedge contracts outstanding as of June 30, 2015 and December 31, 2014 is as follows:

|  | Balance Sheet Location | Fair Value at    |                      |
|--|------------------------|------------------|----------------------|
|  |                        | June 30,<br>2015 | December 31,<br>2014 |
| Liability derivatives:                               |                        |                  |                      |
| Derivatives not designated as hedging<br>instruments |                        |                  |                      |
| Fuel hedge contracts                                 | Accrued expenses       | <u>\$ 400</u>    | <u>\$ 3,029</u>      |

### ***Assets and liabilities measured at fair value on a nonrecurring basis***

All other nonfinancial assets and liabilities measured at fair value in the financial statements on a nonrecurring basis are subject to fair value measurements and disclosures. Nonfinancial assets and liabilities included in our condensed consolidated balance sheets and measured on a nonrecurring basis consist of goodwill and long-lived assets, including other acquired intangibles. Goodwill and long-lived assets are measured at fair value to test for and measure impairment, if any, at least annually for goodwill or when necessary for both goodwill and long-lived assets.

The Company estimated the fair value of our Terra reporting unit for our goodwill impairment test by using both a market-based approach and an income-based approach. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses based upon historical operating data, appropriate discount rates and other variables. The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA from continuing operations. The Company analyzed companies that performed similar services or are considered peers.

An impairment of goodwill was recorded in the amount of \$2,750 in the second quarter of 2015. The fair value of goodwill was determined using quantitative models that contained significant unobservable inputs. See Note 6.

|                        | Fair Value Measurements Using<br>Significant Unobservable<br>Inputs<br>(Level 3)<br>2015 |               |
|------------------------|--|---------------|
| Goodwill               |  |               |
| Balance at January 1,  | \$   | 86,325        |
| Impairment of goodwill |  | (2,750)       |
| Balance at June 30,    | \$   | <u>83,575</u> |



## [Table of Contents](#)

### **Accumulated other comprehensive income (loss)**

Changes in the components of the accumulated balances of other comprehensive income (loss) are as follows:

|  | Three Months Ended |        | Six Months Ended |        |
|--|--------------------|--------|------------------|--------|
|  | June 30,           |        | June 30,         |        |
|  | 2015               | 2014   | 2015             | 2014   |
| Cumulative translation adjustments — net of tax                        | \$ 53              | \$ 216 | \$ (755)         | \$ 27  |
| Derivatives:   |                    |        |                  |        |
| Reclassification of derivative (gains) losses to earnings — net of tax | —                  | 20     | —                | (26)   |
| Change in fair value of derivatives — net of tax                       | —                  | 239    | —                | (4)    |
| Net unrealized (gain) loss on derivatives — net of tax                 | —                  | 259    | —                | (30)   |
| Total other comprehensive income (loss)                                | \$ 53              | \$ 475 | \$ (755)         | \$ (3) |

Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

|                      | Statement of Operations Location | Three Months              | Six Months                |
|----------------------|----------------------------------|---------------------------|---------------------------|
|                      |                                  | Ended<br>June 30,<br>2014 | Ended<br>June 30,<br>2014 |
| Derivatives:         |                                  |                           |                           |
| Fuel hedge contracts | Costs of contract revenues       | \$ 33                     | \$ (44)                   |
|                      | Income tax (provision) benefit   | 13                        | (18)                      |
|                      |                                  | \$ 20                     | \$ (26)                   |

### **Other financial instruments**

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of our senior revolving credit agreement approximates fair value. The Company entered into a senior secured term loan facility in November 2014 that approximates fair value based upon stable market interest rates and Company credit ratings from inception to year end. In January 2011 and again in November 2014, the Company issued a total of \$275,000 of 7.375% senior notes due February 1, 2019, which were outstanding at June 30, 2015 (See Note 5). The senior notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the senior notes. The fair value of the senior notes was \$280,500 at June 30, 2015, which is a Level 1 fair value measurement as the senior notes value was obtained using quoted prices in active markets.

### **8. Share-based compensation**

The Company's 2007 Long-Term Incentive Plan permits the granting of stock options, stock appreciation rights, restricted stock and restricted stock units to its employees and directors for up to 5.8 million shares of common stock.

In March 2015, the Company granted 698 thousand restricted stock units to certain employees pursuant to the plan. In addition, all non-employee directors on the Company's board of directors are paid a portion of their board-related compensation in stock grants. Compensation cost charged to expense related to share-based compensation arrangements was \$2,058 and \$987 for the six months ended June 30, 2015 and 2014, respectively.

### **9. Commitments and contingencies**

#### **Commercial commitments**

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & remediation projects. The Company has a bonding agreement with Zurich American Insurance Company ("Zurich") under which the Company can obtain performance, bid and payment bonds. In April 2015, we entered into additional bonding agreements with ACE

## [Table of Contents](#)

Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the “Additional Sureties”). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich bonding agreement. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At June 30, 2015, the Company had outstanding performance bonds totaling approximately \$1,244,847, of which \$53,548 relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately \$526,569.

In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project.

Certain foreign projects performed by the Company have warranty periods, typically spanning no more than one to three years beyond project completion, whereby the Company retains responsibility to maintain the project site to certain specifications during the warranty period. Generally, any potential liability of the Company is mitigated by insurance, shared responsibilities with consortium partners, and/or recourse to owner-provided specifications.

### ***Legal proceedings and other contingencies***

As is customary with negotiated contracts and modifications or claims to competitively bid contracts with the federal government, the government has the right to audit the books and records of the Company to ensure compliance with such contracts, modifications, or claims, and the applicable federal laws. The government has the ability to seek a price adjustment based on the results of such audit. Any such audits have not had, and are not expected to have, a material impact on the financial position, operations, or cash flows of the Company.

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely to the Company. Although the Company is subject to various claims and legal actions that arise in the ordinary course of business, except as described below, the Company is not currently a party to any material legal proceedings or environmental claims. The Company records an accrual when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. The Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material effect on the results of operations, cash flows or financial condition of the Company.

On March 19, 2013, the Company and three of its current and former executives were sued in a securities class action in the Northern District of Illinois captioned United Union of Roofers, Waterproofers & Allied Workers Local Union No. 8 v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02115. The lawsuit, which was brought on behalf of all purchasers of the Company’s securities between August 7, 2012 and March 14, 2013, primarily alleges that the defendants made false and misleading statements regarding the recognition of revenue in the demolition segment and with regard to the Company’s internal control over financial reporting. This suit was filed following the Company’s announcement on March 14, 2013 that it would restate its second and third quarter 2012 financial statements. Two additional, similar lawsuits captioned Boozer v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02339, and Connors v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02450, were filed in the Northern District of Illinois on March 28, 2013, and April 2, 2013, respectively. These three actions were consolidated and recaptioned In re Great Lakes Dredge & Dock Corporation Securities Litigation, Case No. 1:13-cv-02115, on June 10, 2013. The plaintiffs filed an amended class action complaint on August 9, 2013, which the defendants moved to dismiss on October 8, 2013. After briefing and oral argument by the parties, the court entered an order on October 21, 2014 denying that motion to dismiss. The parties agreed to a settlement, which is expected to be paid by insurance. The court preliminarily approved the settlement on June 12, 2015, and the final approval hearing is scheduled for September 18, 2015.

On March 28, 2013, the Company was named as a nominal defendant, and its directors were named as defendants, in a shareholder derivative action in DuPage County Circuit Court in Illinois captioned Hammoud v. Berger et al., Case No. 2013CH001110. The lawsuit primarily alleges breaches of fiduciary duties related to allegedly false and misleading statements regarding the recognition of revenue in the demolition segment and with regard to the Company’s internal control over financial reporting, which exposed the Company to securities litigation. A second, similar lawsuit captioned The City of Haverhill Retirement System v. Leight et al., Case No. 1:13-cv-02470, was filed in the Northern District of Illinois on April 2, 2013 and was voluntarily dismissed on June 10, 2013. A third, similar lawsuit captioned St. Lucie County Fire District Firefighters Pension Trust Fund v. Leight et al., Case No. 13 CH 15483, was filed in Cook County Circuit Court in Illinois on July 8, 2013, and has since been transferred to DuPage County Circuit Court and consolidated with the Hammoud action. The Hammoud/St. Lucie plaintiffs have filed a consolidated amended complaint on December 9, 2013, but the action was otherwise stayed pending a ruling on the motion to dismiss the securities class action. A fourth, similar lawsuit (that additionally named one current and one former executive as defendants) captioned Griffin v. Berger et al., Case No. 1:13-cv-04907, was filed in the Northern District of Illinois on July 9, 2013. The Griffin action was also stayed pending a ruling on the motion to dismiss the securities class action. The parties have agreed to a settlement, which is expected to be paid by insurance. The DuPage County Circuit Court preliminarily approved the settlement on May 13, 2015, and the final hearing is scheduled for August 7, 2015.

## [Table of Contents](#)

On April 23, 2014, the Company completed the sale of NASDI, LLC (“NASDI”) and Yankee Environmental Services, LLC (“Yankee”), which together comprised the Company’s historical demolition business, to a privately owned demolition company. Under the terms of the divestiture, the Company retained certain pre-closing liabilities relating to the disposed business. Certain of these liabilities and a legal action brought by the Company to enforce the buyer’s obligations under the sale agreement are described below.

In 2009, NASDI received a letter stating that the Attorney General for the Commonwealth of Massachusetts is investigating alleged violations of the Massachusetts Solid Waste Act. The Company believes that the Massachusetts Attorney General is investigating waste disposal activities at an allegedly unpermitted disposal site owned by a third party with whom NASDI contracted for the disposal of waste materials in 2007 and 2008. Per the Massachusetts Attorney General’s request, NASDI executed a tolling agreement regarding the matter in 2009 and engaged in further discussions with the Massachusetts Attorney General’s office. Should a claim be brought, the Company intends to defend this matter vigorously.

On January 14, 2015, the Company and our subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company’s agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of buyer’s obligation to collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants’ allegations and intends to vigorously defend against the counterclaims.

In 2012, the Company contracted with a shipyard to perform the functional design drawings, detailed design drawings and follow on construction of a new Articulated Tug & Barge (“ATB”) Trailing Suction Hopper Dredge. In April 2013, the Company terminated the contract with the shipyard for default and the counterparty sent the Company a notice requesting arbitration under the contract with respect to the Company’s termination for default, including but not limited to the Company’s right to draw on letters of credit that had been issued by the shipyard as financial security required by the contract. In May 2013, the Company drew upon the shipyard’s letters of credit related to the contract and received \$13,600. Arbitration proceedings were initiated. In January 2014, the Company and the shipyard executed a settlement agreement pursuant to which the Company retained \$10,500 of the proceeds of the financial security and remitted \$3,100 of those funds to the shipyard, all other claims were released, and the arbitration was dismissed with prejudice.

The Company has not accrued any amounts with respect to the above matters as the Company does not believe, based on information currently known to it, that a loss relating to these matters is probable, and an estimate of a range of potential losses relating to these matters cannot reasonably be made.

## **10. Investments**

### *TerraSea Environmental Solutions*

The Company owns 50% of TerraSea Environmental Solutions (“TerraSea”) as a joint venture. TerraSea is engaged in the environmental services business through its ability to remediate contaminated soil and dredged sediment treatment. At June 30, 2015 and December 31, 2014, the Company had net advances to TerraSea of \$24,047 and \$22,898, respectively, which are recorded in other current assets. The Company has an accumulated deficit in joint ventures, which represents losses recognized to date in excess of our investment in TerraSea, of \$11,856 and \$10,383 at June 30, 2015 and December 31, 2014, respectively, which is presented in accrued expenses. The Company has commenced the winddown of TerraSea with its joint venture partner. The Company believes its net advances to TerraSea are ultimately recoverable either through the operations of the joint venture or as an obligation of our joint venture partner. The joint venture partner has notified the Company that it disagrees with the amount of net advances to TerraSea. The Company believes that its joint venture partner remains obligated for its share of net advances, and any future advances necessary to complete TerraSea’s remaining project. During July 2015, the Company proposed taking a larger percent of the loss on a TerraSea project. Based on this proposal, the Company accrued \$1,506 at June 30, 2015 representing the estimated share of additional losses to be assumed. To the extent that net advances are not fully recoverable, additional losses may result in future periods. The Company and its joint venture partner remain obligated to fund TerraSea through the completion of its remaining project, which is expected to occur in 2015.

### *Amboy Aggregates*

The Company and a New Jersey aggregates company each own 50% of Amboy Aggregates (“Amboy”). Amboy was formed in December 1984 to mine sand from the entrance channel to New York Harbor to provide sand and aggregate for use in road and building construction and for clean land fill. Amboy sold its interest in a stone import business and its holdings in land, owned in conjunction with Lower Main Street Development, LLC, during 2014 and is winding down operations.

## 11. Business dispositions

On April 23, 2014, the Company entered into an agreement and completed the sale of NASDI, LLC and Yankee Environmental Services, LLC, its two former subsidiaries that comprised our historical demolition business. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close, including recovery of outstanding claims for additional compensation from customers, net of future payments of accounts payable existing at the date of close, including any future payments of obligations associated with outstanding claims. In the fourth quarter of 2013, the Company recorded a preliminary loss on disposal of assets held for sale in discontinued operations. The loss on disposal is subject to change based on the value of additional proceeds received on the working capital existing at the date of disposition. The amount and timing of the working capital settlement and the amount and timing of the realization of additional net proceeds may be impacted by the litigation with the buyer of the historical demolition business (see Note 9). However, management believes that the ultimate resolution of these matters will not be material to the Company's consolidated financial position or results of operations. The results of the businesses have been reported in discontinued operations as follows:

|  | <u>Three Months Ended</u><br><u>June 30,</u><br><u>2014</u> | <u>Six Months Ended</u><br><u>June 30,</u><br><u>2014</u> |
|--|---|---|
| Revenue  | \$ 2,315  | \$ 14,439   |
| Loss before income taxes from discontinued operations  | \$ (7,720)  | \$ (17,340)   |
| Income tax benefit                                     | 2,400   | 9,281   |
| Loss from discontinued operations, net of income taxes | <u>\$ (5,320)</u>   | <u>\$ (8,059)</u>   |

## 12. Segment information

The Company and its subsidiaries currently operate in two reportable segments: dredging and environmental & remediation. The Company's financial reporting systems present various data for management to run the business, including profit and loss statements prepared according to the segments presented. Management uses operating income to evaluate performance between the two segments. Segment information for the periods presented is provided as follows:

|  | <u>Three Months Ended</u><br><u>June 30,</u> |             | <u>Six Months Ended</u><br><u>June 30,</u> |             |
|--|--|-------------|--|-------------|
|  | <u>2015</u>                                  | <u>2014</u> | <u>2015</u>                                | <u>2014</u> |
| <b>Dredging</b>                        |  |             |  |             |
| Contract revenues                      | \$ 190,046                                   | \$ 157,114  | \$ 344,174                                 | \$ 319,074  |
| Operating income                       | 18,115                                       | 10,995      | 25,989                                     | 18,424      |
| <b>Environmental &amp; remediation</b> |  |             |  |             |
| Contract revenues                      | \$ 49,926                                    | \$ 29,312   | \$ 71,478                                  | \$ 42,042   |
| Operating loss                         | (4,126)                                      | (726)       | (19,258)                                   | (5,270)     |
| <b>Intersegment revenues</b>           | \$ (1,095)                                   | \$ (1,717)  | (2,218)                                    | (2,025)     |
| <b>Total</b>                           |  |             |  |             |
| Contract revenues                      | \$ 238,877                                   | \$ 184,709  | \$ 413,434                                 | \$ 359,091  |
| Operating income                       | 13,989                                       | 10,269      | 6,731                                      | 13,154      |

Foreign dredging revenue of \$47,539 and \$89,238 for the three and six months ended June 30, 2015, respectively, was primarily attributable to work done in the Middle East and Brazil. Foreign dredging revenue for the three and six months ended June 30, 2014 was \$29,181 and \$45,651, respectively.

---

## [Table of Contents](#)

The majority of the Company's long-lived assets are marine vessels and related equipment. At any point in time, the Company may employ certain assets outside of the U.S., as needed, to perform work on the Company's foreign projects.

### **13. Subsidiary guarantors**

The Company's long-term debt at June 30, 2015 includes \$275,000 of 7.375% senior notes due February 1, 2019. The Company's obligations under these senior unsecured notes are guaranteed by the Company's 100% owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several.

The following supplemental financial information sets forth for the Company's subsidiary guarantors (on a combined basis), the Company's non-guarantor subsidiaries (on a combined basis) and Great Lakes Dredge & Dock Corporation, exclusive of its subsidiaries ("GLDD Corporation"):

- (i) balance sheets as of June 30, 2015 and December 31, 2014;
- (ii) statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2015 and 2014; and
- (iii) statements of cash flows for the six months ended June 30, 2015 and 2014.

[Table of Contents](#)

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF JUNE 30, 2015**  
(In thousands)

|  | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | GLDD<br>Corporation | Eliminations        | Consolidated<br>Totals |
|--|--------------------------|-------------------------------|---------------------|---------------------|------------------------|
| <b>ASSETS</b>                              |                          |                               |                     |                     |                        |
| <b>CURRENT ASSETS:</b>                     |                          |                               |                     |                     |                        |
| Cash and cash equivalents                  | \$ 13,161                | \$ 1,533                      | \$ 2                | \$ —                | \$ 14,696              |
| Accounts receivable — net                  | 105,232                  | 1,360                         | —                   | —                   | 106,592                |
| Contract revenues in excess of billings    | 114,132                  | 2,420                         | —                   | —                   | 116,552                |
| Inventories                                | 34,205                   | —                             | —                   | —                   | 34,205                 |
| Prepaid expenses and other current assets  | 50,540                   | 556                           | 16,634              | —                   | 67,730                 |
| Total current assets                       | <u>317,270</u>           | <u>5,869</u>                  | <u>16,636</u>       | <u>—</u>            | <u>339,775</u>         |
| PROPERTY AND EQUIPMENT — Net               | 418,287                  | 21                            | —                   | —                   | 418,308                |
| GOODWILL AND OTHER INTANGIBLE ASSETS — Net | 89,014                   | —                             | —                   | —                   | 89,014                 |
| INVENTORIES — Noncurrent                   | 37,084                   | —                             | —                   | —                   | 37,084                 |
| INVESTMENTS IN JOINT VENTURES              | 5,859                    | —                             | —                   | —                   | 5,859                  |
| RECEIVABLES FROM AFFILIATES                | 15,285                   | 3,683                         | 56,322              | (75,290)            | —                      |
| INVESTMENTS IN SUBSIDIARIES                | 3,731                    | —                             | 630,328             | (634,059)           | —                      |
| OTHER                                      | 7,937                    | 3                             | 4,269               | —                   | 12,209                 |
| <b>TOTAL</b>                               | <u>\$ 894,467</u>        | <u>\$ 9,576</u>               | <u>\$ 707,555</u>   | <u>\$ (709,349)</u> | <u>\$ 902,249</u>      |
| <b>LIABILITIES AND EQUITY</b>              |                          |                               |                     |                     |                        |
| <b>CURRENT LIABILITIES:</b>                |                          |                               |                     |                     |                        |
| Accounts payable                           | \$ 118,112               | \$ 1,007                      | \$ —                | \$ —                | \$ 119,119             |
| Accrued expenses                           | 52,190                   | 781                           | 7,913               | —                   | 60,884                 |
| Billings in excess of contract revenues    | 3,889                    | 15                            | —                   | —                   | 3,904                  |
| Current portion of long term debt          | 1,319                    | —                             | 6,953               | —                   | 8,272                  |
| Total current liabilities                  | <u>175,510</u>           | <u>1,803</u>                  | <u>14,866</u>       | <u>—</u>            | <u>192,179</u>         |
| 7 3/8% SENIOR NOTES                        | —                        | —                             | 274,895             | —                   | 274,895                |
| REVOLVING CREDIT FACILITY                  | —                        | —                             | 18,000              | —                   | 18,000                 |
| NOTES PAYABLE                              | 390                      | —                             | 53,490              | —                   | 53,880                 |
| DEFERRED INCOME TAXES                      | (357)                    | —                             | 89,725              | —                   | 89,368                 |
| PAYABLES TO AFFILIATES                     | 69,908                   | 1,409                         | 3,973               | (75,290)            | —                      |
| OTHER                                      | 21,321                   | —                             | 438                 | —                   | 21,759                 |
| Total liabilities                          | <u>266,772</u>           | <u>3,212</u>                  | <u>455,387</u>      | <u>(75,290)</u>     | <u>650,081</u>         |
| <b>TOTAL EQUITY</b>                        | <u>627,695</u>           | <u>6,364</u>                  | <u>252,168</u>      | <u>(634,059)</u>    | <u>252,168</u>         |
| <b>TOTAL</b>                               | <u>\$ 894,467</u>        | <u>\$ 9,576</u>               | <u>\$ 707,555</u>   | <u>\$ (709,349)</u> | <u>\$ 902,249</u>      |

