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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

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

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**Great Lakes Dredge & Dock Corporation**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

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

60523  
(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

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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	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

As of May 1, 2012, 59,110,847 shares of the Registrant's Common Stock, par value \$.0001 per share, were outstanding.

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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 March 31, 2012

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**PART I — Financial Information****Item 1. Financial Statements.**

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**  
**(in thousands, except share and per share amounts)**

	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 85,618	\$ 113,288
Accounts receivable—net	119,860	120,268
Contract revenues in excess of billings	34,420	26,412
Inventories	33,595	33,426
Prepaid expenses and other current assets	41,553	32,384
Total current assets	315,046	325,778
PROPERTY AND EQUIPMENT—Net	310,810	310,520
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	98,793	98,863
INVENTORIES—Noncurrent	31,803	30,103
INVESTMENTS IN JOINT VENTURES	6,908	6,923
OTHER	16,241	16,273
<b>TOTAL</b>	<b>\$779,601</b>	<b>\$ 788,460</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 73,382	\$ 82,745
Accrued expenses	20,932	31,121
Billings in excess of contract revenues	23,753	13,627
Current portion of long term debt	2,813	3,033
Total current liabilities	120,880	130,526
LONG TERM NOTE PAYABLE	2,500	2,500
7 <sup>3</sup> / <sub>8</sub> % SENIOR NOTES	250,000	250,000
DEFERRED INCOME TAXES	103,942	104,352
OTHER	8,483	8,545
Total liabilities	485,805	495,923
COMMITMENTS AND CONTINGENCIES (Note 7)		
EQUITY:		
Common stock—\$.0001 par value; 90,000,000 authorized, 59,110,847 and 58,999,404 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively.	6	6
Additional paid-in capital	268,998	267,918
Retained earnings	23,858	24,042
Accumulated other comprehensive income	481	3
Total Great Lakes Dredge & Dock Corporation Equity	293,343	291,969
NONCONTROLLING INTERESTS	453	568
Total equity	293,796	292,537
<b>TOTAL</b>	<b>\$779,601</b>	<b>\$ 788,460</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 data)

	Three Months Ended	
	March 31,	
	2012	2011
Contract revenues	\$ 154,907	\$ 155,338
Costs of contract revenues	134,885	127,896
Gross profit	20,022	27,442
General and administrative expenses	13,267	12,089
Gain on sale of assets—net	(31)	(258)
Operating income	6,786	15,611
Interest expense—net	(5,259)	(5,950)
Equity in loss of joint ventures	(16)	(591)
Gain on foreign currency transactions—net	6	—
Loss on extinguishment of debt	—	(5,145)
Income before income taxes	1,517	3,925
Income tax provision	(564)	(1,527)
Net income	953	2,398
Net (income) loss attributable to noncontrolling interests	115	(6)
Net income attributable to Great Lakes Dredge & Dock Corporation	\$ 1,068	\$ 2,392
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.02	\$ 0.04
Basic weighted average shares	59,038	58,785
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.02	\$ 0.04
Diluted weighted average shares	59,434	59,237
Dividends declared per share	\$ 0.02	\$ 0.02

See notes to unaudited condensed consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2012</u>	<u>2011</u>
Net income	\$ 953	\$ 2,398
Currency translation adjustment—net of tax of \$3, and \$0, respectively	4	—
Reclassification of derivative gains to earnings—net of tax of (\$269) and (\$414), respectively	(406)	(623)
Change in fair value of derivatives—net of tax of \$584 and \$790, respectively	880	1,189
Other comprehensive income—net of tax	478	566
Comprehensive income	1,431	2,964
Comprehensive (income) loss attributable to noncontrolling interests	115	(6)
Comprehensive income attributable to Great Lakes Dredge & Dock Corporation	<u>\$ 1,546</u>	<u>\$ 2,958</u>

See notes to unaudited condensed consolidated financial statements.