[Table of Contents](#)

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2014**  
(In thousands)

|  | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | GLDD<br>Corporation | Eliminations        | Consolidated<br>Totals |
|--|--------------------------|-------------------------------|---------------------|---------------------|------------------------|
| <b>ASSETS</b>                              |                          |                               |                     |                     |                        |
| <b>CURRENT ASSETS:</b>                     |                          |                               |                     |                     |                        |
| Cash and cash equivalents                  | \$ 41,724                | \$ 663                        | \$ 2                | \$ —                | \$ 42,389              |
| Accounts receivable — net                  | 115,739                  | 355                           | —                   | (2,906)             | 113,188                |
| Receivables from affiliates                | 152,822                  | 3,673                         | 55,805              | (212,300)           | —                      |
| Contract revenues in excess of billings    | 78,631                   | 4,236                         | —                   | (310)               | 82,557                 |
| Inventories                                | 34,735                   | —                             | —                   | —                   | 34,735                 |
| Prepaid expenses and other current assets  | 54,327                   | 431                           | 14,617              | —                   | 69,375                 |
| Total current assets                       | <u>477,978</u>           | <u>9,358</u>                  | <u>70,424</u>       | <u>(215,516)</u>    | <u>342,244</u>         |
| PROPERTY AND EQUIPMENT — Net               | 399,421                  | 24                            | —                   | —                   | 399,445                |
| GOODWILL AND OTHER INTANGIBLE ASSETS — Net | 95,289                   | —                             | —                   | —                   | 95,289                 |
| INVENTORIES — Noncurrent                   | 36,262                   | —                             | —                   | —                   | 36,262                 |
| INVESTMENTS IN JOINT VENTURES              | 7,889                    | —                             | —                   | —                   | 7,889                  |
| INVESTMENTS IN SUBSIDIARIES                | 3,757                    | —                             | 619,220             | (622,977)           | —                      |
| OTHER                                      | 7,135                    | 3                             | 4,967               | —                   | 12,105                 |
| <b>TOTAL</b>                               | <u>\$1,027,731</u>       | <u>\$ 9,385</u>               | <u>\$ 694,611</u>   | <u>\$ (838,493)</u> | <u>\$ 893,234</u>      |
| <b>LIABILITIES AND EQUITY</b>              |                          |                               |                     |                     |                        |
| <b>CURRENT LIABILITIES:</b>                |                          |                               |                     |                     |                        |
| Accounts payable                           | \$ 121,282               | \$ 1,389                      | \$ 516              | \$ (3,216)          | \$ 119,971             |
| Payables to affiliates                     | 196,829                  | 403                           | 15,068              | (212,300)           | —                      |
| Accrued expenses                           | 60,415                   | 659                           | 8,967               | —                   | 70,041                 |
| Billings in excess of contract revenues    | 4,639                    | —                             | —                   | —                   | 4,639                  |
| Current portion of long term debt          | 859                      | —                             | 5,000               | —                   | 5,859                  |
| Total current liabilities                  | <u>384,024</u>           | <u>2,451</u>                  | <u>29,551</u>       | <u>(215,516)</u>    | <u>200,510</u>         |
| 7 3/8% SENIOR NOTES                        | —                        | —                             | 274,880             | —                   | 274,880                |
| NOTE PAYABLE                               | 7,553                    | —                             | 41,944              | —                   | 49,497                 |
| DEFERRED INCOME TAXES                      | 172                      | —                             | 91,835              | —                   | 92,007                 |
| OTHER                                      | 19,939                   | —                             | 438                 | —                   | 20,377                 |
| Total liabilities                          | <u>411,688</u>           | <u>2,451</u>                  | <u>438,648</u>      | <u>(215,516)</u>    | <u>637,271</u>         |
| <b>TOTAL EQUITY</b>                        | <u>616,043</u>           | <u>6,934</u>                  | <u>255,963</u>      | <u>(622,977)</u>    | <u>255,963</u>         |
| <b>TOTAL</b>                               | <u>\$1,027,731</u>       | <u>\$ 9,385</u>               | <u>\$ 694,611</u>   | <u>\$ (838,493)</u> | <u>\$ 893,234</u>      |

## GREAT LAKES DREDGE &amp; DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED JUNE 30, 2015

(In thousands)

|                                     | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|-------------------------------------|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| Contract revenues                   | \$ 235,151                       | \$ 4,318                              | \$ —                        | \$ (592)            | \$ 238,877                     |
| Costs of contract revenues          | (203,184)                        | (3,998)                               | —                           | 592                 | (206,590)                      |
| Gross profit                        | 31,967                           | 320                                   | —                           | —                   | 32,287                         |
| OPERATING EXPENSES:                 |                                  |                                       |                             |                     |                                |
| General and administrative expenses | 15,543                           | —                                     | —                           | —                   | 15,543                         |
| Impairment of goodwill              | 2,750                            | —                                     | —                           | —                   | 2,750                          |
| Loss on sale of assets — net        | 5                                | —                                     | —                           | —                   | 5                              |
| Operating income                    | 13,669                           | 320                                   | —                           | —                   | 13,989                         |
| Interest expense — net              | 40                               | —                                     | (5,607)                     | —                   | (5,567)                        |
| Equity in earnings of subsidiaries  | —                                | —                                     | 10,696                      | (10,696)            | —                              |
| Equity in loss of joint ventures    | (2,616)                          | —                                     | —                           | —                   | (2,616)                        |
| Other expense                       | (618)                            | —                                     | —                           | —                   | (618)                          |
| Income before income taxes          | 10,475                           | 320                                   | 5,089                       | (10,696)            | 5,188                          |
| Income tax provision                | —                                | (99)                                  | (2,365)                     | —                   | (2,464)                        |
| Net income                          | <u>\$ 10,475</u>                 | <u>\$ 221</u>                         | <u>2,724</u>                | <u>(10,696)</u>     | <u>2,724</u>                   |
| Comprehensive income                | <u>\$ 10,475</u>                 | <u>\$ 274</u>                         | <u>\$ 2,777</u>             | <u>\$ (10,749)</u>  | <u>\$ 2,777</u>                |



## GREAT LAKES DREDGE &amp; DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED JUNE 30, 2014

(In thousands)

|  | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|--|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| Contract revenues                                      | \$ 167,943                       | \$ 11,797                             | \$ —                        | \$ 4,969            | \$ 184,709                     |
| Costs of contract revenues                             | (142,070)                        | (11,467)                              | —                           | (4,969)             | (158,506)                      |
| Gross profit   | 25,873                           | 330                                   | —                           | —                   | 26,203                         |
| OPERATING EXPENSES:                                    |                                  |                                       |                             |                     |                                |
| General and administrative expenses                    | 15,918                           | —                                     | —                           | —                   | 15,918                         |
| Loss on sale of assets — net                           | 16                               | —                                     | —                           | —                   | 16                             |
| Operating income                                       | 9,939                            | 330                                   | —                           | —                   | 10,269                         |
| Interest expense — net                                 | 82                               | (132)                                 | (4,962)                     | —                   | (5,012)                        |
| Equity in earnings of subsidiaries                     | 1,037                            | —                                     | 9,094                       | (10,131)            | —                              |
| Equity in loss of joint ventures                       | (1,435)                          | —                                     | —                           | —                   | (1,435)                        |
| Gain on bargain purchase acquisition                   | 2,197                            | —                                     | —                           | —                   | 2,197                          |
| Other expense  | (39)                             | —                                     | —                           | —                   | (39)                           |
| Income from continuing operations before income taxes  | 11,781                           | 198                                   | 4,132                       | (10,131)            | 5,980                          |
| Income tax (provision) benefit                         | 130                              | —                                     | (2,227)                     | —                   | (2,097)                        |
| Income from continuing operations                      | 11,911                           | 198                                   | 1,905                       | (10,131)            | 3,883                          |
| Loss from discontinued operations, net of income taxes | (5,191)                          | (319)                                 | (3,342)                     | 3,532               | (5,320)                        |
| Net income (loss)                                      | 6,720                            | (121)                                 | (1,437)                     | (6,599)             | (1,437)                        |
| Comprehensive income (loss)                            | <u>\$ 6,979</u>                  | <u>\$ 95</u>                          | <u>\$ (962)</u>             | <u>\$ (7,074)</u>   | <u>\$ (962)</u>                |

[Table of Contents](#)

## GREAT LAKES DREDGE &amp; DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2015

(In thousands)

|                                     | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|-------------------------------------|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| Contract revenues                   | \$ 407,505                       | \$ 7,510                              | \$ —                        | \$ (1,581)          | \$ 413,434                     |
| Costs of contract revenues          | (364,388)                        | (7,658)                               | —                           | 1,581               | (370,465)                      |
| Gross profit                        | 43,117                           | (148)                                 | —                           | —                   | 42,969                         |
| OPERATING EXPENSES:                 |                                  |                                       |                             |                     |                                |
| General and administrative expenses | 33,491                           | —                                     | —                           | —                   | 33,491                         |
| Impairment of goodwill              | 2,750                            | —                                     | —                           | —                   | 2,750                          |
| Gain on sale of assets — net        | (3)                              | —                                     | —                           | —                   | (3)                            |
| Operating income (loss)             | 6,879                            | (148)                                 | —                           | —                   | 6,731                          |
| Interest expense — net              | (259)                            | —                                     | (10,938)                    | —                   | (11,197)                       |
| Equity in earnings of subsidiaries  | 4                                | —                                     | 1,519                       | (1,523)             | —                              |
| Equity in loss of joint ventures    | (3,714)                          | —                                     | —                           | —                   | (3,714)                        |
| Other expense                       | (1,052)                          | (7)                                   | —                           | —                   | (1,059)                        |
| Income (loss) before income taxes   | 1,858                            | (155)                                 | (9,419)                     | (1,523)             | (9,239)                        |
| Income tax (provision) benefit      | —                                | (180)                                 | 3,753                       | —                   | 3,573                          |
| Net income (loss)                   | <u>\$ 1,858</u>                  | <u>\$ (335)</u>                       | <u>\$ (5,666)</u>           | <u>\$ (1,523)</u>   | <u>\$ (5,666)</u>              |
| Comprehensive income (loss)         | <u>\$ 1,858</u>                  | <u>\$ (1,090)</u>                     | <u>\$ (6,421)</u>           | <u>\$ (768)</u>     | <u>\$ (6,421)</u>              |

[Table of Contents](#)**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED JUNE 30, 2014****(In thousands)**

|  | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|--|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| Contract revenues  | \$ 341,265                       | \$ 17,826                             | \$ —                        | \$ —                | \$ 359,091                     |
| Costs of contract revenues                                   | (292,807)                        | (19,174)                              | —                           | —                   | (311,981)                      |
| Gross profit   | 48,458                           | (1,348)                               | —                           | —                   | 47,110                         |
| OPERATING EXPENSES:  |                                  |                                       |                             |                     |                                |
| General and administrative expenses                          | 33,788                           | —                                     | —                           | —                   | 33,788                         |
| Loss on sale of assets — net                                 | 168                              | —                                     | —                           | —                   | 168                            |
| Operating income (loss)                                      | 14,502                           | (1,348)                               | —                           | —                   | 13,154                         |
| Interest expense — net                                       | 151                              | (261)                                 | (9,918)                     | —                   | (10,028)                       |
| Equity in earnings (loss) of subsidiaries                    | (106)                            | —                                     | 12,599                      | (12,493)            | —                              |
| Equity in loss of joint ventures                             | (3,278)                          | —                                     | —                           | —                   | (3,278)                        |
| Gain on bargain purchase acquisition                         | 2,197                            | —                                     | —                           | —                   | 2,197                          |
| Other income   | 19                               | 7                                     | —                           | —                   | 26                             |
| Income (loss) from continuing operations before income taxes | 13,485                           | (1,602)                               | 2,681                       | (12,493)            | 2,071                          |
| Income tax (provision) benefit                               | 610                              | —                                     | (1,254)                     | —                   | (644)                          |
| Income (loss) from continuing operations                     | 14,095                           | (1,602)                               | 1,427                       | (12,493)            | 1,427                          |
| Loss from discontinued operations, net of income taxes       | (8,059)                          | (1,343)                               | (8,059)                     | 9,402               | (8,059)                        |
| Net income (loss)  | <u>\$ 6,036</u>                  | <u>\$ (2,945)</u>                     | <u>\$ (6,632)</u>           | <u>\$ (3,091)</u>   | <u>\$ (6,632)</u>              |
| Comprehensive income (loss)                                  | <u>\$ 6,006</u>                  | <u>\$ (2,918)</u>                     | <u>\$ (6,635)</u>           | <u>\$ (3,088)</u>   | <u>\$ (6,635)</u>              |

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2015****(In thousands)**

|  | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|--|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| <b>OPERATING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Net cash flows provided by (used in) operating activities              | \$ 4,427                         | \$ (322)                              | \$ (10,986)                 | \$ —                | \$ (6,881)                     |
| <b>INVESTING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Purchases of property and equipment                                    | (36,830)                         | —                                     | —                           | —                   | (36,830)                       |
| Proceeds from dispositions of property and equipment                   | 115                              | —                                     | —                           | —                   | 115                            |
| Net change in accounts with affiliates                                 | (12,571)                         | —                                     | —                           | 12,571              | —                              |
| Net cash flows used in investing activities                            | (49,286)                         | —                                     | —                           | 12,571              | (36,715)                       |
| <b>FINANCING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Deferred financing fees  | —                                | —                                     | (29)                        | —                   | (29)                           |
| Taxes paid on settlement of vested share awards                        | —                                | —                                     | (265)                       | —                   | (265)                          |
| Repayments of term loan facility                                       | —                                | —                                     | (2,500)                     | —                   | (2,500)                        |
| Repayments of equipment debt   | (506)                            | —                                     | —                           | —                   | (506)                          |
| Proceeds from equipment debt   | 2                                | —                                     | 408                         | —                   | 410                            |
| Net change in accounts with affiliates                                 | —                                | 1,232                                 | 11,339                      | (12,571)            | —                              |
| Capital contributions  | 16,800                           | —                                     | (16,800)                    | —                   | —                              |
| Exercise of options and purchases from employee stock plans            | —                                | —                                     | 846                         | —                   | 846                            |
| Excess income tax benefit from share-based compensation                | —                                | —                                     | (13)                        | —                   | (13)                           |
| Borrowings under revolving loans                                       | —                                | —                                     | 79,000                      | —                   | 79,000                         |
| Repayments of revolving loans  | —                                | —                                     | (61,000)                    | —                   | (61,000)                       |
| Net cash flows provided by financing activities                        | 16,296                           | 1,232                                 | 10,986                      | (12,571)            | 15,943                         |
| Effect of foreign currency exchange rates on cash and cash equivalents | —                                | (40)                                  | —                           | —                   | (40)                           |
| Net increase (decrease) in cash and cash equivalents                   | (28,563)                         | 870                                   | —                           | —                   | (27,693)                       |
| Cash and cash equivalents at beginning of period                       | 41,724                           | 663                                   | 2                           | —                   | 42,389                         |
| Cash and cash equivalents at end of period                             | <u>\$ 13,161</u>                 | <u>\$ 1,533</u>                       | <u>\$ 2</u>                 | <u>\$ —</u>         | <u>\$ 14,696</u>               |

[Table of Contents](#)
**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**
**(In thousands)**

|  | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>GLDD<br/>Corporation</u> | <u>Eliminations</u> | <u>Consolidated<br/>Totals</u> |
|--|----------------------------------|---------------------------------------|-----------------------------|---------------------|--------------------------------|
| <b>OPERATING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Net cash flows provided by (used in) operating activities of continuing operations | \$ 22,746                        | \$ (3,266)                            | \$ (4,489)                  | \$ —                | \$ 14,991                      |
| Net cash flows used in operating activities of discontinued operations             | (2,941)                          | (1,024)                               | —                           | —                   | (3,965)                        |
| Cash provided by (used in) operating activities                                    | 19,805                           | (4,290)                               | (4,489)                     | —                   | 11,026                         |
| <b>INVESTING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Purchases of property and equipment  | (48,525)                         | —                                     | —                           | —                   | (48,525)                       |
| Proceeds from dispositions of property and equipment                               | 341                              | —                                     | —                           | —                   | 341                            |
| Proceeds from vendor performance obligations                                       | (3,100)                          | —                                     | —                           | —                   | (3,100)                        |
| Payments for acquisitions of businesses  | (2,048)                          | —                                     | —                           | —                   | (2,048)                        |
| Net change in accounts with affiliates   | (7,748)                          | —                                     | —                           | 7,748               | —                              |
| Net cash flows used in investing activities of continuing operations               | (61,080)                         | —                                     | —                           | 7,748               | (53,332)                       |
| Net cash flows provided by investing activities of discontinued operations         | 5,275                            | —                                     | —                           | —                   | 5,275                          |
| Cash used in investing activities  | (55,805)                         | —                                     | —                           | 7,748               | (48,057)                       |
| <b>FINANCING ACTIVITIES:</b>   |                                  |                                       |                             |                     |                                |
| Purchase of noncontrolling interest  | —                                | —                                     | (205)                       | —                   | (205)                          |
| Taxes paid on settlement of vested share awards                                    | —                                | —                                     | (484)                       | —                   | (484)                          |
| Repayment of equipment debt  | (41)                             | —                                     | —                           | —                   | (41)                           |
| Net change in accounts with affiliates   | —                                | 3,251                                 | 4,497                       | (7,748)             | —                              |
| Exercise of options and purchases from employee stock plans                        | —                                | —                                     | 620                         | —                   | 620                            |
| Excess income tax benefit from share-based compensation                            | —                                | —                                     | 64                          | —                   | 64                             |
| Borrowings under revolving loans   | —                                | —                                     | 69,500                      | —                   | 69,500                         |
| Repayments of revolving loans  | —                                | —                                     | (69,500)                    | —                   | (69,500)                       |
| Cash (used in) provided by financing activities                                    | (41)                             | 3,251                                 | 4,492                       | (7,748)             | (46)                           |
| Effect of foreign currency exchange rates on cash and cash equivalents             | —                                | (194)                                 | —                           | —                   | (194)                          |
| Net increase (decrease) in cash and cash equivalents                               | (36,041)                         | (1,233)                               | 3                           | —                   | (37,271)                       |
| Cash and cash equivalents at beginning of period                                   | 71,939                           | 3,399                                 | —                           | —                   | 75,338                         |
| Cash and cash equivalents at end of period   | <u>\$ 35,898</u>                 | <u>\$ 2,166</u>                       | <u>\$ 3</u>                 | <u>\$ —</u>         | <u>\$ 38,067</u>               |

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

***Cautionary note regarding forward-looking statements***

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Great Lakes Dredge & Dock Corporation and its subsidiaries (“Great Lakes” or the “Company”), or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q and in Item 1A. “Risk Factors” of Great Lakes’ Annual Report on Form 10-K for the year ended December 31, 2014, and in other securities filings by Great Lakes with the SEC. Furthermore, with regard to a large mine remediation project in Washington State that has been affected by the Wolverine forest fire, the project site has been evacuated causing a delay in work. We are not able to estimate the length of the delay, and an extensive delay has not been factored into our forecasts.

Although Great Lakes believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Great Lakes’ future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof and Great Lakes does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

***General***

The Company is the largest provider of dredging services in the United States and a major provider of environmental and remediation services. In addition, the Company is the only U.S. dredging service provider with significant international operations, which represented 26% of its dredging revenues for the first six months of 2015, above the Company’s prior three year average of 19%. The mobility of the Company’s fleet enables the Company to move equipment in response to changes in demand for dredging services.

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s bid market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints (“bid market”). The Company experienced an average combined bid market share in the U.S. of 43% over the prior three years, including 46%, 50%, 28% and 60% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In the first six months of 2015, the Company’s dredging revenues earned from contracts with federal government agencies, including the Corps as well as other federal entities such as the U.S. Coast Guard and the U.S. Navy were approximately 61% of dredging revenues, slightly below the Company’s prior three year average of 63%.

The Company’s environmental & remediation subsidiaries provide soil, water and sediment environmental remediation for the state and local and private party markets. Remediation involves the retrieval and removal of contamination from an environment through the use of separation techniques or disposal based on the quantity and severity of the contamination. Besides environmental remediation, the environmental & remediation segment performs industrial cleaning, abatement services and hazardous waste removal. Our recent acquisition of Magnus Pacific (“Magnus”) expands the geographic footprint of our environmental operations to include the U.S. West Coast and broadens our suite of services to include geotechnical contracting capabilities and other environmental solutions. In the first six months of 2015, environmental & remediation revenues accounted for 17% of total revenues.

The Company operates in four operating segments that, through aggregation, comprise two reportable segments: dredging and environmental & remediation. Four operating segments were aggregated into two reportable segments as the segments have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment. The Company has determined that the operating segments are the Company’s four reporting units.

## Table of Contents

### Results of operations

The following tables set forth the components of net income (loss) and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the three and six months ended June 30, 2015 and 2014:

|  | Three Months Ended<br>June 30, |         | Six Months Ended<br>June 30, |         |
|--|--------------------------------|---------|------------------------------|---------|
|  | 2015                           | 2014    | 2015                         | 2014    |
| Contract revenues  | 100.0 %                        | 100.0 % | 100.0 %                      | 100.0 % |
| Costs of contract revenues                                   | (86.5)                         | (85.8)  | (89.6)                       | (86.9)  |
| Gross profit   | 13.5                           | 14.2    | 10.4                         | 13.1    |
| General and administrative expenses                          | 6.5                            | 8.6     | 8.1                          | 9.4     |
| Impairment of goodwill                                       | 1.2                            | —       | 0.7                          | —       |
| (Gain) loss on sale of assets — net                          | —                              | —       | —                            | —       |
| Operating income   | 5.8                            | 5.6     | 1.6                          | 3.7     |
| Interest expense — net                                       | (2.3)                          | (2.7)   | (2.7)                        | (2.8)   |
| Equity in loss of joint ventures                             | (1.1)                          | (0.8)   | (0.9)                        | (0.9)   |
| Gain on bargain purchase acquisition                         | —                              | 1.2     | —                            | 0.6     |
| Other income (expense)                                       | (0.3)                          | —       | (0.3)                        | —       |
| Income (loss) from continuing operations before income taxes | 2.1                            | 3.2     | (2.3)                        | 0.6     |
| Income tax (provision) benefit                               | (1.0)                          | (1.1)   | 0.9                          | (0.2)   |
| Income (loss) from continuing operations                     | 1.1                            | 2.1     | (1.4)                        | 0.4     |
| Loss from discontinued operations, net of income taxes       | —                              | (2.9)   | —                            | (2.2)   |
| Net income (loss)  | 1.1 %                          | (0.8)%  | (1.4)%                       | (1.8)%  |
| Adjusted EBITDA from continuing operations                   | 14.0 %                         | 10.7 %  | 9.1 %                        | 8.9 %   |

Adjusted EBITDA from continuing operations, as provided herein, represents net income, adjusted for net interest expense, income taxes, depreciation and amortization expense, debt extinguishment, accelerated maintenance expense for new international deployments, goodwill or asset impairments and gains on bargain purchase acquisitions. Adjusted EBITDA from continuing operations is not a measure derived in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Company presents Adjusted EBITDA from continuing operations as an additional measure by which to evaluate the Company’s operating trends. The Company believes that Adjusted EBITDA from continuing operations is a measure frequently used to evaluate performance of companies with substantial leverage and that the Company’s primary stakeholders (i.e., its stockholders, bondholders and banks) use Adjusted EBITDA from continuing operations to evaluate the Company’s period to period performance. Additionally, management believes that Adjusted EBITDA from continuing operations provides a transparent measure of the Company’s recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For this reason, the Company uses a measure based upon Adjusted EBITDA from continuing operations to assess performance for purposes of determining compensation under the Company’s incentive plan. Adjusted EBITDA from continuing operations should not be considered an alternative to, or more meaningful than, amounts determined in accordance with GAAP including: (a) operating income as an indicator of operating performance; or (b) cash flows from operations as a measure of liquidity. As such, the Company’s use of Adjusted EBITDA from continuing operations, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of accelerated maintenance expense for new international deployments, goodwill or asset impairments, gains on bargain purchase acquisitions, interest and income tax expense and the associated significant cash requirements and the exclusion of depreciation and amortization, which represent significant and unavoidable operating costs given the level of indebtedness and capital expenditures needed to maintain the Company’s business. For these reasons, the Company uses operating income to measure the Company’s operating performance and uses Adjusted EBITDA from continuing operations only as a supplement. The following is a reconciliation of Adjusted EBITDA from continuing operations to net income (loss):

| (in thousands)   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|--|--------------------------------|------------|------------------------------|------------|
|  | 2015                           | 2014       | 2015                         | 2014       |
| Net income (loss)                                      | \$ 2,724                       | \$ (1,437) | \$ (5,666)                   | \$ (6,632) |
| Loss from discontinued operations, net of income taxes | —                              | (5,320)    | —                            | (8,059)    |
| Income (loss) from continuing operations               | 2,724                          | 3,883      | (5,666)                      | 1,427      |
| Adjusted for:  |                                |            |                              |            |
| Interest expense — net                                 | 5,567                          | 5,012      | 11,197                       | 10,028     |
| Income tax provision (benefit)                         | 2,464                          | 2,097      | (3,573)                      | 644        |
| Depreciation and amortization                          | 19,872                         | 11,036     | 33,025                       | 21,921     |
| Impairment of goodwill                                 | 2,750                          | —          | 2,750                        | —          |
| Gain on bargain purchase acquisition                   | —                              | (2,197)    | —                            | (2,197)    |
| Adjusted EBITDA from continuing operations             | \$33,377                       | \$19,831   | \$37,733                     | \$31,823   |

## [Table of Contents](#)

The following table sets forth, by segment and type of work, the Company's contract revenues for each of the periods indicated:

| Revenues (in thousands)        | Three Months Ended<br>June 30, |                  |               | Six Months Ended<br>June 30, |                  |               |
|--------------------------------|--------------------------------|------------------|---------------|------------------------------|------------------|---------------|
|                                | 2015                           | 2014             | Change        | 2015                         | 2014             | Change        |
| <b>Dredging:</b>               |                                |                  |               |                              |                  |               |
| Capital — U.S.                 | \$ 57,742                      | \$ 41,694        | 38.5 %        | \$ 105,099                   | \$ 76,169        | 38.0 %        |
| Capital — foreign              | 47,539                         | 29,181           | 62.9 %        | 89,238                       | 45,651           | 95.5 %        |
| Coastal protection             | 51,576                         | 55,889           | (7.7)%        | 71,648                       | 126,609          | (43.4)%       |
| Maintenance                    | 26,129                         | 22,340           | 17.0 %        | 68,276                       | 58,651           | 16.4 %        |
| Rivers & lakes                 | 7,060                          | 8,010            | (11.9)%       | 9,913                        | 11,994           | (17.4)%       |
| <b>Total dredging revenues</b> | <b>190,046</b>                 | <b>157,114</b>   | <b>21.0 %</b> | <b>344,174</b>               | <b>319,074</b>   | <b>7.9 %</b>  |
| Environmental & remediation*   | 49,926                         | 29,312           | 70.3 %        | 71,478                       | 42,042           | 70.0 %        |
| Intersegment revenue           | (1,095)                        | (1,717)          | (36.2)%       | (2,218)                      | (2,025)          | 9.5 %         |
| <b>Total revenues</b>          | <b>\$238,877</b>               | <b>\$184,709</b> | <b>29.3 %</b> | <b>\$413,434</b>             | <b>\$359,091</b> | <b>15.1 %</b> |

\* Environmental & remediation revenues in 2015 include Magnus which did not operate as part of the Company prior to November 4, 2014.

Total revenue for the 2015 second quarter was \$238.9 million, an increase compared to revenue of \$184.7 million during the 2014 second quarter. For the six months ended June 30, 2015, total revenue increased to \$413.4 million from \$359.1 million during the same period in the prior year, an increase of 15%. For the six months ended June 30, 2015, increases in domestic and foreign capital, maintenance and environmental & remediation revenues were slightly offset by decreases in coastal protection and rivers & lakes revenues. Revenue for the 2015 first half includes revenue earned by Magnus which did not operate as part of the Company until November 2014.

Capital dredging consists primarily of port expansion projects, which involve the deepening of channels to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. Domestic capital dredging revenue increased by \$16.0 million, or 38%, to \$57.7 million, in the 2015 second quarter compared to the same quarter in 2014. For the six months ended June 30, 2015, domestic capital dredging revenue increased \$28.9 million, or 38%, compared to the first half of 2014. The increase in domestic capital dredging revenues for the six months ended June 30, 2015 was primarily driven by an LNG port expansion project in Texas as well as work on the port deepening project in Miami, a deepening project on the Delaware River and a project in Maryland. These increases were partially offset by a project in New York that did not repeat in the current year.

Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. In the second quarter of 2015 foreign dredging revenue was \$47.5 million, an increase of \$18.4 million, or 63%. Foreign dredging revenue for the



## [Table of Contents](#)

first half of 2015 increased by \$43.6 million, or 95%, compared to the same period in the prior year. Revenue for the six months ended June 30, 2015 was driven by a project to widen and deepen the Suez Canal. Additionally, the Company worked on a large project in Bahrain and several projects in Brazil during the first half of 2015. In comparison, revenue for the first six months of 2014 was driven by the Wheatstone LNG project in Western Australia and two higher dollar value contracts in Brazil.

Coastal protection projects generally involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Coastal protection revenue was \$51.6 million in the 2015 second quarter, down \$4.3 million or 8%, compared to the 2014 second quarter. For the six months ended June 30, 2015, coastal protection revenue was \$71.6 million compared to \$126.6 million for the six months ended June 30, 2014. During the first six months of 2015, the Company continued to earn revenue on projects in New York and New Jersey for the repair of shorelines damaged as a result of Superstorm Sandy as well as on projects in Florida and Virginia. The Company earned revenues on a greater number of projects in the first six months of 2014, including a larger number of Superstorm Sandy projects as well as a large project in South Carolina that did not repeat during the current year.

Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Maintenance revenue in the second quarter of 2015 increased by \$3.8 million, or 17%, compared to the same period in 2014. Maintenance revenue for the six months ended June 30, 2015 was \$68.3 million, an increase of \$9.6 million, or 16%, from maintenance revenue of \$58.7 million for the six months ended June 30, 2014. The increase in maintenance dredging revenues was driven by large projects in Georgia and Louisiana and significant harbor work in Florida and North Carolina. Additionally, the Company earned revenue on a large project in New York which was completed during the 2015 first half. These increases were slightly offset by a greater quantity of projects in the first six months of 2014.

Domestic rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. Rivers & lakes revenue in the second quarter of 2015 was \$7.1 million, a decrease of \$1.0 million or 12% compared to the second quarter of 2014. Rivers & lakes revenue for the six months ended June 30, 2015 and 2014 was \$9.9 million and \$12.0 million, respectively. During the 2015 first half, revenue was driven by a private project in Florida and large lake project in Illinois. Additionally, the Company worked on projects in Iowa and Kansas during the first six months of 2015. These revenues were offset by a greater number of projects during the same period in the prior year, including a large private project in Florida and a project in Nebraska that did not repeat in the current year.

The environmental & remediation segment recorded revenues of \$49.9 million for the three months ended June 30, 2015, up 70% compared to \$29.3 million for the same period in 2014. For the six months ended June 30, 2015, environment & remediation revenue was \$71.5 million compared to \$42.0 million for the six months ended June 30, 2014. The increase is attributable to revenue earned by Magnus which did not become part of the Company until the fourth quarter of 2014. This increase was slightly offset by a decline in revenue in the Company's existing environmental & remediation business.

Consolidated gross profit for the 2015 second quarter increased by 23% to \$32.3 million, from \$26.2 million in the second quarter of 2014. Gross profit margin (gross profit divided by revenue) for the 2015 second quarter decreased to 13.5% from 14.2% for the three months ended June 30, 2014. Consolidated gross profit for the six months ended June 30, 2015 decreased to \$43.0 million from \$47.1 million for the same period in the prior year. Gross profit margin for the first half of 2015 decreased to 10.4% from 13.1% for the first six months of 2014. The decrease in gross profit margin for the six months ended June 30, 2015 is mostly attributable to contract losses of \$2.1 million at a site redevelopment project, contract losses resulting from pending change orders and increased operating overhead costs, primarily due to increased personnel costs, in the environmental & remediation segment. These decreases were partially offset by strong contract margin on our Suez Canal project, project mix and improved fleet utilization, resulting in greater fixed cost coverage, in our dredging segment.

General and administrative expenses totaled \$15.5 million for the quarter ended June 30, 2015, slightly lower than general and administrative expenses of \$15.9 million in the second quarter of 2014. For the six months ended June 30, 2015, general and administrative expenses totaled \$33.5 million and \$33.8 million, respectively. In the first half of 2015, a reduction in the value of the Magnus seller note payable of \$7.0 million and a decrease in legal and professional fees of \$0.3 million was mostly offset by higher payroll and benefit expenses of \$4.4 million and increased amortization expense of \$3.1 million, mostly related to the Magnus acquisition.

Operating income for the three months ended June 30, 2015 was \$14.0 million, an increase of \$3.7 million, compared to operating income of \$10.3 million in the same period of 2014. Operating income for the six months ended June 30, 2015 decreased \$6.4 million, or 49%, to \$6.7 million from \$13.2 million for the six months ended June 30, 2014. The change in the Company's operating income for the first two quarters of 2015 was attributable to the decrease in gross profit described above. The Company recorded a \$2.8 million goodwill impairment charge at the Terra reporting unit during the second quarter of 2015 which further added to the decline in operating income. See Note 6 in the notes to condensed consolidated financial statements.

Net interest expense totaled \$5.6 million for the three months ended June 30, 2015, up from interest expense of \$5.0 million from the same period of 2014. Net interest expense for the 2015 first half increased \$1.2 million, or 12%, to \$11.2 million compared to \$10.0 million in the first half of 2014. Net interest expense for the first six months of 2015 was up compared to the same period in the prior year due to interest expense associated with the new senior secured term loan facility ("Term Loan Facility") and higher amortization of deferred financing fees. These expenses were slightly offset by lower interest expense related to the Company's revolving credit facility during the current year.

## [Table of Contents](#)

The income tax provision for the three months ended June 30, 2015 was \$2.5 million compared to \$2.1 million for the 2014 second quarter. The income tax benefit for the six months ended June 30, 2015 was \$3.6 million compared to an income tax provision of \$0.6 million for the same period of 2014. The change in the income tax expense for the 2015 first half was attributable to the lower taxable operating income in 2015 as compared to the same period in the prior year. The effective tax rate for the six months ended June 30, 2015 was 38.7%, which is above the effective tax rate of 31.1% for the same period of 2014 due to larger tax credits allowed in 2014. The Company expects the tax rate for the full year before consideration of nondeductible pretax items to remain near 40%.

Net income from continuing operations was \$2.7 million and the earnings per diluted share was \$0.05 for the 2015 second quarter compared to net income from continuing operations of \$3.9 million and earnings per diluted share of \$0.06 for the same period of 2014. Net loss from continuing operations was \$5.7 million and loss per diluted share was \$0.09 for the six months ended June 30, 2015 compared to net income from continuing operations of \$1.4 million and earnings per diluted share of \$0.02 for the first half of 2014. The decrease in net income from continuing operations through the first two quarters of 2015 is due to lower operating income described above. Net loss from continuing operations includes an additional \$2.6 million recorded to equity in loss of joint ventures in the second quarter of 2015 related to losses at two of our joint ventures. Additionally, during the first six months of 2014, the Company recognized a \$2.2 million noncash bargain purchase gain which did not repeat during the current year. The decrease in operating income in 2015 was partially offset by the increase in income tax provision for the first six months of 2015.

Adjusted EBITDA from continuing operations (as defined on page 29) for the three months ended June 30, 2015 and 2014 was \$33.4 million and \$19.8 million, respectively. Adjusted EBITDA from continuing operations for the six months ended June 30, 2015 was \$37.7 million compared with \$31.8 million in the same 2014 period. This increase is primarily driven by higher depreciation and amortization expenses during the current year, slightly offset by the lower operating income described above.

### ***Results by segment***

#### *Dredging*

Dredging segment revenues for the quarter ended June 30, 2015 were \$190.0 million compared to \$157.1 million for the quarter ended June 30, 2014. Dredging revenues for the six months ended June 30, 2015 were \$344.2 million compared to \$319.1 million for the same period of 2014. The dredging segment for the six months ended June 30, 2015 included increases in domestic and foreign capital and maintenance revenues which were partially offset by decreases in coastal protection and rivers & lakes revenues. Current year revenues were driven by a project to widen and deepen the Suez Canal, an LNG port expansion project in Texas, several port deepening projects, including PortMiami, large maintenance projects in Georgia and Louisiana and significant harbor work in Florida and North Carolina. In comparison, dredging revenues in the first half of 2014 included a larger number of Superstorm Sandy projects as well as a large project in South Carolina that did not repeat during the current year.

Dredging segment gross profit margin for the three months ended June 30, 2015 increased to 16.0% from 14.4% in the three months ended June 30, 2014. Gross profit margin in the dredging segment was 14.1% for the six months ended June 30, 2015 compared to a gross profit margin of 13.6% for the same period in the prior year. Strong contract margin on our Suez project, project mix and improved fleet utilization, resulting in greater fixed cost coverage, partially offset the tightening of margin on some projects due to mechanical downtime. During the six months ended June 30, 2014, the Company experienced lower utilization in the Middle East which negatively impacted gross profit margin.

Operating income at the dredging segment for the three months ended June 30, 2015 increased \$7.1 million, or 65%, to \$18.1 million from \$11.0 million for the same period in the prior year. Dredging segment operating income was \$26.0 million for the six months ended June 30, 2015 compared to operating income of \$18.4 million for the six months ended June 30, 2014. The increase in operating income is result of the increase in gross profit, described above, as well as a decrease in administrative charges related to labor expenses and legal expenses.

#### *Environmental & remediation*

Environmental & remediation segment revenues for the quarter ended June 30, 2015 were \$49.9 million, an increase of \$20.6 million, or 70%, compared to \$29.3 million for the three months ended June 30, 2014. Environmental & remediation revenues for the six months ended June 30, 2015 and 2014 were \$71.5 million and \$42.0 million, respectively. Environmental & remediation revenues for the first six months of 2015 were up compared to the same period in the prior year due to revenue earned by Magnus which was acquired in November 2014. This increase was slightly offset by a decline in revenue in the Company's existing environmental & remediation business.

## [Table of Contents](#)

For the three months ended June 30, 2015 and 2014, the environmental & remediation segment had a gross profit margin of 3.8% and 12.4%, respectively. The environmental & remediation segment had a negative gross profit margin of 7.9% for the six months ended June 30, 2015 and a gross profit margin of 8.8% for the same period in the prior year. The decline in gross profit margin for the six months ended June 30, 2015 was attributable to contract losses of \$2.1 million at a site redevelopment project, contract losses resulting from pending change orders and higher operating overhead costs, primarily due to increased personnel costs, compared to the same period in the prior year.

The environmental & remediation segment experienced an operating loss of \$4.1 million and \$0.7 million for the three months ended June 30, 2015 and 2014, respectively. The environmental & remediation segment had an operating loss of \$19.3 million for the six months ended June 30, 2015, compared to an operating loss of \$5.3 million for the same period of 2014. The change in operating loss for the six months ended June 30, 2015 is the result of the decline in gross profit margin, as described above, an increase in amortization expense of \$3.1 million, mostly attributable to the Magnus acquisition in November 2014 and a \$2.8 million goodwill impairment charge recorded at the Terra reporting unit during the second quarter of 2015. Further, increases in payroll and benefits of \$3.9 million, technical and consulting expenses of \$0.5 million and legal and professional fees of \$0.8 million negatively impacted operating income for the 2015 first half. These increases in general and administrative expenses were slightly offset by a reduction in the value of the Magnus seller note payable of \$7.0 million.