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

	Great Lakes Dredge & Dock Corporation shareholders						Noncontrolling Interests	Total
	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			
BALANCE—January 1, 2012	58,999,404	\$ 6	\$267,918	\$24,042	\$ 3	\$ 568	\$292,537	
Share-based compensation	93,876	—	1,015	—	—	—	1,015	
Vesting of restricted stock units, including impact of shares withheld for taxes	9,449	—	(2)	—	—	—	(2)	
Exercise of stock options	8,118	—	40	—	—	—	40	
Excess income tax benefit from share based compensation	—	—	27	—	—	—	27	
Dividends declared and paid	—	—	—	(1,240)	—	—	(1,240)	
Dividend equivalents paid on restricted stock units	—	—	—	(12)	—	—	(12)	
Net income	—	—	—	1,068	—	(115)	953	
Other comprehensive income—net of tax	—	—	—	—	478	—	478	
BALANCE—March 31, 2012	<u>59,110,847</u>	<u>\$ 6</u>	<u>\$268,998</u>	<u>\$23,858</u>	<u>\$ 481</u>	<u>\$ 453</u>	<u>\$293,796</u>	
	Great Lakes Dredge & Dock Corporation shareholders							
	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total	
BALANCE—January 1, 2011	58,770,369	\$ 6	\$266,329	\$12,261	\$ 357	\$ (2,128)	\$276,825	
Share-based compensation	43,215	—	520	—	—	—	520	
Acquisition of noncontrolling interest in NASDI, LLC	—	—	(40)	—	—	1,973	1,933	
Dividends declared and paid	—	—	—	(999)	—	—	(999)	
Dividend equivalents paid on restricted stock units	—	—	—	(6)	—	—	(6)	
Net income	—	—	—	2,392	—	6	2,398	
Other comprehensive income—net of tax	—	—	—	—	566	—	566	
BALANCE—March 31, 2011	<u>58,813,584</u>	<u>\$ 6</u>	<u>\$266,809</u>	<u>\$13,648</u>	<u>\$ 923</u>	<u>\$ (149)</u>	<u>\$281,237</u>	

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2012	2011
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 953	\$ 2,398
Adjustments to reconcile net income to net cash flows used in operating activities:		
Depreciation and amortization	7,764	9,566
Equity in loss of joint ventures	16	591
Loss on extinguishment of 7 3/4% senior subordinated notes	—	5,145
Deferred income taxes	107	21
Gain on dispositions of property and equipment	(31)	(267)
Amortization of deferred financing fees	334	389
Unrealized foreign currency gain	(133)	—
Share-based compensation expense	1,015	520
Excess income tax benefit from share based compensation	(27)	—
Changes in assets and liabilities:		
Accounts receivable	(1,842)	(18,365)
Contract revenues in excess of billings	(5,819)	3,945
Inventories	(1,869)	4
Prepaid expenses and other current assets	(7,399)	(4,535)
Accounts payable and accrued expenses	(21,263)	(4,160)
Billings in excess of contract revenues	10,126	1,587
Other noncurrent assets and liabilities	(176)	(2,390)
Net cash flows used in operating activities	(18,244)	(5,551)
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(8,101)	(4,420)
Proceeds from dispositions of property and equipment	68	258
Net cash flows used in investing activities	(8,033)	(4,162)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from issuance of 7 3/8% senior notes	—	250,000
Redemption of 7 3/4% senior subordinated notes	—	(175,000)
Senior subordinated notes redemption premium	—	(2,264)
Deferred financing fees	—	(5,829)
Dividends paid	(1,240)	(999)
Dividend equivalents paid on restricted stock units	(12)	(6)
Taxes paid on settlement of vested share awards	(2)	—
Repayments of equipment debt	(238)	(138)
Exercise of stock options	40	—
Excess income tax benefit from share-based compensation	27	—
Net cash flows provided by (used in) financing activities	(1,425)	65,764
Effect of foreign currency exchange rates on cash and cash equivalents	32	—
Net increase (decrease) in cash and cash equivalents	(27,670)	56,051
Cash and cash equivalents at beginning of period	113,288	48,478
Cash and cash equivalents at end of period	<u>\$ 85,618</u>	<u>\$ 104,529</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	<u>\$ 9,582</u>	<u>\$ 2,972</u>
Cash paid (refunded) for income taxes	<u>\$ (2,926)</u>	<u>\$ 1,084</u>
<b>Non-cash Investing and Financing Activities</b>		
Property and equipment purchased but not yet paid	<u>\$ 4,957</u>	<u>\$ 6,766</u>
Acquisition of noncontrolling interest in NASDI, LLC	<u>\$ —</u>	<u>\$ 40</u>

See notes to unaudited condensed consolidated financial statements.