### *Bidding activity and backlog*

The following table sets forth, by reporting segment and type of dredging work, the Company's backlog as of the dates indicated:

| Backlog (in thousands)      | June 30,<br>2015 | December 31,<br>2014 | June 30,<br>2014 |
|-----------------------------|------------------|----------------------|------------------|
| <b>Dredging:</b>            |                  |                      |                  |
| Capital — U.S.              | \$253,462        | \$ 135,801           | \$183,467        |
| Capital — foreign           | 55,599           | 131,489              | 68,328           |
| Coastal protection          | 178,560          | 211,101              | 56,896           |
| Maintenance                 | 28,990           | 25,108               | 41,585           |
| Rivers & lakes              | 85,939           | 90,708               | 106,076          |
| Dredging Backlog            | 602,550          | 594,207              | 456,352          |
| Environmental & remediation | 149,498          | 75,349 *             | 52,072           |
| <b>Total Backlog</b>        | <b>\$752,048</b> | <b>\$ 669,556</b>    | <b>\$508,424</b> |

\* December 31, 2014 environmental & remediation backlog includes backlog acquired by the Company on November 4, 2014 in connection with the Magnus acquisition.

The Company's contract backlog represents its estimate of the revenues that will be realized under the portion of the contracts remaining to be performed. For dredging contracts these estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. For environmental & remediation contracts, these estimates are based on the time and remaining costs required to complete the project relative to total estimated project costs and project revenues agreed to with the customer. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 61% of the Company's June 30, 2015 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer.

The domestic dredging bid market for the 2015 second quarter totaled \$201.0 million, resulting in \$449.6 million of work awarded in the first six months of 2015. This represents a decrease of \$126.3 million compared to the first six months of 2014. The bid market for the six months ended June 30, 2015 decreased from the prior year primarily due to award of Lake Decatur as well as projects for the Bayport Ship Channel and deepening the Delaware River in the prior year. In the first half of 2015, \$68 million fewer capital projects were let to bid. Of the \$240 million in capital projects awarded in 2015, the Company was awarded the \$135 million Savannah Harbor deepening project and a \$77 million coastal restoration project in Louisiana. Additionally, the Company was awarded several maintenance projects as well as coastal protection projects in New York and Louisiana. Including these awards, the Company won 55%, or \$29.7 million of the coastal protection projects awarded through June 30, 2015. For the contracts released in the current year,

## [Table of Contents](#)

the Company won 96% or \$230.6 million of the domestic capital projects, 44% or \$66.8 million of the maintenance projects and 57% or \$2.6 million of the rivers & lakes projects awarded through June 30, 2015. The Company won 73% of the overall domestic bid market through June 30, 2015, which is above the Company's prior three year average of 43%. Variability in contract wins from quarter to quarter is not unusual and one quarter's win rate is generally not indicative of the win rate the Company is likely to achieve for a full year.

The Company's contracted dredging backlog was \$602.6 million at June 30, 2015 compared to \$594.2 million of backlog at December 31, 2014. These amounts do not reflect approximately \$43.6 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at June 30, 2015. At December 31, 2014 the amount of domestic low bids and options pending award was \$113.5 million.

Domestic capital dredging backlog at June 30, 2015 was \$117.7 million higher than at December 31, 2014. During the first six months of 2015, the Company continued to earn revenue on the PortMiami project as well as the Delaware River deepening project and a private LNG port expansion project in Texas. Additionally, the Company was awarded the Savannah Harbor deepening project in the 2015 first quarter and two barrier island reclamation projects in Louisiana, including Shell Island West, during the 2015 second quarter. In the second quarter of 2015, five Gulf coast states, the U.S. Government and BP reached an \$18.7 billion settlement related to the Deepwater Horizon oil spill that resolves many of the Clean Water Act penalties. Several other vendors related to the oil spill have already reached deals that resolve their claims in the disaster. Many of the Gulf states previously committed to spending a portion of the fines received to repair the natural resources impacted by the oil spill including on coastal restoration projects that include dredging. Although the bulk of the fines are to be paid over the next 15 to 18 years, the Company expects several coastal restoration projects envisioned by the States to come to fruition in the next couple of years providing a new source of domestic capital dredging projects on which the Company will bid.

Foreign capital dredging backlog was down \$75.9 million from December 31, 2014. The decline in backlog during the current year is due to revenue earned on the Suez Canal project as well as on projects in the Middle East and Brazil during the first half of 2015. The Company was awarded three projects in Brazil during the first six months of the year which contributed to current year backlog. The world's need for reclaimed land continues to expand to support global energy consumption, seaborne trade, population growth and tourism all of which are expected to add nearly 400 viable dredging projects over the next six years. Besides the Middle East, the Company continues to pursue ancillary work in Brazil and South America where we have positioned a clamshell dredge and operate as a reputable regional provider. The Company expects the additional opportunities globally to provide a continued source of future international dredging revenue.

Coastal protection dredging backlog at June 30, 2015 was \$32.5 million lower than at December 31, 2014. During the six months in 2015, the Company earned revenue on a large project in Florida in addition to several coastal protection projects in New York and New Jersey that were in backlog at December 31, 2014. Subsequent to the end of the quarter, the Company was low bidder on another project in Florida and has several options on current projects in backlog that will add to backlog as they are awarded. Funding related to Northeastern U.S. beach replenishment continues to be released and the Company is anticipating the new dredging projects along the coast to extend through the first half of 2016. Federal and state government actions continue to support the repair and improvement of America's coastline through the completion of protective beaches and berms.

Maintenance dredging backlog was up \$3.9 million from December 31, 2014. During the first six months of 2015, the Company earned revenue on three harbor maintenance projects including the Wilmington Harbor as well as two harbor projects in Florida that were in backlog at year end. Other maintenance projects in Georgia, Louisiana, Maryland and New York, which were awarded in 2015, contributed to the revenue for the six months ended June 30, 2015. The Water Resources Reform and Development Act (WRRDA) calls for full use of Harbor Maintenance Trust Fund ("HMTF") within ten years for its intended purpose of maintaining future access to the waterways and ports that support our nation's economy. Through the increased appropriation of HMTF monies, the Corps has substantially increased projects for maintenance dredging in 2015 and the Company anticipates an increase in harbor projects to be let to bid throughout the government's current fiscal year and beyond.

Rivers & lakes backlog is \$4.8 million lower at June 30, 2015 than at December 31, 2014 as the Company continues to earn revenue on its large lake project in Illinois during the first six months of 2015. The Corps' work plan for 2015 includes several upper Mississippi River projects to open channels that are often clogged by silt and sediment from upstream, in addition to planned levee repair along the Mississippi River.

Environmental & remediation services backlog has increased \$74.1 million from December 31, 2014. The increase was primarily driven by the award of remediation projects in Washington and Louisiana in the first three months of 2015. The Company continued to earn revenue on a remediation project and an abatement project in New Jersey. The Company's acquisition of Magnus expands the geographic footprint of our environmental operations to include the U.S. West Coast and broadens our suite of services to include geotechnical contracting capabilities and other environmental solutions.

### ***Liquidity and capital resources***

The Company's principal sources of liquidity are net cash flows provided by operating activities and proceeds from previous issuances of long term debt. The Company's principal uses of cash are to meet debt service requirements, finance capital expenditures, provide working capital and other general corporate purposes.

The Company's net cash provided by (used in) operating activities of continuing operations for the six months ended June 30, 2015 and 2014 totaled \$(6.9) million and \$15.0 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. The decrease in the current year from the six months ended June 30, 2014 was driven by decline in net income during the current year. Further, during the first half of 2015, the Company recorded a reduction in the fair value of the Magnus seller note payable of \$7.0 million to zero, in addition to reductions in interest and other contingent consideration. In comparison, the Company received a tax refund as well as payment on a project at one of our joint ventures during the 2014 first quarter which did not repeat in the current year.

The Company's net cash flows used in investing activities of continuing operations for the first six months of 2015 and 2014 totaled \$36.7 million and \$53.3 million, respectively. Investing activities in both periods primarily relate to normal course upgrades and capital maintenance of the Company's dredging fleet. During the six months ended June 30, 2015, the Company spent \$12.1 million on the construction of a dual mode articulated tug/barge trailing suction hopper dredge ("ATB"), compared to \$23.5 million in the same period in the prior year. Further contributing to the change in cash flows used in investing activities, the Company paid \$3.1 million related to a vendor performance obligation as a result of a settlement agreement and \$2.0 million for a small asset acquisition during the first six months of 2014.

The Company's net cash flows provided by financing activities of continuing operations for the six months ended June 30, 2015 and 2014 totaled \$15.9 million and no change, respectively. The change in net cash flows from financing activities is primarily due to net borrowings on the Company's revolver during the first six months of 2015 of \$18.0 million, compared to no net borrowings for the same period in the prior year. Additionally, the Company made payments of \$2.5 million on the senior secured term loan facility ("Term Loan Facility") during the 2015 first half.

On June 4, 2012, the Company entered into a senior revolving credit agreement (as subsequently amended, the "Credit Agreement") with certain financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America, N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. The Credit Agreement provides for a senior revolving credit facility in an aggregate principal amount of up to \$210 million, multicurrency borrowings up to a \$50 million sublimit and swingline loans up to a \$10 million sublimit. The Credit Agreement also includes an incremental loans feature that will allow the Company to increase the senior revolving credit facility by an aggregate principal amount of up to \$15 million. This feature is subject to lenders providing incremental commitments for such increase, provided that no default or event of default exists, and the Company being in pro forma compliance with the existing financial covenants, both before and after giving effect to the increase, and subject to other standard conditions.

Depending on the Company's consolidated leverage ratio (as defined in the Credit Agreement), borrowings under the revolving credit facility will bear interest at the option of the Company of either a LIBOR rate plus a margin of between 1.50% to 2.50% per annum or a base rate plus a margin of between 0.50% to 1.50% per annum.

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company's surety bonding provider. The Credit Agreement requires the Company to maintain a net leverage ratio less than or equal to 4.50 to 1.00 as of the end of each fiscal quarter and a minimum fixed charge coverage ratio of 1.25 to 1.00.

The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. During a year, the Company frequently borrows and repays amounts under its revolving credit facility. As of June 30, 2015, the Company had \$18.0 million of borrowings on the revolver and \$110.5 million of letters of credit outstanding, resulting in \$81.5 million of availability under the Credit Agreement. Borrowings under the line of credit may be limited based on the Company's requirements to comply with its covenants. At June 30, 2015, the Company was in compliance with its various covenants under the Credit Agreement.

On November 4, 2014, the Company entered into a Term Loan Facility consisting of a term loan in an aggregate principal amount of \$50 million, with the lenders party thereto from time to time and Bank of America, N.A., as administrative agent. The Company has borrowed an aggregate principal amount of \$46.8 million. The proceeds from the Term Loan Facility will be used for the working capital and general corporate purposes of the Company, including to repay borrowings under the Credit Agreement made to finance the construction of the Company's ATB.

The Term Loan Facility has a term of 5 years. The borrowings under the Term Loan Facility bear interest at a fixed rate of 4.655% per annum. If an event of default occurs under the Loan Agreement, the interest rate will increase by 2.00% per annum during the continuance of such event of default.

## [Table of Contents](#)

The Term Loan Facility provides for monthly amortization payments, payable in arrears, which commenced on December 4, 2014, at an annual amount of (i) approximately 10% of the principal amount of the Term Loan Facility during the first two years of the term, (ii) approximately 20% of the principal amount of the Term Loan Facility during the third and fourth years of the term, and (iii) approximately 25% of the principal amount of the Term Loan Facility during the final year of the term, with the remainder due on the maturity date of the facility. In addition, the Company may optionally prepay the Term Loan Facility in whole or in part at any time, subject to a minimum prepayment amount.

The Loan Agreement includes customary representations, affirmative and negative covenants and events of default for financings of this type and includes the same financial covenants that are currently set forth in the Credit Agreement.

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & remediation projects. The Company has a bonding agreement (the “Zurich Bonding Agreement”) with Zurich American Insurance Company (“Zurich”) under which the Company can obtain performance, bid and payment bonds. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the “Additional Sureties”). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich Bonding Agreement. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1 million to \$10 million. At June 30, 2015, the Company had outstanding performance bonds totaling approximately \$1,244.8 million, of which \$53.5 million relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately \$526.6 million.

In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project.

In January 2011, the Company issued \$250 million in aggregate principal amount of its 7.375% senior notes due February 1, 2019. Approximately \$180 million of the net proceeds from the original issuance of the senior notes were used to prepay all of the Company’s 7.75% senior subordinated notes due December 2013, including prepayment premiums and accrued and unpaid interest. In November 2014, the Company issued an additional \$25 million in aggregate principal amount of its 7.375% senior notes due February 1, 2019. The proceeds from this issuance were used to repay indebtedness incurred under out senior secured revolving credit facility in connection with the acquisition of Magnus, and for general corporate purposes. The indenture governing the senior notes, among other things, limits the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on its assets; (iv) transfer and sell assets; (v) merge, consolidate or sell all or substantially all of its assets; (vi) enter into certain transactions with affiliates; (vii) create restrictions on dividends or other payments by its restricted subsidiaries and (viii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the indenture governing the senior notes.

The impact of changes in functional currency exchange rates against the U.S. dollar on non-U.S. dollar cash balances, primarily the Brazilian Real and Australian Dollar, is reflected in the cumulative translation adjustment — net within accumulated other comprehensive loss. Cash held in non-U.S. dollar currencies primarily is used for project-related and other operating costs in those currencies reducing the Company’s exposure to future realized exchange gains and losses.

The Company believes its cash and cash equivalents, its anticipated cash flows from operations and availability under its revolving credit facility will be sufficient to fund the Company’s operations, capital expenditures, and the scheduled debt service requirements for the next twelve months. Beyond the next twelve months, the Company’s ability to fund its working capital needs, planned capital expenditures, scheduled debt payments and dividends, if any, and to comply with all the financial covenants under the Credit Agreement and bonding agreement, depends on its future operating performance and cash flows, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company’s control.

### *Critical accounting policies and estimates*

In preparing its consolidated financial statements, the Company follows accounting principles generally accepted in the United States of America which are described in Note 1 to the Company’s December 31, 2014 Consolidated Financial Statements included on Form 10-K. The application of these principles requires significant judgments or an estimation process that can affect the results of operations, financial position and cash flows of the Company, as well as the related footnote disclosures. The Company continually reviews its accounting policies and financial information disclosures. There have been no material changes in the Company’s critical accounting policies or estimates since December 31, 2014.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The market risk of the Company's financial instruments as of June 30, 2015 has not materially changed since December 31, 2014. The market risk profile of the Company on December 31, 2014 is disclosed in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

**Item 4. Controls and Procedures.**

***a) Evaluation of disclosure controls and procedures.***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2015. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and b) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing such a reasonable assurance.

***b) Changes in internal control over financial reporting.***

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II — Other Information

### Item 1. Legal Proceedings.

See Note 9 “Commitments and Contingencies” in the Notes to Condensed Consolidated Financial Statements.

In addition, we are in discussions with the Environmental Protection Agency (“EPA”) relating to a project we performed at the Mayport Naval Station from 2010-2012. The EPA is alleging violations of Section 105 of the Marine Protection, Research, and Sanctuaries Act (“MPRSA”) and failure to report violations of the MPRSA.

### Item 1A. Risk Factors.

There have been no material changes, except for the following, during the six months ended June 30, 2015 to the risk factors previously disclosed in Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

*If we are unable, in the future, to obtain bonding or letters of credit for our contracts, our ability to obtain future contracts will be limited, thereby adversely affecting our business, operating results, cash flows or financial condition.*

We are generally required to post bonds in connection with our domestic dredging or remediation contracts and bonds or letters of credit with our foreign dredging contracts to ensure job completion if we ever fail to finish a project. We have entered into the Zurich Bonding Agreement with Zurich American Insurance Company (“Zurich”), pursuant to which Zurich acts as surety, issues bid bonds, performance bonds and payment bonds, and provides guarantees required by us in the day-to-day operations of our dredging business. However, under certain circumstances as specified in the agreement, Zurich is not obligated under the Zurich Bonding Agreement to issue future bonds for us. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the “Additional Sureties”). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich Bonding Agreement. Historically, we have had a strong bonding capacity, but surety companies issue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of collateral as a condition to issuing any bonds. In addition to our bonds outstanding with Zurich and the Additional Sureties, we also have surety bonds outstanding with Travelers Casualty and Surety Company of America. With respect to our foreign dredging business, we generally obtain letters of credit under the Credit Agreement. However, access to our senior credit facility under the Credit Agreement may be limited by failure to meet certain financial requirements or other defined requirements. If we are unable to obtain bonds or letters of credit on terms reasonably acceptable to us, our ability to take on future work would be severely limited.

In connection with the sale of our historical demolition business, we were obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project. If there should be a default triggered under any of such surety bonds, it could have a material adverse effect on our ability to obtain bonds and on our business, results of operations, cash flows or financial condition.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

- (a) None.
- (b) None.
- (c) None.

### Item 3. Defaults Upon Senior Securities.

- (a) None.
- (b) None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information

- (a) None.
- (b) Not applicable.

## [Table of Contents](#)

### **Item 6. Exhibits**

|         |   |
|---------|---|
| 3.1     | Amended and Restated Bylaws of Great Lakes Dredge & Dock Corporation, dated as of May 14, 2015. (1)   |
| 10.1    | Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and David E. Simonelli, dated as of May 8, 2014. †*   |
| 10.2    | Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and Kyle D. Johnson, dated as of May 8, 2014. †*  |
| 10.3    | First Rider to the General Agreement of Indemnity, dated as of June 4, 2012, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. * |
| 31.1    | Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *  |
| 31.2    | Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *  |
| 32.1    | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *   |
| 32.2    | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *   |
| 101.INS | XBRL Instance Document. *   |
| 101.SCH | XBRL Taxonomy Extension Schema. *   |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase. *   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase. *  |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase. *   |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase. *  |

(1) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 20, 2015 (Commission file no. 001-33225).

\* Filed herewith.

† Compensatory plan or arrangement.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Great Lakes Dredge & Dock Corporation  
(registrant)

By:                                 /S/ MARK W. MARINKO                                  
**Mark W. Marinko**  
**Senior Vice President and Chief Financial Officer**  
**(Principal Financial and Accounting Officer and Duly Authorized Officer)**

Date: August 4, 2015

**EXHIBIT INDEX**

| <u>Number</u> | <u>Document Description</u>   |
|---------------|---|
| 3.1           | Amended and Restated Bylaws of Great Lakes Dredge & Dock Corporation, dated as of May 14, 2015. (1)   |
| 10.1          | Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and David E. Simonelli, dated as of May 8, 2014. †*   |
| 10.2          | Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and Kyle D. Johnson, dated as of May 8, 2014. †*  |
| 10.3          | First Rider to the General Agreement of Indemnity, dated as of June 4, 2012, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. * |
| 31.1          | Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *  |
| 31.2          | Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *  |
| 32.1          | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *   |
| 32.2          | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *   |
| 101.INS       | XBRL Instance Document. *   |
| 101.SCH       | XBRL Taxonomy Extension Schema. *   |
| 101.CAL       | XBRL Taxonomy Extension Calculation Linkbase. *   |
| 101.DEF       | XBRL Taxonomy Extension Definition Linkbase. *  |
| 101.LAB       | XBRL Taxonomy Extension Label Linkbase. *   |
| 101.PRE       | XBRL Taxonomy Extension Presentation Linkbase. *  |

(1) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 20, 2015 (Commission file no. 001-33225).

\* Filed herewith.

† Compensatory plan or arrangement.

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the “**Agreement**”) is made as of the 8th day of May, 2014 (the “**Agreement Date**”), by and between Great Lakes Dredge & Dock Corporation (the “**Corporation**”), with and on behalf of its wholly-owned subsidiary, Great Lakes Dredge & Dock Company, LLC (“**GLDD LLC**”) (together, the “**Company**”), and David E. Simonelli (“**Executive**”).