**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, 2011. 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 March 31, 2012, and its results of operations and cash flows for the three months ended March 31, 2012 and 2011 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 beach nourishment 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 21% to 25% 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 operates in two reportable segments: dredging and demolition. These reportable segments are the Company’s operating segments and the reporting units at which the Company tests goodwill for impairment. The Company performed its most recent annual test of impairment as of July 1, 2011 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. As of the test date, the fair value of both the dredging segment and the demolition segment were in excess of their carrying values by approximately 35% and 8%, respectively. Given the small margin with which the demolition segment’s fair value is in excess of its carrying value, a more than insignificant decline in the demolition segment’s future operating results or cash flow forecasts versus the segment’s current forecasts could potentially cause a goodwill impairment charge to be recognized in a future period. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2012 should no triggering events occur which would require a test prior to the next annual test.

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.



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### 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 similar 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 three months ended March 31, 2012 and 2011, zero options to purchase shares of common stock, 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 per share from continuing operations are as follows:

	Three Months Ended	
	March 31,	
	2012	2011
Net income attributable to common shareholders of Great Lakes Dredge & Dock Corporation	\$ 1,068	\$ 2,392
Weighted-average common shares outstanding — basic	59,038	58,785
Effect of stock options and restricted stock units	396	452
Weighted-average common shares outstanding — diluted	59,434	59,237
Earnings per share — basic	\$ 0.02	\$ 0.04
Earnings per share — diluted	\$ 0.02	\$ 0.04

### 3. Accounts receivable and contracts in progress

Accounts receivable at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
Completed contracts	\$ 37,907	\$ 38,317
Contracts in progress	72,441	69,469
Retainage	20,078	20,692
	130,426	128,478
Allowance for doubtful accounts	(1,839)	(1,839)
Total accounts receivable	\$ 128,587	\$ 126,639
Current portion of accounts receivable—net	\$ 119,860	\$ 120,268
Long-term accounts receivable and retainage	8,727	6,371
Total accounts receivable	\$ 128,587	\$ 126,639

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The components of contracts in progress at March 31, 2012 and December 31, 2011 are as follows:

	March 31, 2012	December 31, 2011
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 223,829	\$ 173,187
Amounts billed	(191,222)	(152,045)
Costs and earnings in excess of billings for contracts in progress	32,607	21,142
Costs and earnings in excess of billings for completed contracts	1,813	7,459
Total contract revenues in excess of billings	<u>\$ 34,420</u>	<u>\$ 28,601</u>
Current portion of contract revenues in excess of billings	\$ 34,420	\$ 26,412
Portion included in other noncurrent assets	—	2,189
Total contract revenues in excess of billings	<u>\$ 34,420</u>	<u>\$ 28,601</u>
Billings in excess of costs and earnings:		
Amounts billed	\$(449,287)	\$ (427,797)
Costs and earnings for contracts in progress	425,534	414,170
Total billings in excess of contract revenues	<u>\$ (23,753)</u>	<u>\$ (13,627)</u>

#### 4. 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.

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 March 31, 2012 and December 31, 2011, the Company held certain derivative contracts that it uses to manage foreign currency risk, commodity price risk and interest rate 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:

Description	At March 31, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 1,237	\$ —	\$ 1,237	\$ —
Interest rate swap contracts	838	—	838	—
Foreign exchange contracts	159	—	159	—
Total assets measured at fair value	<u>\$ 2,234</u>	<u>\$ —</u>	<u>\$ 2,234</u>	<u>\$ —</u>

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Description	At December 31, 2011	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 449	\$ —	\$ 449	\$ —
Interest rate swap contracts	755	—	755	—
Foreign exchange contracts	155	—	155	—
Total assets measured at fair value	\$ 1,359	\$ —	\$ 1,359	\$ —

### **Interest rate swap contracts**

In May 2009, the Company entered into two interest rate swap arrangements, which are effective through December 15, 2012, to swap a notional amount of \$50 million from a fixed rate of 7.75% to a floating LIBOR-based rate in order to manage the interest rate paid with respect to the Company's 7.75% senior subordinated notes. Although the senior subordinated notes were redeemed in January 2011, the swaps remain in place. The swaps are not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