**RECITALS**

**WHEREAS**, Executive is currently employed by the Company;

**WHEREAS**, Executive and the Company have previously agreed to and operated under the terms of an employment agreement dated April 9, 2012 (the “**Original Agreement**”); and

**WHEREAS**, in consideration of the vesting and exercisability of the Non-Qualified Stock Option Agreement and the Restricted Stock Unit Award Agreement granted to Executive on May 9, 2014, Executive and the Company agree to amend and restate the Original Agreement in its entirety by setting forth the terms and conditions of their agreements and understandings in this Agreement, which shall replace and supersede all terms and conditions contained within the Original Agreement as of the date first written above.

**NOW, THEREFORE**, in consideration of the foregoing promises and the respective agreements of Executive and the Company set forth below, Executive and the Company, intending to be legally bound, agree as follows:

**ARTICLE I  
EMPLOYMENT SERVICES**

**1.1 Term of Employment.** Executive’s employment under this Agreement shall commence on April 10, 2012 (the “**Start Date**”) and continue until the second annual anniversary of such date, unless terminated earlier pursuant to **Article III** herein (the “**Initial Employment Term**”). The Employment Term shall be extended automatically for successive one-year periods unless, at least 90 days prior to expiration of the Employment Term, either party gives written notice to the other party that he/it does not wish to renew the Agreement (such one year extension(s) and the Initial Employment Term to be, collectively, the “**Employment Term**”). The last day of employment for which the Executive is compensated as an active employee of the Company shall be referred to as the “**Termination Date**.”

**1.2 Position and Duties.** During the Employment Term, Executive shall hold the position of President of Dredging Operations, and shall report to the Company’s Chief Executive Officer. Executive shall perform such duties and responsibilities as are consistent with a senior employee and those duties as may be assigned to Executive by the Chief Executive Officer from time to time. For the avoidance of doubt, Executive’s duties and responsibilities may be changed per instruction of the Chief Executive Officer, so long as such duties and responsibilities are generally consistent with those assigned to a Division President of a company or division of comparable size in a comparable industry. Executive shall devote Executive’s full business time, attention, skill and energy to the business and affairs of the Company, and shall use Executive’s

reasonable best efforts to perform such responsibilities in a diligent, loyal, and businesslike manner so as to advance the best interests of the Company. Executive shall act in conformity with Company's written and oral policies and within the limits, budgets and business plans set by the Company, and shall adhere to all rules and regulations in effect from time to time relating to the conduct of executives of the Company. Executive's office will be at the principal executive offices of the Company and Executive will be expected to conduct his activities from such office other than when traveling on behalf of the Company. Notwithstanding the foregoing, Executive shall be permitted to devote a reasonable amount of time and effort to civic and charitable organizations and managing personal investments; but only to the extent that such activities, individually or as a whole, do not materially interfere with the execution of Executive's duties hereunder, or otherwise violate any provision of this Agreement. Executive shall not become involved in the management of any corporation, partnership or other entity, including serving on the board of directors of any publicly traded company, without the written consent of the Corporation's Board of Directors (the "**Board**").

**1.3 Service on Board.** The Company may require Executive to serve without additional compensation as a member of the Board or as an officer or director of any of the Corporation's subsidiaries. Any compensation or other remuneration received from such service may be offset against the amounts due hereunder.

## **ARTICLE II COMPENSATION**

**2.1 Base Salary.** The Company shall pay Executive an annual base salary of \$337,000 ("**Base Salary**"), payable in accordance with the general payroll practices of the Company. The Board will review Executive's performance and Base Salary annually and may, in its sole discretion, increase Executive's Base Salary or may decrease it by up to 10 percent if there is a similar salary reduction affecting all officers in the dredging division of the Company (the "**Dredging Division Officers**").

**2.2 Incentive Compensation.** Executive will be eligible to participate in any annual performance bonus plans and long-term incentive plans established or maintained by the Company for its Dredging Division Officers, including, but not limited to, the Annual Bonus Plan or such similar or successor plans as the Company may establish. Twenty-five percent of any annual bonus earned by Executive will be paid in shares of the Company's common stock; the remainder (and the value of any fractional shares) will be paid to Executive in cash. Such bonus will be paid in accordance with the Company's standard practice, but in any event no later than 2.5 months after the end of the calendar year in which Executive earns such bonus.

**2.3 Equity Compensation.** Except as provided for in Section 6.2, Executive will be eligible to participate on the same terms in any equity-based compensation plans established or maintained by the Company for its Dredging Division Officers, including but not limited to the Company's 2007 Long-Term Incentive Plan and any successor thereto.

**2.4 Employee Benefit Plans.** Executive will be eligible to participate on substantially the same basis as the Company's other Dredging Division Officers in any employee benefit plans offered by the Company including, without limitation, the Company's

Supplemental Savings Plan (or any successor thereto), medical, dental, short-term and long-term disability, life, profit sharing and nonqualified deferred compensation arrangements. The Company reserves the right to modify, suspend or discontinue any and all of the plans, practices, policies and programs at any time without recourse by Executive, so long as Company takes such action generally with respect to all other Dredging Division Officers.

**2.5 Vacation.** Executive will be entitled to twenty-two (22) days of paid vacation per calendar year, subject to the Company's vacation policy as in effect from time-to-time. The Company may, at its discretion, increase (but not decrease) Executive's vacation entitlement.

**2.6 Business Expenses.** The Company will reimburse Executive for all reasonable and necessary business expenses incurred in the performance of services with the Company, according to the Company's policies and upon Executive's presentation of an itemized written statement and such verification as the Company may require.

### ARTICLE III TERMINATION OF EMPLOYMENT

**3.1 Voluntary Resignation.** Executive may terminate his employment for any reason by giving the Company 60 days' prior written notice of a voluntary resignation date ("**Resignation Date**"). For purposes of this Agreement, delivery of a notice of non-renewal of the Employment Term by the Executive will be considered voluntary resignation effective as of the date that the Employment Term expires as a result of the notice of non-renewal. Upon receiving Executive's notice of intent to resign or not renew, the Company may require that Executive cease performing services for the Company at any time before the Resignation Date, so long as the Company continues Executive's Base Salary under **Section 2.1** and employee benefits under **Section 2.4** through the Resignation Date.

In the event of a voluntary resignation and within 30 days of Executive's notice of intent to resign or not renew, the Company shall in its sole discretion, by giving written notice, elect between the following options. Should the Company fail to elect an option within the time specified, option (a) shall be considered the default decision.

(a) Executive shall not be entitled to receive any compensation or benefits from the Company following the Resignation Date and shall not be subject to the restrictive covenants contained in **Sections 4.2** through **4.4**; or

(b) Executive shall be eligible for the compensation and benefits ("**Resignation Pay**") described in this **Section 3.1(b)** (the period over which the amounts are payable in **Section 3.1(b)** is referred to as the "**Resignation Severance Period**"), subject to the requirements set forth in **Section 3.6** and **Section 3.7**.

(i) A payment equal to 18 months of Executive's then current Base Salary, less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Resignation Date, subject to **Section 3.6**.

(ii) Subject to the terms and conditions described herein, the Company will continue to provide Executive (and his spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Resignation Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) with group medical and dental for 24 months following the Resignation Date. During this 24 month period, the Company will reduce Executive's cash Resignation Pay by his share of the cost of these benefits, which shall be equal to the cost of such benefits for similarly situated employees of the Company. After this 24 month period, Executive (and his spouse and eligible dependents, as applicable) will be eligible for continuation coverage under COBRA or other similar state statute. Notwithstanding the foregoing, the Company may find alternate medical and dental plan coverage if, by law or other restrictions outside the control of the Company, continued coverage under the Company's health plans is not permitted.

Except as otherwise provided under law, this Agreement, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any additional compensation or benefits from the Company after the Resignation Date.

**3.2 Termination By Company With Cause.** The Company may terminate Executive's employment for Cause (as defined below) by giving written notice to Executive designating an immediate or future Termination Date. In the event of a termination for Cause, the Company shall pay Executive his Base Salary under **Section 2.1** and employee benefits under **Section 2.4** through the Termination Date. Except as otherwise provided under this Agreement, law, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any compensation or benefits from the Company after the Termination Date.

For purposes of this Agreement, "**Cause**" means:

- (a) A material breach by Executive of **Sections 4.1** or **4.2** of this Agreement (regarding the non-competition and confidentiality provisions);
- (b) The commission of a criminal act by Executive against the Company, including but not limited to fraud, embezzlement or theft;
- (c) The conviction, plea of no contest or *nolo contendere*, deferred adjudication or un-adjudicated probation of Executive for any felony or any crime involving moral turpitude; or
- (d) Executive's failure or refusal to carry out, or comply with, in any material respect, any lawful directive of the Chief Executive Officer consistent with the terms of the Agreement and with the Company's written plans and policies, which is not remedied within 30 days after Executive's receipt of written notice from the Company.

**3.3 Termination By Company Without Cause.** The Company may terminate Executive's employment without Cause by giving written notice to Executive designating an immediate or future Termination Date. Executive's voluntary resignation of employment due to



a material diminution of Executive's position, authority, duties or responsibilities or due to any material breach by the Company of this Agreement shall be treated as a termination by Company without Cause; *provided* that, (a) such voluntary resignation occurs within 65 days following the initial occurrence of such event, (b) Executive provided written notice of such event to the Board and the Chief Executive Officer within 30 days of such event, and (c) the Company failed to cure such event or breach within 30 days of receipt of such written notice from Executive. It shall not be considered a material diminution of Executive's authority, duties or responsibilities to the extent such authority, duties or responsibilities are changed in accordance with **Section 1.2**. For purposes of this Agreement, delivery of a notice of non-renewal of the Employment Term by the Company will be considered a termination without Cause effective as of the date that the Employment Term expires as a result of the notice of non-renewal.

In the event of a termination without Cause during the Employment Term, Executive shall be eligible to receive the benefits described in **Sections 3.3(a)** and **(b)**, below (collectively, "**Severance Pay**"), subject to the requirements set forth in **Section 3.6** and **Section 3.7**. The period over which the amounts in **Section 3.3(a)(i)** or **(a)(ii)**, as applicable, are payable is referred to as the "**Severance Period**."

(a) If Executive is terminated without Cause, the Company will provide the following compensation and benefits to Executive:

(i) A payment equal to 24 months of the Executive's then current Base Salary, less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Termination Date, subject to **Section 3.6**.

(ii) The prior fiscal year's annual bonus payable 100% in cash and the Supplemental Savings Plan benefits earned through the Termination Date. Such amount will be paid in equal installments on each regularly scheduled payroll pay date for the remainder of the Severance Period, beginning on the date when all other Company executives receive such payments, but in no event later than March 15 of the year following the Termination Date.

(iii) Subject to the terms and conditions described herein, the Company will continue to provide Executive (and his spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Termination Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) with group medical and dental, for 24 months following the Termination Date. During this 24 month period, the Company will reduce Executive's cash Severance Pay by his share of the cost of these benefits, which shall be equal to the cost of such benefits for similarly situated employees of the Company. After this 24 month period, Executive (and his spouse and eligible dependents, as applicable) will be eligible for continuation coverage under COBRA or other similar state statute. Notwithstanding the foregoing, the Company may find alternate medical and dental plan coverage if, by law or other restrictions outside the control of the Company, continued coverage under the Company's health plans is not permitted.

(iv) The Company will pay for and provide to Executive outplacement services with an outplacement firm of Executive's choosing, provided that the Company shall not be responsible to pay for such services to the extent such services (aa) exceed \$15,000 or (bb) are provided more than one year following the Release Effective Date (as defined below).

(b) If Executive is terminated without Cause, Executive will receive full vesting credit for any outstanding unvested equity awards.

Except as otherwise provided under law, this Agreement, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any additional compensation or benefits from the Company after the Termination Date.

**3.4 Change in Control.** If, contemporaneous with or within twelve months after a Change in Control (as defined below), the Company terminates Executive's employment other than for Cause, Executive will be eligible to receive, in lieu of those payments provided under **Section 3.3**, as applicable: (a) two times his then current Base Salary; and (b) the pro rata portion of the prior fiscal year's annual bonus payable in cash and the Supplemental Savings Plan benefits earned through the Termination Date as described in **Section 3.3(a)(ii)** (together, the "**Change in Control Payment**"), subject to the requirements set forth in **Section 3.6**. The Base Salary, prior years bonus (pro rata), and Supplemental Savings Plan benefits will be made in a lump sum cash payment as soon as practicable, but in no event more than 10 days after the Termination Date (on or after the date of the Change in Control). Any remaining payments will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Termination Date, subject to **Section 3.6**. In addition, Executive will be eligible for the continued health plan coverage described in **Section 3.3(a)(iii)** and will receive full vesting credit for any outstanding unvested equity awards consistent with and subject to the limitations of **Section 3.6**.

For purposes of this Agreement, a "**Change in Control**" of the Corporation will be deemed to occur as of the first day that any one or more of the following conditions is satisfied:

(i) The "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of securities representing 30% or more of the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "**Corporation Voting Securities**") is accumulated, held or acquired by a Person (as defined in Section 3(a)(9) of the Exchange Act, as modified, and used in Sections 13(d) and 14(d) thereof) (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, holders of capital stock of the Corporation as of the date hereof or an affiliate thereof, any corporation owned, directly or indirectly, by the Corporation's stockholders in substantially the same proportions as their ownership of stock of the Corporation); *provided, however* that any acquisition from the Corporation or any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subparagraph (iii) of this paragraph will not be a Change in Control under this subparagraph (i), and *provided further*, that

immediately prior to such accumulation, holding or acquisition, such Person was not a direct or indirect beneficial owner of 25% or more of the Corporation Voting Securities; or

(ii) Within any twelve (12) month period that includes or is after the Start Date, individuals who constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) Consummation by the Corporation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Corporation or the acquisition of assets or stock of another entity (a “**Business Combination**”), in each case, unless immediately following such Business Combination: (A) more than 60% of the combined voting power of then outstanding voting securities entitled to vote generally in the election of directors of (x) the corporation resulting from such Business Combination (the “**Surviving Corporation**”), or (y) if applicable, a corporation that as a result of such transaction owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries (the “**Parent Corporation**”), is represented, directly or indirectly by Corporation Voting Securities outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation Voting Securities; (B) no Person (excluding any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Corporation existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the Corporation’s stockholders of a complete liquidation or dissolution of the Corporation.

However, in no event will a Change in Control be deemed to have occurred with respect to Executive if Executive is part of a purchasing group that consummates the Change in Control transaction. Executive will be deemed “part of a purchasing group” for purposes of the preceding sentence if Executive is an equity participant in the purchasing company or group (except: (a) passive ownership of less than two percent of the stock of the purchasing company; or (b) ownership of equity participation in the purchasing company or group that is otherwise not significant, as determined prior to the Change in Control by a majority of the nonemployee continuing Directors; *provided* that, for purposes of the foregoing, participation as a management investor in such purchasing company will not be deemed to be within the exceptions provided for in (a) and (b)).

Notwithstanding anything to contrary, a Change in Control will have occurred only if such change in ownership constitutes a change in control under Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations and other guidance in effect thereunder (“**Section 409A**”).

**3.5 Additional Vesting.** In addition to any amounts otherwise payable to Executive upon a separation from service, if Executive incurs any of the events below, he will be granted additional vesting, as described below:

(a) **Death or Disability.** If Executive dies or becomes permanently disabled (as determined under the Company’s long-term disability plan in which Executive participates), Executive will receive additional vesting credit under each of the Company’s employee benefit plans and outstanding equity awards that have vesting requirements. Such additional vesting credit shall begin with the date of death or disability period, as applicable, and will equal full vesting credit.

(b) **Retirement.** Upon Executive’s Retirement from the Company, Executive will receive full vesting of any of his outstanding equity awards. It shall be Executive’s choice to elect Retirement under this Section 3.5 or voluntary resignation under Section 3.1. If the term “Retirement” is not defined within a particular equity award, or if the award agreement defers to the definition of “Retirement” contained within an employment agreement, then for purposes of that award, “**Retirement**” shall mean Executive’s termination of employment, other than for Cause (as defined in **Section 3.2**, above), which meets all of the following criteria:

(i) The sum of (x) the continuous full years of Service (as defined in the 2007 Long-Term Incentive Plan) by Executive to the Company or a GLDD Entity (defined below) and (y) the attained age in full years of Executive on the date of Executive’s termination of employment total no less than 75 (the “**Rule of 75**”). A leave of absence which is agreed to between the Company and Executive in writing for medical reasons or for military service shall not constitute a break in Service for this purpose. Take for example, an executive who was born on June 27, 1963, and started full-time employment with the Company on July 1, 1990, and works continuously as an employee until a termination of employment on December 31, 2016. In such case, such executive’s full years of Service are 26 years and his attained age on the date of termination is 53 years. The total is 79 years, so the executive satisfies the Rule of 75;

(ii) Executive signs a Restrictive Covenant Agreement, in a form satisfactory to the Company, in anticipation of his Retirement, if the Company requests that he do so, within the timeframe given to Executive to sign by the Company. For purposes of this Agreement, a “Restrictive Covenant Agreement” shall mean an agreement between the Company and the Executive, in a form satisfactory to the Company, governing confidentiality, non-solicitation of customers and/or employees, non-competition and/or similar matters, which may be a free-standing agreement or contained in an employment, consulting or other written agreement, and which may be entered into subsequent to the date of this Agreement. In no event will any non-competition or non-solicitation provision contained within the Restrictive Covenant Agreement be broader in scope or duration or otherwise less favorable to Executive than the covenants contained in Section 4 herein; and

(iii) Executive gives the Chief Executive Officer at least three months’ prior notice of his Retirement.

(c) Termination by the Company Without Cause. As set forth in **Section 3.3**.

(d) Change in Control. As set forth in **Section 3.4**.

If the Company determines that Executive cannot receive such additional vesting credit under the terms of any such employee benefit plan because, for example, Executive is not actually providing any services to the Company, the Company shall provide the value of such additional vesting under an alternate arrangement, such as through the purchase of an individual insurance policy that provides similar benefits or, if applicable, through a nonqualified pension or profit sharing plan.

**3.6 Execution of Separation Agreement.** As a condition to receiving the Resignation Pay, the Severance Pay or the Change in Control Payment set forth in **Section 3.1, 3.3 or 3.4**, respectively, Executive must execute and return to the Company, and not revoke any part of, a separation agreement containing a general release and waiver of claims against the Company and its respective officers, directors, stockholders, employees and affiliates with respect to Executive’s employment, and other customary terms, in a form and substance reasonably acceptable to the Company and Executive. The Company shall deliver to Executive such release within ten (10) days following the Termination Date and the Executive shall deliver an original, signed release to the Company within twenty-one (21) business days (or such longer period as may be required by applicable law to constitute an effective release of all claims, but no longer than 45 days after the after receipt of the same from the Company) (the “**Release Effective Date**”). Notwithstanding anything in this Agreement to the contrary, no payments pursuant to **Section 3.1, 3.3 or 3.4** shall be made prior to the date that both (a) Executive has delivered an original, signed release to the Company and (b) the revocability period (if any) has elapsed, and provided that any payments that would otherwise be made during the first sixty (60) days following Executive’s termination of employment will be made on the 65th day. If Executive does not deliver an original, signed release to the Company by the Release Effective Date, (i) Executive’s rights shall be limited to those made available to Executive under **Section 3.2** above, and (ii) the Company shall have no obligation to pay or provide to Executive

any amount or benefits described in **Section 3.1, 3.3** or **3.4**, or any other monies on account of the termination of Executive's employment. Any obligation of the Company to provide Resignation Pay or Severance Pay shall cease: (A) upon Executive's death, if Company provided life insurance proceeds are paid to Executive's estate; (B) if Executive materially breaches any of his obligations under Articles IV or V; or (C) if, after Executive's Termination Date, the Company discovers facts or information that establish that Executive committed an act that would have constituted Cause, as defined under Section 3.2(a), (b) or (c).