The Company previously verified the fair value of the interest rate swap contracts using a quantitative model that contained both observable and unobservable inputs. The unobservable inputs related primarily to the implied LIBOR forward rate and the long-term nature of the contracts. As of December 31, 2011, the unobservable inputs began to be corroborated by observable market data and accordingly the Company transferred the swaps into Level 2 of the fair value hierarchy. The change in Level 3 interest rate swap contracts during the comparable quarter of the prior year was as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) 2011
Interest rate swap contracts	
Balance at January 1,	\$ 1,264
Total unrealized gains (losses) included in earnings	35
Balance at March 31,	\$ 1,299

### **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 March 31, 2012 and December 31, 2011, the Company had one outstanding contract related to the Brazilian Real. This foreign exchange contract is not accounted for as a hedge.

### **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 backlog.

As of March 31, 2012, 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 February 2013. As of March 31, 2012, there were 7.2 million gallons remaining on these contracts which represent approximately 68% of the Company's forecasted fuel purchases through February 2013. Under these swap agreements, the Company will pay fixed prices ranging from \$2.65 to \$3.29 per gallon.

At each balance sheet date, unrealized gains and losses on fuel hedge contracts are recorded as a component of accumulated other comprehensive income (loss) in the condensed consolidated balance sheets. Gains and losses realized upon settlement of fuel hedge contracts are reclassified from accumulated other comprehensive income (loss) as the fuel is utilized, as a reduction of fuel expense, which is a component of costs of contract revenues in the condensed consolidated statements of operations.

At March 31, 2012 and December 31, 2011, the fair value asset of the fuel hedge contracts was estimated to be \$1,237 and \$449, respectively, and is recorded in other current assets. The gain reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the period ended March 31, 2012 was \$406. The remaining gains included in accumulated other

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comprehensive income at March 31, 2012 will be reclassified into earnings over the next eleven months, corresponding to the period during which the hedged fuel is expected to be utilized. 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 fair value of the foreign exchange contracts, interest rate and fuel hedge contracts outstanding as of March 31, 2012 and December 31, 2011 is as follows:

	<u>Balance Sheet Location</u>	<u>Fair Value at</u>	
		<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>Asset derivatives:</b>			
Derivatives designated as hedges			
Fuel hedge contracts	Other current assets	\$ 1,237	\$ 449
Derivatives not designated as hedges			
Interest rate swaps	Other current assets	838	755
Foreign exchange contracts	Other current assets	159	155
<b>Total asset derivatives</b>		<u>\$ 2,234</u>	<u>\$ 1,359</u>

### ***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. In January 2011, the Company issued \$250,000 of 7.375% senior notes due February 1, 2019, which were outstanding at March 31, 2012. 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 \$255,625 at March 31, 2012, which is a Level 1 fair value measurement as the senior notes value was obtained using quoted prices in active markets.

### **5. Accrued expenses**

Accrued expenses at March 31, 2012 and December 31, 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Insurance	\$ 6,571	\$ 8,285
Payroll and employee benefits	6,534	10,763
Interest	3,186	7,759
Income and other taxes	2,109	1,261
Percentage of completion adjustment	1,294	1,855
Other	1,238	1,198
<b>Total accrued expenses</b>	<u>\$20,932</u>	<u>\$31,121</u>

## 6. Segment information

The Company and its subsidiaries currently operate in two reportable segments: dredging and demolition. 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:

	Three Months Ended	
	March 31,	
	2012	2011
<b>Dredging</b>		
Contract revenues	\$ 122,361	\$ 136,597
Operating income	4,899	17,821
<b>Demolition</b>		
Contract revenues	\$ 32,546	\$ 18,741
Operating income	1,887	(2,210)
<b>Total</b>		
Contract revenues	\$ 154,907	\$ 155,338
Operating income	6,786	15,611

Dredging contract revenues for the three months ended March 31, 2012 are net of \$1,312 in intersegment revenues. In addition, foreign dredging revenue of \$18,909 and \$21,871 for the three months ended March 31, 2012 and 2011, respectively, was primarily attributable to work done in the Middle East.

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.