**3.7 Section 409A.** While the parties acknowledge that any payments and benefits provided under **Article III** of this Agreement are intended to be exempt from Section 409A, to the extent (a) further guidance or interpretation is issued by the IRS after the date of this Agreement which would indicate that the payments do not qualify for such exemption or the amount of payments due under **Article III** increases in a manner to cause certain payments to exceed the limitation available for exempt separation payment and (b) Executive is a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) upon the date of Executive's termination of employment, such payments or benefits which are not exempt and would otherwise be payable to Executive prior to the date that is six (6) months following the date of such termination of employment shall be delayed and instead shall be paid to Executive on the first regular payroll date that occurs after the six (6) month anniversary of such date of termination. For purposes of Section 409A, each installment of Severance Pay under **Article III** shall be treated as a right to a separate payment.

**3.8 Excess Parachute Payments.** Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment" within the meaning of Code Section 280G but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; *provided, however*, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided to Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Code Section 4999, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes).

The fact that Executive's right to payments or benefits may be reduced by reason of the limitations contained in this **Section 3.8** will not of itself limit or otherwise affect any other rights of Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement is required to be reduced pursuant to this **Section 3.8**, the reduction shall be made in the following order: (a) first reducing, if any, those payments or benefits which have a higher Parachute Value than actual present value, (b) then, to the extent necessary, reducing cash payments or benefits; and (c) then, to the extent necessary, reducing those payments or benefits having the next highest ratio of Parachute Value to actual present value of such payments or benefits as of the date of the change of control (as defined under Code Section 280G). For purposes of this **Section 3.8**, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this **Section 3.8**, the "**Parachute Value**" of a payment or benefit means the present value as of the date of the change of control of the portion of such payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as valued in accordance with Section 280G of the Code any interpretive guidance thereunder.

**3.9 Removal from any Boards and Positions.** If Executive's employment is terminated for any reason under this Agreement, Executive will, immediately upon Executive's Termination Date, be deemed to have resigned from (a) if a member, the Board as well as the board of directors of any GLDD Entity (as defined below) or any other board to which he has been appointed or nominated by or on behalf of the Company, (b) any position with the Company or any GLDD Entity, including, but not limited to, as an officer of the Company or any GLDD Entity, and (c) any fiduciary positions with respect to the Company's benefit plans. In addition, and as a condition to receiving the Resignation Pay described in **Section 3.1**, the Severance Pay described in **Section 3.3**, or the Change in Control Payment described in **Section 3.4** Executive shall take any and all necessary steps to effectuate his resignation from such positions.

**3.10 Subsequent Discovery of Cause.** In the event that the Company subsequently discovers facts or information that establish that Executive committed an act that would have constituted Cause, as defined under **Section 3.2 (a), (b) or (c)**, then Executive shall forfeit and shall not be entitled to receive any further Resignation Pay or Severance Pay. Upon written notice from the Company detailing such facts and information supporting its determination of Cause, Executive shall repay to the Company all amounts paid to him as Resignation Pay or Severance Pay. Executive shall be entitled to dispute such finding of Cause in accordance with the provisions of **Sections 6.11 and 6.12**. Any repayment under this **Section 3.10** shall be in addition to any other remedies to which the Company may have under this Agreement or at law.

**3.11 Recoupment of Incentive Compensation.** All incentive or equity compensation paid to Executive during the Employment Term, the Resignation Severance Period or the Severance Period will be subject to the terms of the Company's recoupment policy in effect from time to time.

#### **ARTICLE IV EXCLUSIVITY OF SERVICES AND RESTRICTIVE COVENANTS**

**4.1 Confidential Information.** Executive acknowledges and agrees that the Confidential Information (as defined below) of the Company and its subsidiaries and any other entity related to the Company (each, a "**GLDD Entity**") that he obtained during the course of his employment by the Company is the property of the Company or such other GLDD Entity. Executive will never, directly or indirectly, disclose, publish or use any Confidential Information of which Executive has become aware, whether or not such information was developed by him. All duties and obligations set forth in this Agreement regarding Confidential Information shall be in addition to those which exist under the Illinois Trade Secrets Act and at common law.

As used in this Agreement, "**Confidential Information**" means information that is not generally known to the public and that was or is used, developed or obtained by the Company or any other GLDD Entity, in connection with its businesses, including but not limited to:

i. products or services, unannounced products or services, product or service development information (or other proprietary product or service information);

ii. fees, costs, bids and pricing structures and quotations or proposals given to agents, customers, sureties, suppliers, or prospective customers, agents, sureties or suppliers, or received from any such person or entity;

iii. accounting or financial records;

iv. strategic business plans;

v. information system applications or strategies;

vi. customer and vendor lists and employee lists and directories;

vii. marketing plans, bidding strategies and processes, and negotiation strategies, whether past, current, or future;

viii. accounting and business methods;

ix. legal advice and/or attorney work product;

x. trade secrets and other proprietary information;

xi. information, analysis or strategies regarding acquisitions, mergers, other business combinations, divestitures, recapitalizations, or new ventures; and

xii. nonpublic information that was acquired by Executive concerning the requirements and specifications of the Company's or any other GLDD Entity's agents, vendors, contractors, customers, or potential customers.

Notwithstanding anything to the contrary, Confidential Information does not include any information that: (a) is publicly disclosed by law or pursuant to, and to the extent required by, an order of a court of competent jurisdiction or governmental agency; (b) becomes publicly available through no fault of Executive; or (c) has been published in a form generally available to the public before Executive proposes to disclose, publish, or use such information.

**4.2 Noncompetition.** During the Employment Term and for the 24 month period following the Termination Date for any reason except in the case of a voluntary resignation under **Section 3.1(a)** (the "**Restricted Period**"), Executive will not, on behalf of himself or any other entity, have an ownership interest in or become employed or engaged by, or otherwise participate in or render services to, any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) within the Geographical Area (as defined below) that engages in any dredging or any other business engaged in by the Company; *provided, however*, that this restriction shall not prohibit Executive from passive beneficial ownership of less than three percent of any class of securities of a publicly-held corporation whose stock is traded on a U.S. national securities exchange or traded in the over-the-counter market. For the purpose of this provision, "**Geographical Area**" means the United States of



America and any other country in which the Company has worked in the three years prior to the Termination Date. Unless specifically restricted by this **Section 4.2**, Executive will be free to engage in any employment or business in any area, dredging or otherwise, regardless of resignation or termination with or without Cause. Notwithstanding anything in this **Article IV** to the contrary, Executive may, at any time during the Restricted Period, provide written notice to the Company that (a) describes a particular business or employment opportunity that he is interested in pursuing or in which he may wish to engage, and (b) request that the Company agree that the opportunity so described would not violate this **Section 4.2**. Within a reasonable time, the Company will send Executive a written response, indicating whether or not the Company consents to Executive engaging in the opportunity described in his notice.

**4.3 Non-Solicitation.** During the Restricted Period, Executive shall not (except in the case of a voluntary resignation under **Section 3.1(a)** and other than in furtherance of Executive's legitimate job duties on behalf of Company), directly or indirectly, on Executive's own behalf or for any other person or entity: (a) solicit for employment, hire or engage, or attempt to solicit for employment, hire or engage, any person who is or was employed by the Company within the six (6) month period prior to the solicitation, hire or engagement, or (b) otherwise interfere with the relationship between any such person and the Company.

**4.4 Non-Interference with Business Relationships.** During the Restricted Period, Executive shall not (except in the case of a voluntary resignation under **Section 3.1(a)** and other than in furtherance of Executive's legitimate job duties on behalf of the Company), directly or indirectly, on Executive's own behalf or for any other person or entity: (a) solicit, for a purpose related to a competitive activity (i.e., an activity prohibited by **Section 4.2**), any customer, vendor or agent of the Company that was doing business with the Company during the six month period prior to the solicitation; or (b) induce, or attempt to induce, any customer, vendor or agent of the Company to reduce or cease doing business with the Company, or otherwise interfere with the relationship between such entity and the Company.

**4.5 Equitable Modification.** If any court of competent jurisdiction shall deem any provision in this **Article IV** too restrictive, the other provisions shall stand, and the court shall modify the unduly restrictive provision to the point of greatest restriction permissible by law.

**4.6 Remedies.** Executive acknowledges that the agreements and covenants contained in this **Article IV** are essential to protect the Company and its business and are a condition precedent to entering into this Agreement. Should Executive materially breach any covenants in this **Article IV**, then among other remedies, the duration of the covenant shall be extended by the period of any such breach. Executive agrees that irreparable harm would result from Executive's material breach or threat to breach any provision of this **Article IV**, and that monetary damages alone would not provide adequate relief to the Company for the harm incurred. Executive agrees that in addition to money damages, the Company shall be entitled to seek and obtain temporary, preliminary, and permanent injunctive relief restraining Executive from committing or continuing any breach without being required to post a bond. Without limiting the foregoing, upon a breach by Executive of any provision of this **Article IV**, any outstanding Severance Pay shall cease and be forfeited, and Executive shall immediately reimburse the Company for any Severance Pay previously paid.

**ARTICLE V  
POST-TERMINATION OBLIGATIONS**

**5.1 Return of Company Materials.** No later than three (3) business days following the termination of Executive's employment for any reason, Executive shall return to the Company all Company property that is then in Executive's possession, custody or control, including, without limitation, all keys, access cards, credit cards, computer hardware and software, documents, records, policies, marketing information, design information, specifications and plans, data base information and lists, and any other property or information that Executive has or had relating to the Company (whether those materials are in paper or computer-stored form), and including but not limited to any documents containing, summarizing, or describing any Confidential Information.

**5.2 Executive Cooperation.** During Executive's employment with the Company and for a period of 24 months after the Termination Date, Executive shall, upon reasonable notice, furnish the Company with such information as may be in Executive's possession or control, and cooperate with the Company in any reasonable manner that the Company may request, including without limitation conferring with the Company with regard to any litigation, claim, or other dispute in which the Company is or may become a party. If Executive is not receiving full Resignation Pay or Severance Pay, then the Company shall compensate the Executive at a rate of \$2,000 per day less any partial payment paid for that day. The Company shall reimburse Executive for all reasonable out-of-pocket expenses incurred by Executive in fulfilling Executive's obligations under this **Section 5.2**. Payment for Executive's cooperation and expenses shall be made within 30 days of when services were rendered. The Company will make any such reimbursement within 30 days of the date Executive provides the Company with documentary evidence of such expense consistent with the policies of the Company. Notwithstanding anything to the contrary, any such reimbursement shall be administered so as to comply with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**ARTICLE VI  
MISCELLANEOUS**

**6.1 Notices.** Any notices, consents or other communications required or permitted to be sent or given hereunder shall be in writing and shall be deemed properly served if (a) delivered personally, in which case the date of such notice shall be the date of delivery; (b) delivered to a nationally recognized overnight courier service, in which case the date of delivery shall be the next business day; or (c) sent by facsimile transmission (with a copy sent by first-class mail), in which case the date of delivery shall be the date of transmission, or if after 5:00 P.M., the next business day. If not personally delivered, notice shall be sent using the addresses set forth below:

If to Executive, to the address listed on the signature page hereto or the last address on file in the records of the Company.

If to the Company:

Great Lakes Dredge & Dock Corporation  
2122 York Road  
Oak Brook, IL 60523  
Attn: Chief Executive Officer  
fax: (630) 574-3007  
telephone: (630) 574-3000

with a copy to:

Great Lakes Dredge & Dock Corporation  
2122 York Road  
Oak Brook, IL 60523  
Attn: General Counsel  
fax: (630) 574-3007  
telephone: (630) 574-3000

or such other address as may hereafter be specified by notice given by either party to the other party. Executive shall promptly notify the Company of any change in his address set forth on the signature page.

## **6.2 Company Stock Retention.**

(i) Executive must retain all shares of Company stock he receives as compensation from the Company that were granted prior to May 1, 2014; *provided, however*, that Executive from time to time may sell such shares to the extent that the aggregate value of the shares of Company stock he owns (together with his spouse and any trusts of which he or his spouse are the beneficial owner) after the conclusion of such sale exceeds one (1) time his then current Base Salary; with such aggregate value being determined using the closing price for the Company's stock on the NASDAQ global market (or other U.S. national market on which the Company's stock is then trading) on the day immediately preceding such sale. The value of the options held by Executive shall be the Black Scholes value, with any unvested shares (and options) being valued at zero. If the Company and the Executive elect to renew this Agreement for two (2) or more additional terms, then Executive shall be required to retain two (2) times his then current Base Salary.

(ii) For shares of Company stock received as compensation from the Company that are granted on or after May 1, 2014, Executive shall be subject to the Company's stock retention guidelines and policies for Executive in effect from time-to-time; *provided, however*, that unless Executive's position and duties are materially expanded, under no circumstances shall such guidelines and policies require Executive to retain Company stock such that the aggregate value of Executive's holdings exceeds more than one (1) time Executive's then current base salary, with such aggregate value being determined using the closing price for the Company's stock on the NASDAQ global market (or other U.S. national market on which the Company's stock is then trading) on the day immediately preceding such sale, with any options and unvested shares being valued at zero.

**6.3 Withholding.** The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law, or any other amounts rightfully and legally due and owing to the Company from Executive.

**6.4 Successors and Assigns.** This Agreement shall not be assignable by Executive without the Company's written consent. The Company may unilaterally assign this Agreement to any successor employer or corporation or entity that purchases substantially all of the assets of or succeeds to the business of the Company. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

**6.5 No Waiver.** No failure or delay by the Company or Executive in enforcing or exercising any right or remedy hereunder will operate as a waiver thereof. No modification, amendment or waiver of this Agreement or consent to any departure by Executive from any of the terms or conditions thereof, will be effective unless in writing and signed by the Chairman or Lead Director of the Company's Board, unless otherwise specified herein. Any such waiver or consent will be effective only in the specific instance and for the purpose for which given.

**6.6 Severability; Survivability.** If any term or provision of this Agreement shall be held to be invalid or unenforceable, the remaining terms and provisions hereof shall not be affected thereby and shall be enforced to the fullest extent permitted under law. Executive's obligations in **Sections 4.1, 5.1** and **5.2** shall survive and continue in full force notwithstanding the termination of this Agreement or Executive's employment for any reason. Executive's obligations in **Articles IV** and **V** shall survive and continue in full force and effect notwithstanding the termination of this Agreement or Executive's employment for any reason, if there is a separation agreement in effect pursuant to **Section 3.6** and Executive is receiving Resignation Pay or Severance Pay pursuant to that separation agreement.

**6.7 Execution in Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement.

**6.8 Governing Law; Waiver of Jury.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to its conflict of law principles. For the purposes of any suit, action, or other proceeding arising out of this Agreement or with respect to Executive's employment hereunder, the parties: (a) agree to submit disputes to arbitration as set forth in **Section 6.11**; and (b) waive their respective rights to a jury trial of any claims and causes of action.

**6.9 Construction.** The language used in this Agreement will be deemed to be the language chosen by Executive and the Company to express their mutual intent, and no rule of strict construction will be applied against Executive or the Company. The heading in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning of the provision.

**6.10 Entire Agreement; Amendments.** This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein, and supersedes all prior agreements, understandings or letters of intent with regard to the subject matter contained herein between the parties hereto, unless otherwise specified herein. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by each of the parties hereto.

**6.11 ARBITRATION OF DISPUTES.** ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS CONTRACT, OR THE BREACH THEREOF, SHALL BE SETTLED BY ARBITRATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS EMPLOYMENT ARBITRATION RULES AND MEDIATION PROCEDURES INCLUDING THE OPTIONAL RULES FOR EMERGENCY MEASURES OF PROTECTION. THE CONTROVERSY SHALL BE SUBMITTED TO ONE ARBITRATOR, EACH PARTY MAY STRIKE OR REJECT UP TO THREE POTENTIAL ARBITRATORS WITH THE SELECTIONS ALTERNATING BETWEEN THE COMPANY AND THE PARTY AND SELECTED FROM THE ROSTER OF ARBITRATORS OF THE AMERICAN ARBITRATION ASSOCIATION. THE PLACE OF ARBITRATION SHALL BE DUPAGE COUNTY, IL. JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF THE DECISION OF THE ARBITRATOR SHALL BE FINAL AND BINDING ON THE PARTIES.

**6.12 Costs Relating to Disputes.** In the event that an arbitration under **Section 6.11** arises out of this Agreement, if Executive is the prevailing party, he shall be entitled to an award of reasonable attorney fees and the Company shall pay for the arbitrator's and administrative fees of the arbitration. If the Company is the prevailing party, then each party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of arbitration.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Employment Agreement as of the date first set forth above.

**Great Lakes Dredge & Dock Corporation**

By: /s/ Jonathan W. Berger

Title: Chief Executive Officer

**David E. Simonelli**

/s/ David E. Simonelli

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (the “**Agreement**”) is made as of the 8th day of May, 2014 (the “**Agreement Date**”), by and between Great Lakes Dredge & Dock Corporation (the “**Corporation**”), with and on behalf of its wholly-owned subsidiary, Great Lakes Dredge & Dock Company, LLC (“**GLDD LLC**”) (together, the “**Company**”), and Kyle D. Johnson (“**Executive**”).

**RECITALS**

**WHEREAS**, Executive is currently employed by the Company;

**WHEREAS**, Executive and the Company have previously agreed to and operated under the terms of an employment agreement dated April 26, 2012 (the “**Original Agreement**”); and

**WHEREAS**, in consideration of the vesting and exercisability of the Non-Qualified Stock Option Agreement, the Restricted Stock Unit Award Agreement, and the Performance Vesting RSU Award Agreement granted to Executive on May 9, 2014, Executive and the Company agree to amend and restate the Original Agreement in its entirety by setting forth the terms and conditions of their agreements and understandings in this Agreement, which shall replace and supersede all terms and conditions contained within the Original Agreement as of the date first written above.

**NOW, THEREFORE**, in consideration of the foregoing promises and the respective agreements of Executive and the Company set forth below, Executive and the Company, intending to be legally bound, agree as follows:

**ARTICLE I  
EMPLOYMENT SERVICES**

**1.1 Term of Employment.** Executive’s employment under this Agreement shall commence on April 26, 2012 (the “**Start Date**”) and continue until the second annual anniversary of such date, unless terminated earlier pursuant to **Article III** herein (the “**Initial Employment Term**”). The Employment Term shall be extended automatically for successive one-year periods unless, at least 90 days prior to expiration of the Employment Term, either party gives written notice to the other party that he/it does not wish to renew the Agreement (such one year extension(s) and the Initial Employment Term to be, collectively, the “**Employment Term**”). The last day of employment for which the Executive is compensated as an active employee of the Company shall be referred to as the “**Termination Date**.”

**1.2 Position and Duties.** During the Employment Term, Executive shall hold the position of Executive Vice President and Chief Operating Officer, and shall report to the Company’s Chief Executive Officer. Executive shall perform such duties and responsibilities as are consistent with a senior employee and those duties as may be assigned to Executive by the Chief Executive Officer from time to time. For the avoidance of doubt, Executive’s duties and responsibilities may be changed per instruction of the Company’s Chief Executive Officer, so long as such duties and responsibilities are generally consistent with those assigned to an Executive Vice President and Chief Operating Officer of a company or division of comparable

size in a comparable industry. Executive shall devote Executive's full business time, attention, skill and energy to the business and affairs of the Company, and shall use Executive's reasonable best efforts to perform such responsibilities in a diligent, loyal, and businesslike manner so as to advance the best interests of the Company. Executive shall act in conformity with Company's written and oral policies and within the limits, budgets and business plans set by the Company, and shall adhere to all rules and regulations in effect from time to time relating to the conduct of executives of the Company. Executive's office will be at the principal executive offices of the Company and Executive will be expected to conduct his activities from such office other than when traveling on behalf of the Company. Notwithstanding the foregoing, Executive shall be permitted to devote a reasonable amount of time and effort to civic and charitable organizations and managing personal investments; but only to the extent that such activities, individually or as a whole, do not materially interfere with the execution of Executive's duties hereunder, or otherwise violate any provision of this Agreement. Executive shall not become involved in the management of any corporation, partnership or other entity, including serving on the board of directors of any publicly traded company, without the written consent of the Corporation's Board of Directors (the "**Board**").

**1.3 Service on Board.** The Company may require Executive to serve without additional compensation as a member of the Board or as an officer or director of any of the Corporation's subsidiaries. Any compensation or other remuneration received from such service may be offset against the amounts due hereunder.

## **ARTICLE II COMPENSATION**

**2.1 Base Salary.** The Company shall pay Executive an annual base salary of \$320,000 ("**Base Salary**"), payable in accordance with the general payroll practices of the Company. The Board will review Executive's performance and Base Salary annually and may, in its sole discretion, increase Executive's Base Salary or may decrease it by up to 10 percent if there is a similar salary reduction affecting substantially all senior executive officers of the Company.

**2.2 Incentive Compensation.** Executive will be eligible to participate in any annual performance bonus plans and long-term incentive plans established or maintained by the Company for its senior executive officers, including, but not limited to, the Annual Bonus Plan or such similar or successor plans as the Company may establish. Twenty-five percent of any annual bonus earned by Executive will be paid in shares of the Company's common stock; the remainder (and the value of any fractional shares) will be paid to Executive in cash. Such bonus will be paid in accordance with the Company's standard practice, but in any event no later than 2.5 months after the end of the calendar year in which Executive earns such bonus.

**2.3 Equity Compensation.** Except as provided for in Section 6.2, Executive will be eligible to participate on the same terms in any equity-based compensation plans established or maintained by the Company for its senior executive officers, including but not limited to the Company's 2007 Long-Term Incentive Plan and any successor thereto.



**2.4 Employee Benefit Plans.** Executive will be eligible to participate on substantially the same basis as the Company's senior executive officers in any employee benefit plans offered by the Company including, without limitation, the Company's Supplemental Savings Plan (or any successor thereto), medical, dental, short-term and long-term disability, life, profit sharing and nonqualified deferred compensation arrangements. The Company reserves the right to modify, suspend or discontinue any and all of the plans, practices, policies and programs at any time without recourse by Executive, so long as Company takes such action generally with respect to all other senior executive officers.

**2.5 Vacation.** Executive will be entitled to twenty-two (22) days of paid vacation per calendar year, subject to the Company's vacation policy as in effect from time-to-time. The Company may, at its discretion, increase (but not decrease) Executive's vacation entitlement.

**2.6 Business Expenses.** The Company will reimburse Executive for all reasonable and necessary business expenses incurred in the performance of services with the Company, according to the Company's policies and upon Executive's presentation of an itemized written statement and such verification as the Company may require.

### **ARTICLE III TERMINATION OF EMPLOYMENT**

**3.1 Voluntary Resignation.** Executive may terminate his employment for any reason by giving the Company 60 days' prior written notice of a voluntary resignation date ("**Resignation Date**"). For purposes of this Agreement, delivery of a notice of non-renewal of the Employment Term by the Executive will be considered voluntary resignation effective as of the date that the Employment Term expires as a result of the notice of non-renewal. Upon receiving Executive's notice of intent to resign or not renew, the Company may require that Executive cease performing services for the Company at any time before the Resignation Date, so long as the Company continues Executive's Base Salary under **Section 2.1** and employee benefits under **Section 2.4** through the Resignation Date.

In the event of a voluntary resignation and within 30 days of Executive's notice of intent to resign or not renew, the Company shall in its sole discretion, by giving written notice, elect between the following options. Should the Company fail to elect an option within the time specified, option (a) shall be considered the default decision.

(a) Executive shall not be entitled to receive any compensation or benefits from the Company following the Resignation Date and shall not be subject to the restrictive covenants contained in **Sections 4.2** through **4.4**; or

(b) Executive shall be eligible for the compensation and benefits ("**Resignation Pay**") described in this **Section 3.1(b)** (the period over which the amounts are payable in **Section 3.1(b)** is referred to as the ("**Resignation Severance Period**"), subject to the requirements set forth in **Section 3.6** and **Section 3.7**.

(i) A payment equal to 18 months of Executive's then current Base Salary, less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Resignation Date, subject to **Section 3.6**.

(ii) Subject to the terms and conditions described herein, the Company will continue to provide Executive (and his spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Resignation Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) with group medical and dental for 24 months following the Resignation Date. During this 24 month period, the Company will reduce Executive's cash Resignation Pay by his share of the cost of these benefits, which shall be equal to the cost of such benefits for similarly situated employees of the Company. After this 24 month period, Executive (and his spouse and eligible dependents, as applicable) will be eligible for continuation coverage under COBRA or other similar state statute. Notwithstanding the foregoing, the Company may find alternate medical and dental plan coverage if, by law or other restrictions outside the control of the Company, continued coverage under the Company's health plans is not permitted.

Except as otherwise provided under law, this Agreement, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any additional compensation or benefits from the Company after the Resignation Date.

**3.2 Termination By Company With Cause.** The Company may terminate Executive's employment for Cause (as defined below) by giving written notice to Executive designating an immediate or future Termination Date. In the event of a termination for Cause, the Company shall pay Executive his Base Salary under **Section 2.1** and employee benefits under **Section 2.4** through the Termination Date. Except as otherwise provided under this Agreement, law, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any compensation or benefits from the Company after the Termination Date.

For purposes of this Agreement, "**Cause**" means:

- (a) A material breach by Executive of **Sections 4.1** or **4.2** of this Agreement (regarding the non-competition and confidentiality provisions);
- (b) The commission of a criminal act by Executive against the Company, including but not limited to fraud, embezzlement or theft;
- (c) The conviction, plea of no contest or *nolo contendere*, deferred adjudication or un-adjudicated probation of Executive for any felony or any crime involving moral turpitude; or
- (d) Executive's failure or refusal to carry out, or comply with, in any material respect, any lawful directive of the Company's Chief Executive Officer (or Executive's direct supervisor at the time), which is consistent with the terms of the Agreement and with the Company's written plans and policies, and which is not remedied within 30 days after Executive's receipt of written notice from the Company.

**3.3 Termination By Company Without Cause.** The Company may terminate Executive's employment without Cause by giving written notice to Executive designating an immediate or future Termination Date. Executive's voluntary resignation of employment due to a material diminution of Executive's position, authority, duties or responsibilities or due to any material breach by the Company of this Agreement shall be treated as a termination by Company without Cause; *provided that*, (a) such voluntary resignation occurs within 65 days following the initial occurrence of such event, (b) Executive provided written notice of such event to the Board and the Chief Executive Officer within 30 days of such event, and (c) the Company failed to cure such event or breach within 30 days of receipt of such written notice from Executive. It shall not be considered a material diminution of Executive's authority, duties or responsibilities to the extent such authority, duties or responsibilities are changed in accordance with **Section 1.2**. For purposes of this Agreement, delivery of a notice of non-renewal of the Employment Term by the Company will be considered a termination without Cause effective as of the date that the Employment Term expires as a result of the notice of non-renewal.

In the event of a termination without Cause during the Employment Term, Executive shall be eligible to receive the benefits described in **Sections 3.3(a)** and **(b)**, below (collectively, "**Severance Pay**"), subject to the requirements set forth in **Section 3.6** and **Section 3.7**. The period over which the amounts in **Section 3.3(a)(i)** or **(a)(ii)**, as applicable, are payable is referred to as the "**Severance Period**."

(a) If Executive is terminated without Cause, the Company will provide the following compensation and benefits to Executive:

(i) A payment equal to 24 months of the Executive's then current Base Salary, less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Termination Date, subject to **Section 3.6**.

(ii) The prior fiscal year's annual bonus payable 100% in cash and the Supplemental Savings Plan benefits earned through the Termination Date. Such amount will be paid in equal installments on each regularly scheduled payroll pay date for the remainder of the Severance Period, beginning on the date when all other Company executives receive such payments, but in no event later than March 15 of the year following the Termination Date.

(iii) Subject to the terms and conditions described herein, the Company will continue to provide Executive (and his spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Termination Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) with group medical and dental, for 24 months following the Termination Date. During this 24 month period, the Company will reduce Executive's cash Severance Pay by his share of the cost of these benefits, which shall be equal to the cost of such benefits for similarly situated employees of the Company. After this 24 month period, Executive (and his spouse and eligible dependents, as applicable) will be eligible for continuation coverage under COBRA or other similar state statute. Notwithstanding the

foregoing, the Company may find alternate medical and dental plan coverage if, by law or other restrictions outside the control of the Company, continued coverage under the Company's health plans is not permitted.

(iv) The Company will pay for and provide to Executive outplacement services with an outplacement firm of Executive's choosing, provided that the Company shall not be responsible to pay for such services to the extent such services (aa) exceed \$15,000 or (bb) are provided more than one year following the Release Effective Date (as defined below).

(b) If Executive is terminated without Cause, Executive will receive full vesting credit for any outstanding unvested equity awards.

Except as otherwise provided under law, this Agreement, or the terms of any employee benefit plans in which Executive participates, Executive shall not be entitled to receive any additional compensation or benefits from the Company after the Termination Date.

**3.4 Change in Control.** If, contemporaneous with or within twelve months after a Change in Control (as defined below), the Company terminates Executive's employment other than for Cause, Executive will be eligible to receive, in lieu of those payments provided under **Section 3.3**, as applicable: (a) two times his then current Base Salary; and (b) the pro rata portion of the prior fiscal year's annual bonus payable in cash and the Supplemental Savings Plan benefits earned through the Termination Date as described in **Section 3.3(a)(ii)** (together, the "**Change in Control Payment**"), subject to the requirements set forth in **Section 3.6**. The Base Salary, prior years bonus (pro rata), and Supplemental Savings Plan benefits will be made in a lump sum cash payment as soon as practicable, but in no event more than 10 days after the Termination Date (on or after the date of the Change in Control). Any remaining payments will be paid in equal installments on each regularly scheduled payroll pay date during the 24 month period that begins on the Termination Date, subject to **Section 3.6**. In addition, Executive will be eligible for the continued health plan coverage described in **Section 3.3(a)(iii)** and will receive full vesting credit for any outstanding unvested equity awards consistent with and subject to the limitations of **Section 3.6**.

For purposes of this Agreement, a "**Change in Control**" of the Corporation will be deemed to occur as of the first day that any one or more of the following conditions is satisfied:

(i) The "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of securities representing 30% or more of the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "**Corporation Voting Securities**") is accumulated, held or acquired by a Person (as defined in Section 3(a)(9) of the Exchange Act, as modified, and used in Sections 13(d) and 14(d) thereof) (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, holders of capital stock of the Corporation as of the date hereof or an affiliate thereof, any corporation owned, directly or indirectly, by the Corporation's stockholders in substantially the same proportions as their

ownership of stock of the Corporation); *provided, however* that any acquisition from the Corporation or any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subparagraph (iii) of this paragraph will not be a Change in Control under this subparagraph (i), and *provided further*, that immediately prior to such accumulation, holding or acquisition, such Person was not a direct or indirect beneficial owner of 25% or more of the Corporation Voting Securities; or

(ii) Within any twelve (12) month period that includes or is after the Start Date, individuals who constitute the Board (the “**Incumbent Board**”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) Consummation by the Corporation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Corporation or the acquisition of assets or stock of another entity (a “**Business Combination**”), in each case, unless immediately following such Business Combination: (A) more than 60% of the combined voting power of then outstanding voting securities entitled to vote generally in the election of directors of (x) the corporation resulting from such Business Combination (the “**Surviving Corporation**”), or (y) if applicable, a corporation that as a result of such transaction owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries (the “**Parent Corporation**”), is represented, directly or indirectly by Corporation Voting Securities outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Corporation Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Corporation Voting Securities; (B) no Person (excluding any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Corporation existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the Corporation’s stockholders of a complete liquidation or dissolution of the Corporation.

However, in no event will a Change in Control be deemed to have occurred with respect to Executive if Executive is part of a purchasing group that consummates the Change in Control transaction. Executive will be deemed “part of a purchasing group” for purposes of the preceding sentence if Executive is an equity participant in the purchasing company or group (except: (a) passive ownership of less than two percent of the stock of the purchasing company; or (b) ownership of equity participation in the purchasing company or group that is otherwise not significant, as determined prior to the Change in Control by a majority of the nonemployee continuing Directors; *provided* that, for purposes of the foregoing, participation as a management investor in such purchasing company will not be deemed to be within the exceptions provided for in (a) and (b)).

Notwithstanding anything to contrary, a Change in Control will have occurred only if such change in ownership constitutes a change in control under Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”), and the regulations and other guidance in effect thereunder (“**Section 409A**”).

**3.5 Additional Vesting.** In addition to any amounts otherwise payable to Executive upon a separation from service, if Executive incurs any of the events below, he will be granted additional vesting, as described below:

(a) **Death or Disability.** If Executive dies or becomes permanently disabled (as determined under the Company’s long-term disability plan in which Executive participates), Executive will receive additional vesting credit under each of the Company’s employee benefit plans and outstanding equity awards that have vesting requirements. Such additional vesting credit shall begin with the date of death or disability period, as applicable, and will equal full vesting credit.

(b) **Retirement.** Upon Executive’s Retirement from the Company, Executive will receive full vesting of any of his outstanding equity awards. It shall be Executive’s choice to elect Retirement under this Section 3.5 or voluntary resignation under Section 3.1. If the term “Retirement” is not defined within a particular equity award, or if the award agreement defers to the definition of “**Retirement**” contained within an employment agreement, then for purposes of that award, “Retirement” shall mean Executive’s termination of employment, other than for Cause (as defined in **Section 3.2**, above), which meets all of the following criteria:

(i) The sum of (x) the continuous full years of Service (as defined in the 2007 Long-Term Incentive Plan) by Executive to the Company or a GLDD Entity (defined below) and (y) the attained age in full years of Executive on the date of Executive’s termination of employment total no less than 75 (the “**Rule of 75**”). A leave of absence which is agreed to between the Company and Executive in writing for medical reasons or for military service shall not constitute a break in

Service for this purpose. Take for example, an executive who was born on June 27, 1963, and started full-time employment with the Company on July 1, 1990, and works continuously as an employee until a termination of employment on December 31, 2016. In such case, such executive's full years of Service are 26 years and his attained age on the date of termination is 53 years. The total is 79 years, so the executive satisfies the Rule of 75;

(ii) Executive signs a Restrictive Covenant Agreement, in a form satisfactory to the Company, in anticipation of his Retirement, if the Company requests that he do so, within the timeframe given to Executive to sign by the Company. For purposes of this Agreement, a "Restrictive Covenant Agreement" shall mean an agreement between the Company and the Executive, in a form satisfactory to the Company, governing confidentiality, non-solicitation of customers and/or employees, non-competition and/or similar matters, which may be a free-standing agreement or contained in an employment, consulting or other written agreement, and which may be entered into subsequent to the date of this Agreement. In no event will any non-competition or non-solicitation provision contained within the Restrictive Covenant Agreement be broader in scope or duration or otherwise less favorable to Executive than the covenants contained in Section 4 herein; and

(iii) Executive gives the Chief Executive Officer, or Executive's direct supervisor at the time, at least three months' prior notice of his Retirement.

(c) Termination by the Company Without Cause. As set forth in **Section 3.3**.

(d) Change in Control. As set forth in **Section 3.4**.

If the Company determines that Executive cannot receive such additional vesting credit under the terms of any such employee benefit plan because, for example, Executive is not actually providing any services to the Company, the Company shall provide the value of such additional vesting under an alternate arrangement, such as through the purchase of an individual insurance policy that provides similar benefits or, if applicable, through a nonqualified pension or profit sharing plan.

**3.6 Execution of Separation Agreement.** As a condition to receiving the Resignation Pay, the Severance Pay or the Change in Control Payment set forth in **Section 3.1, 3.3** or **3.4**, respectively, Executive must execute and return to the Company, and not revoke any part of, a separation agreement containing a general release and waiver of claims against the Company and its respective officers, directors, stockholders, employees and affiliates with respect to Executive's employment, and other customary terms, in a form and substance reasonably acceptable to the Company and Executive. The Company shall deliver to Executive such release within ten (10) days following the Termination Date and Executive shall deliver an original, signed release to the Company within twenty-one (21) business days (or such longer period as may be required by applicable law to constitute an effective release of all claims, but no longer than 45 days after the after receipt of the same from the Company) (the "**Release Effective Date**"). Notwithstanding anything in this Agreement to the contrary, no payments

pursuant to **Section 3.1, 3.3 or 3.4** shall be made prior to the date that both (a) Executive has delivered an original, signed release to the Company and (b) the revocability period (if any) has elapsed, and provided that any payments that would otherwise be made during the first sixty (60) days following Executive's termination of employment will be made on the 65th day. If Executive does not deliver an original, signed release to the Company by the Release Effective Date, (i) Executive's rights shall be limited to those made available to Executive under **Section 3.2** above, and (ii) the Company shall have no obligation to pay or provide to Executive any amount or benefits described in **Section 3.1, 3.3 or 3.4**, or any other monies on account of the termination of Executive's employment. Any obligation of the Company to provide Resignation Pay or Severance Pay shall cease: (A) upon Executive's death, if Company-provided life insurance proceeds are paid to Executive's estate; (B) if Executive materially breaches any of his obligations under **Articles IV or V**; or (C) if, after Executive's Termination Date, the Company discovers facts or information that establish that Executive committed an act that would have constituted Cause, as defined under **Section 3.2(a), (b) or (c)**.

**3.7 Section 409A.** While the parties acknowledge that any payments and benefits provided under **Article III** of this Agreement are intended to be exempt from Section 409A, to the extent (a) further guidance or interpretation is issued by the IRS after the date of this Agreement which would indicate that the payments do not qualify for such exemption or the amount of payments due under **Article III** increases in a manner to cause certain payments to exceed the limitation available for exempt separation payment and (b) Executive is a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) upon the date of Executive's termination of employment, such payments or benefits which are not exempt and would otherwise be payable to Executive prior to the date that is six (6) months following the date of such termination of employment shall be delayed and instead shall be paid to Executive on the first regular payroll date that occurs after the six (6) month anniversary of such date of termination. For purposes of Section 409A, each installment of Severance Pay under **Article III** shall be treated as a right to a separate payment.

**3.8 Excess Parachute Payments.** Notwithstanding any provision of this Agreement to the contrary, if any amount or benefit to be paid or provided under this Agreement would be an "Excess Parachute Payment" within the meaning of Code Section 280G but for the application of this sentence, then the payments and benefits to be paid or provided under this Agreement will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; *provided, however*, that the foregoing reduction will be made only if and to the extent that such reduction would result in an increase in the aggregate payment and benefits to be provided to Executive, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Code Section 4999, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income and employment taxes).

The fact that Executive's right to payments or benefits may be reduced by reason of the limitations contained in this **Section 3.8** will not of itself limit or otherwise affect any other rights of Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement is required to be reduced pursuant to this **Section 3.8**, the reduction shall be made in the following order: (a) first reducing, if any, those payments or benefits which have a higher Parachute Value than actual present value, (b) then, to



the extent necessary, reducing cash payments or benefits; and (c) then, to the extent necessary, reducing those payments or benefits having the next highest ratio of Parachute Value to actual present value of such payments or benefits as of the date of the change of control (as defined under Code Section 280G). For purposes of this **Section 3.8**, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this **Section 3.8**, the “**Parachute Value**” of a payment or benefit means the present value as of the date of the change of control of the portion of such payment that constitutes a “parachute payment” under Section 280G(b)(2) of the Code, as valued in accordance with Section 280G of the Code any interpretive guidance thereunder.

**3.9 Removal from any Boards and Positions.** If Executive’s employment is terminated for any reason under this Agreement, Executive will, immediately upon Executive’s Termination Date, be deemed to have resigned from (a) if a member, the Board as well as the board of directors of any GLDD Entity (as defined below) or any other board to which he has been appointed or nominated by or on behalf of the Company, (b) any position with the Company or any GLDD Entity, including, but not limited to, as an officer of the Company or any GLDD Entity, and (c) any fiduciary positions with respect to the Company’s benefit plans. In addition, and as a condition to receiving the Resignation Pay described in **Section 3.1**, the Severance Pay described in **Section 3.3**, or the Change in Control Payment described in **Section 3.4**, Executive shall take any and all necessary steps to effectuate his resignation from such positions.

**3.10 Subsequent Discovery of Cause.** In the event that the Company subsequently discovers facts or information that establish that Executive committed an act that would have constituted Cause, as defined under **Section 3.2(a), (b)** or **(c)**, then Executive shall forfeit and shall not be entitled to receive any further Resignation Pay or Severance Pay. Upon written notice from the Company detailing such facts and information supporting its determination of Cause, Executive shall repay to the Company all amounts paid to him as Resignation Pay or Severance Pay. Executive shall be entitled to dispute such finding of Cause in accordance with the provisions of **Sections 6.11** and **6.12**. Any repayment under this **Section 3.10** shall be in addition to any other remedies to which the Company may have under this Agreement or at law.

**3.11 Recoupment of Incentive Compensation.** All incentive or equity compensation paid to Executive during the Employment Term, the Resignation Severance Period or the Severance Period will be subject to the terms of the Company’s recoupment policy in effect from time to time.

#### **ARTICLE IV EXCLUSIVITY OF SERVICES AND RESTRICTIVE COVENANTS**

**4.1 Confidential Information.** Executive acknowledges and agrees that the Confidential Information (as defined below) of the Company and its subsidiaries and any other entity related to the Company (each, a “**GLDD Entity**”) that he obtained during the course of his employment by the Company is the property of the Company or such other GLDD Entity. Executive will never, directly or indirectly, disclose, publish or use any Confidential Information of which Executive has become aware, whether or not such information was developed by him. All duties and obligations set forth in this Agreement regarding Confidential Information shall be in addition to those which exist under the Illinois Trade Secrets Act and at common law.

As used in this Agreement, “**Confidential Information**” means information that is not generally known to the public and that was or is used, developed or obtained by the Company or any other GLDD Entity, in connection with its businesses, including but not limited to:

- i. products or services, unannounced products or services, product or service development information (or other proprietary product or service information);
- ii. fees, costs, bids and pricing structures and quotations or proposals given to agents, customers, sureties, suppliers, or prospective customers, agents, sureties or suppliers, or received from any such person or entity;
- iii. accounting or financial records;
- iv. strategic business plans;
- v. information system applications or strategies;
- vi. customer and vendor lists and employee lists and directories;
- vii. marketing plans, bidding strategies and processes, and negotiation strategies, whether past, current, or future;
- viii. accounting and business methods;
- ix. legal advice and/or attorney work product;
- x. trade secrets and other proprietary information;
- xi. information, analysis or strategies regarding acquisitions, mergers, other business combinations, divestitures, recapitalizations, or new ventures; and
- xii. nonpublic information that was acquired by Executive concerning the requirements and specifications of the Company’s or any other GLDD Entity’s agents, vendors, contractors, customers, or potential customers.

Notwithstanding anything to the contrary, Confidential Information does not include any information that: (a) is publicly disclosed by law or pursuant to, and to the extent required by, an order of a court of competent jurisdiction or governmental agency; (b) becomes publicly available through no fault of Executive; or (c) has been published in a form generally available to the public before Executive proposes to disclose, publish, or use such information.

**4.2 Noncompetition.** During the Employment Term and for the 24 month period following the Termination Date for any reason except in the case of a voluntary resignation under **Section 3.1(a)** (the “**Restricted Period**”), Executive will not, on behalf of himself or any other entity, have an ownership interest in or become employed or engaged by, or otherwise

participate in or render services to, any business or enterprise (including, without limitation, any division, group or franchise of a larger organization) within the Geographical Area (as defined below) that engages in any dredging or any other business engaged in by the Company; *provided, however*, that this restriction shall not prohibit Executive from passive beneficial ownership of less than three percent of any class of securities of a publicly-held corporation whose stock is traded on a U.S. national securities exchange or traded in the over-the-counter market. For the purpose of this provision, “**Geographical Area**” means the United States of America and any other country in which the Company has worked in the three years prior to the Termination Date. Unless specifically restricted by this **Section 4.2**, Executive will be free to engage in any employment or business in any area, dredging or otherwise, regardless of resignation or termination with or without Cause. Notwithstanding anything in this **Article IV** to the contrary, Executive may, at any time during the Restricted Period, provide written notice to the Company that (a) describes a particular business or employment opportunity that he is interested in pursuing or in which he may wish to engage, and (b) request that the Company agree that the opportunity so described would not violate this **Section 4.2**. Within a reasonable time, the Company will send Executive a written response, indicating whether or not the Company consents to Executive engaging in the opportunity described in his notice.

**4.3 Non-Solicitation.** During the Restricted Period, Executive shall not (except in the case of a voluntary resignation under **Section 3.1(a)** and other than in furtherance of Executive’s legitimate job duties on behalf of Company), directly or indirectly, on Executive’s own behalf or for any other person or entity: (a) solicit for employment, hire or engage, or attempt to solicit for employment, hire or engage, any person who is or was employed by the Company within the six (6) month period prior to the solicitation, hire or engagement, or (b) otherwise interfere with the relationship between any such person and the Company.

**4.4 Non-Interference with Business Relationships.** During the Restricted Period, Executive shall not (except in the case of a voluntary resignation under **Section 3.1(a)** and other than in furtherance of Executive’s legitimate job duties on behalf of the Company), directly or indirectly, on Executive’s own behalf or for any other person or entity: (a) solicit, for a purpose related to a competitive activity (i.e., an activity prohibited by **Section 4.2**), any customer, vendor or agent of the Company that was doing business with the Company during the six month period prior to the solicitation; or (b) induce, or attempt to induce, any customer, vendor or agent of the Company to reduce or cease doing business with the Company, or otherwise interfere with the relationship between such entity and the Company.

**4.5 Equitable Modification.** If any court of competent jurisdiction shall deem any provision in this **Article IV** too restrictive, the other provisions shall stand, and the court shall modify the unduly restrictive provision to the point of greatest restriction permissible by law.

**4.6 Remedies.** Executive acknowledges that the agreements and covenants contained in this **Article IV** are essential to protect the Company and its business and are a condition precedent to entering into this Agreement. Should Executive materially breach any covenants in this **Article IV**, then among other remedies, the duration of the covenant shall be extended by the period of any such breach. Executive agrees that irreparable harm would result from Executive’s material breach or threat to breach any provision of this **Article IV**, and that monetary damages alone would not provide adequate relief to the Company for the harm incurred. Executive agrees

that in addition to money damages, the Company shall be entitled to seek and obtain temporary, preliminary, and permanent injunctive relief restraining Executive from committing or continuing any breach without being required to post a bond. Without limiting the foregoing, upon a breach by Executive of any provision of this **Article IV**, any outstanding Severance Pay shall cease and be forfeited, and Executive shall immediately reimburse the Company for any Severance Pay previously paid.

## **ARTICLE V POST-TERMINATION OBLIGATIONS**

**5.1 Return of Company Materials.** No later than three (3) business days following the termination of Executive's employment for any reason, Executive shall return to the Company all Company property that is then in Executive's possession, custody or control, including, without limitation, all keys, access cards, credit cards, computer hardware and software, documents, records, policies, marketing information, design information, specifications and plans, data base information and lists, and any other property or information that Executive has or had relating to the Company (whether those materials are in paper or computer-stored form), and including but not limited to any documents containing, summarizing, or describing any Confidential Information.

**5.2 Executive Cooperation.** During Executive's employment with the Company and for a period of 24 months after the Termination Date, Executive shall, upon reasonable notice, furnish the Company with such information as may be in Executive's possession or control, and cooperate with the Company in any reasonable manner that the Company may request, including without limitation conferring with the Company, with regard to any litigation, claim, or other dispute in which the Company is or may become a party. If Executive is not receiving full Resignation Pay or Severance Pay, then the Company shall compensate the Executive at a rate of \$2,000 per day less any partial payment paid for that day. The Company shall reimburse Executive for all reasonable out-of-pocket expenses incurred by Executive in fulfilling Executive's obligations under this **Section 5.2**. Payment for Executive's cooperation and expenses shall be made within 30 days of when services were rendered. The Company will make any such reimbursement within 30 days of the date Executive provides the Company with documentary evidence of such expense consistent with the policies of the Company. Notwithstanding anything to the contrary, any such reimbursement shall be administered so as to comply with Treasury Regulation Section 1.409A-3(i)(1)(iv).

**ARTICLE VI  
MISCELLANEOUS**

**6.1 Notices.** Any notices, consents or other communications required or permitted to be sent or given hereunder shall be in writing and shall be deemed properly served if (a) delivered personally, in which case the date of such notice shall be the date of delivery; (b) delivered to a nationally recognized overnight courier service, in which case the date of delivery shall be the next business day; or (c) sent by facsimile transmission (with a copy sent by first-class mail), in which case the date of delivery shall be the date of transmission, or if after 5:00 P.M., the next business day. If not personally delivered, notice shall be sent using the addresses set forth below:

If to Executive, to the address listed on the signature page hereto or the last address on file in the records of the Company.

If to the Company:

Great Lakes Dredge & Dock Corporation  
2122 York Road  
Oak Brook, IL 60523  
Attn: Chief Executive Officer  
fax: (630) 574-3007  
telephone: (630) 574-3000

with a copy to:

Great Lakes Dredge & Dock Corporation  
2122 York Road  
Oak Brook, IL 60523  
Attn: General Counsel  
fax: (630) 574-3007  
telephone: (630) 574-3000

or such other address as may hereafter be specified by notice given by either party to the other party. Executive shall promptly notify the Company of any change in his address set forth on the signature page.

**6.2 Company Stock Retention.**

(i) Executive must retain all shares of Company stock he receives as compensation from the Company that were granted prior to May 1, 2014; *provided, however*, that Executive from time to time may sell such shares to the extent that the aggregate value of the shares of Company stock he owns (together with his spouse and any trusts of which he or his spouse are the beneficial owner) after the conclusion of such sale exceeds one (1) time his then current Base Salary; with such aggregate value being determined using the closing price for the Company's stock on the NASDAQ global market (or other U.S. national market on which the Company's stock is then trading) on the day immediately preceding such sale. The value of the options held by Executive shall be the Black Scholes value, with any unvested shares (and options) being valued at zero. If the Company and the Executive elect to renew this Agreement for two (2) or more additional terms, then Executive shall be required to retain one and one half (1 ½) times his then current Base Salary.

(ii) For shares of Company stock received as compensation from the Company that are granted on or after May 1, 2014, Executive shall be subject to the Company's stock retention guidelines and policies for Executive in effect from time-to-time; *provided, however*, that unless Executive's position and duties are materially expanded, under no circumstances shall such guidelines and policies require Executive to retain Company stock such that the aggregate value of Executive's holdings exceeds more than one-and-one half (1 ½) times Executive's then current base salary, with such aggregate value being determined using the closing price for the Company's stock on the NASDAQ global market (or other U.S. national market on which the Company's stock is then trading) on the day immediately preceding such sale, with any options and unvested shares being valued at zero.

**6.3 Withholding.** The Company may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state or local law, or any other amounts rightfully and legally due and owing to the Company from Executive.

**6.4 Successors and Assigns.** This Agreement shall not be assignable by Executive without the Company's written consent. The Company may unilaterally assign this Agreement to any successor employer or corporation or entity that purchases substantially all of the assets of or succeeds to the business of the Company. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

**6.5 No Waiver.** No failure or delay by the Company or Executive in enforcing or exercising any right or remedy hereunder will operate as a waiver thereof. No modification, amendment or waiver of this Agreement or consent to any departure by Executive from any of the terms or conditions thereof, will be effective unless in writing and signed by the Chairman or Lead Director of the Company's Board, unless otherwise specified herein. Any such waiver or consent will be effective only in the specific instance and for the purpose for which given.

**6.6 Severability; Survivability.** If any term or provision of this Agreement shall be held to be invalid or unenforceable, the remaining terms and provisions hereof shall not be affected thereby and shall be enforced to the fullest extent permitted under law. Executive's obligations in **Sections 4.1, 5.1** and **5.2** shall survive and continue in full force notwithstanding the termination of this Agreement or Executive's employment for any reason. Executive's obligations in **Articles IV** and **V** shall survive and continue in full force and effect notwithstanding the termination of this Agreement or Executive's employment for any reason, if there is a separation agreement in effect pursuant to **Section 3.6** and Executive is receiving Resignation Pay or Severance Pay pursuant to that separation agreement.

**6.7 Execution in Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement.

**6.8 Governing Law; Waiver of Jury.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois, without regard to its conflict of law principles. For the purposes of any suit, action or other proceeding arising out of this Agreement or with respect to Executive's employment hereunder, the parties: (a) agree to submit disputes to arbitration as set forth in **Section 6.11** and (b) waive their respective rights to a jury trial of any claims and any causes of action.

**6.9 Construction.** The language used in this Agreement will be deemed to be the language chosen by Executive and the Company to express their mutual intent, and no rule of strict construction will be applied against Executive or the Company. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning of the provision.

**6.10 Entire Agreement; Amendments.** This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein, and supersedes all prior agreements, understandings or letters of intent with regard to the subject matter contained herein between the parties hereto, unless otherwise specified herein. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by each of the parties hereto.

**6.11 ARBITRATION OF DISPUTES.** ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS CONTRACT, OR THE BREACH THEREOF, SHALL BE SETTLED BY ARBITRATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS EMPLOYMENT ARBITRATION RULES AND MEDIATION PROCEDURES INCLUDING THE OPTIONAL RULES FOR EMERGENCY MEASURES OF PROTECTION. THE CONTROVERSY SHALL BE SUBMITTED TO ONE ARBITRATOR, EACH PARTY MAY STRIKE OR REJECT UP TO THREE POTENTIAL ARBITRATORS WITH THE SELECTIONS ALTERNATING BETWEEN THE COMPANY AND THE PARTY AND SELECTED FROM THE ROSTER OF ARBITRATORS OF THE AMERICAN ARBITRATION ASSOCIATION. THE PLACE OF ARBITRATION SHALL BE DUPAGE COUNTY, IL. JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE DECISION OF THE ARBITRATOR SHALL BE FINAL AND BINDING ON THE PARTIES.

**6.12 Costs Relating to Disputes.** In the event that an arbitration under **Section 6.11** arises out of this Agreement, if Executive is the prevailing party, he shall be entitled to an award of reasonable attorney fees and the Company shall pay for the arbitrator's and administrative fees of the arbitration. If the Company is the prevailing party, then each party shall bear its own costs and expenses and an equal share of the arbitrator's and administrative fees of arbitration.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Employment Agreement as of the date first set forth above.

**Great Lakes Dredge & Dock Corporation**

By: /s/ Jonathan W. Berger

Title: Chief Executive Officer

**Kyle D. Johnson**

/s/ Kyle D. Johnson



**FIRST RIDER TO  
GENERAL AGREEMENT OF INDEMNITY**



**DATE OF GIA: September 7, 2011**

**DATE OF RIDER: June 4, 2012**

THIS FIRST RIDER TO GENERAL AGREEMENT OF INDEMNITY (“Rider”) shall be attached to and incorporated into the General Agreement of Indemnity (“GIA”), dated above which has been executed by GREAT LAKES DREDGE & DOCK CORPORATION, GREAT LAKES DREDGE & DOCK COMPANY, LLC, LYDON DREDGING & CONSTRUCTION COMPANY, LTD., FIFTY-THREE DREDGING CORPORATION, DAWSON MARINE SERVICES COMPANY, GREAT LAKES DREDGE & DOCK ENVIRONMENTAL, INC. (f/k/a Great Lakes Caribbean Dredging, Inc.), NASDI, LLC, NASDI HOLDINGS CORPORATION, YANKEE ENVIRONMENTAL SERVICES, LLC. and GREAT LAKES DREDGE & DOCK (BAHAMAS) LTD., as Contractors and Indemnitors (“Indemnitors”), on behalf of ZURICH AMERICAN INSURANCE COMPANY and its Subsidiaries and Affiliates including, but not limited to FIDELITY AND DEPOSIT COMPANY OF MARYLAND, COLONIAL AMERICAN CASUALTY AND SURETY COMPANY, and AMERICAN GUARANTEE AND LIABILITY INSURANCE COMPANY, its successors and assigns (“Surety”).

WHEREAS the Credit Facility provided to Indemnitors by Wells Fargo Bank, N.A. as Agent for the lenders has replaced the Credit Facility provided by Bank of America, N.A. as Administrative Agent, and therefore a new Equipment Utilization Agreement is being executed; and

WHEREAS the parties desire to modify the GIA accordingly,

THEREFORE it is understood and agreed as follows:

1. The Definition of “Equipment Utilization Agreement” in the GIA is deleted in its entirety and replaced with the following new definition of “Equipment Utilization Agreement”:

“**Equipment Utilization Agreement**” means the Equipment Utilization Agreement dated June 4, 2012, by and among the Surety, the Indemnitors and Wells Fargo Bank, N.A., as Administrative Agent, as the same may be amended, restated, supplemented, modified or replaced from time to time.

2. Nothing in this Rider shall waive, amend or affect the terms and conditions contained in the GIA, other than as indicated above.

**SIGNATURE PAGES TO FOLLOW**

**(The remainder of this page is intentionally left blank)**

Signed and sealed this 4th day of June, 2012

Each of the undersigned hereby affirms to the Surety that he or she is a secretary or a duly authorized officer, manager, trustee or official of the business entity for which he or she executes the foregoing Agreement. In such capacity the undersigned is familiar with all of the documents which establish the rights which govern the affairs, power and authority of such entity including, to the extent applicable, the (1) certificate or articles of incorporation, (2) bylaws, (3) corporate resolutions, (4) trust agreements and (5) partnership, and operating or limited liability agreements of such business entity. Having reviewed all such applicable documents and instruments and such other facts as deemed appropriate, the undersigned hereby affirms that such entity has the power and authority to enter into such Agreement and that he or she is duly authorized to do so.

**INDEMNITOR**

GREAT LAKES DREDGE & DOCK CORPORATION

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, President and Chief Financial Officer

**INDEMNITOR**

GREAT LAKES DREDGE & DOCK COMPANY, LLC

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, President and Chief Financial Officer

**INDEMNITOR**

LYDON DREDGING & CONSTRUCTION COMPANY, LTD.

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, Executive Vice President and Chief Operating Officer

(Signatures continued next page)

**INDEMNITOR**  
FIFTY-THREE DREDGING CORPORATION

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO  
Name and Title

/s/ Paul E. Dinkel (SEAL)  
Paul E. Dinkel, Vice President

**INDEMNITOR**  
DAWSON MARINE SERVICES COMPANY

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO  
Name and Title

/s/ Catherine Hoffman (SEAL)  
Catherine Hoffman, President

**INDEMNITOR**  
GREAT LAKES DREDGE & DOCK ENVIRONMENTAL, INC. (f/k/a Great  
Lakes Caribbean Dredging, Inc.)

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO  
Name and Title

/s/ Bruce J. Biemeck (SEAL)  
Bruce J. Biemeck, Senior Vice President and Chief Financial Officer

**INDEMNITOR**  
NASDI, LLC

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO  
Name and Title

/s/ Bruce J. Biemeck (SEAL)  
Bruce J. Biemeck, Vice President

(Signatures continued next page)

**INDEMNITOR**  
NASDI HOLDINGS CORPORATION

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, Vice President and Chief Financial Officer

**INDEMNITOR**  
YANKEE ENVIRONMENTAL SERVICES, LLC

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, Vice President and Chief Financial Officer

**INDEMNITOR**  
GREAT LAKES DREDGE & DOCK (BAHAMAS) LTD.

ATTEST OR WITNESS:

/s/ Kathleen LaVoy, CLO

Name and Title

/s/ Bruce J. Biemeck

(SEAL)

Bruce J. Biemeck, Vice President

**CERTIFICATIONS PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION**

I, Jonathan W. Berger, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Lakes Dredge & Dock Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2015

/s/ Jonathan W. Berger

Jonathan W. Berger  
Chief Executive Officer

**CERTIFICATIONS PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATION**

I, Mark W. Marinko, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Great Lakes Dredge & Dock Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2015

/s/ Mark W. Marinko

Mark W. Marinko

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan W. Berger, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Great Lakes Dredge & Dock Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Jonathan W. Berger

\_\_\_\_\_  
Jonathan W. Berger  
Chief Executive Officer

Date: August 4, 2015

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Great Lakes Dredge & Dock Corporation and will be retained by Great Lakes Dredge & Dock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Marinko, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Great Lakes Dredge & Dock Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

/s/ Mark W. Marinko

\_\_\_\_\_  
Mark W. Marinko

Senior Vice President and Chief Financial Officer

Date: August 4, 2015

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Great Lakes Dredge & Dock Corporation and will be retained by Great Lakes Dredge & Dock Corporation and furnished to the Securities and Exchange Commission or its staff upon request.