## 7. Commitments and contingencies

### Commercial commitments

In June 2007, the Company entered into a credit agreement (as amended, the "Credit Agreement") with Bank of America N.A. (successor by merger to LaSalle Bank National Association) as administrative agent and issuing lender, various other financial institutions as lenders and certain subsidiaries of the Company as loan parties. The Credit Agreement provides for a revolving credit facility of up to \$145,000 in borrowings and includes sublimits for the issuance of letters of credit and swingline loans. The revolving credit facility matures on June 12, 2012. The revolving credit facility bears interest at rates selected at the option of Great Lakes, currently equal to either LIBOR plus an applicable margin or the Base Rate (as defined in the Credit Agreement), plus an applicable margin. The applicable margins for LIBOR loans and Base Rate loans, as well as any non-use fee, are subject to adjustment based upon the Company's ratio of Total Funded Debt to Adjusted Consolidated EBITDA (each as defined in the Credit Agreement). The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed by its direct and indirect domestic subsidiaries as well as various liens on certain operating equipment, intercompany receivables and trade receivables. As of March 31, 2012, the Company had no borrowings and \$23,600 of letters of credit outstanding, resulting in \$121,400 of availability under the Credit Agreement. At March 31, 2012, the Company was in compliance with its various covenants under its Credit Agreement.

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some demolition projects. In September 2011, the Company entered into a new bonding agreement with Zurich American Insurance Company ("Zurich") under which the Company can obtain performance, bid and payment bonds. The new bonding agreement contains no restrictive covenants and lesser collateral requirements than the previous bonding agreement. The Company has used Zurich for all bonding requirements beginning in September 2011. The existing bonding agreement with Travelers Casualty and Surety Company of America ("Travelers") will remain in place until outstanding bonds expire as the projects underlying the bonds issued thereunder are completed. Pursuant to the existing bonding agreement, Travelers has been granted a security interest in a substantial portion of the Company's operating equipment with a net book value of \$62,682 at December 31, 2011.

The Travelers bonding agreement contains provisions requiring the Company to maintain certain financial ratios and restricting the Company's ability to pay dividends, incur indebtedness, create liens and take certain other actions. At March 31, 2012, the Company was in compliance with its various covenants under the bonding agreement with Travelers. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At March 31, 2012, the Company had outstanding performance bonds valued at approximately \$372,343; however, the revenue value remaining in backlog related to these projects totaled approximately \$247,689.

The Company has a \$24,000 international letter of credit facility that it uses for the performance and advance payment guarantees on the Company's foreign contracts. As of March 31, 2012, Great Lakes had \$11,725 of letters of credit outstanding under this facility.

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At March 31, 2012, the Company also had \$250,000 of 7.375% senior notes outstanding, which mature in February 2019. 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 accrues reserves 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 results of operations, cash flows or financial condition.

The Company or its former subsidiary, NATCO Limited Partnership, was named as a defendant in approximately 251 asbestos-related personal injury lawsuits, the majority of which were filed between 1989 and 2000. The claims were filed on behalf of seamen or their personal representatives alleging injury or illness from exposure to asbestos while employed as seamen on Company-owned vessels. In these cases, the Company is typically one of many defendants, including manufacturers and suppliers of products containing asbestos, as well as other vessel owners. Following certain administrative proceedings, counsel for plaintiffs agreed to name a group of cases that they intended to pursue and to dismiss the remaining cases without prejudice. Plaintiffs previously named 40 cases against the Company that they intended to pursue, each of which involves one plaintiff. The remaining cases against the Company were dismissed without prejudice. Plaintiffs in the dismissed cases could file a new lawsuit if they develop a new disease allegedly caused by exposure to asbestos on board our vessels. Of the 40 named cases, three were subsequently dismissed, leaving 37 cases remaining. The Company is presently unable to quantify the amounts of damages being sought in the remaining lawsuits because none of the complaints specify a damage amount. Based on preliminary discovery and settlement demands received to date, the Company does not believe that it is probable that losses from these claims could be material, and an estimate of a range of losses relating to these claims cannot reasonably be made. Based on the foregoing, management does not believe that any of the remaining 37 lawsuits, individually or in the aggregate, will have a material impact on our business, financial position, results of operations or cash flows.

On August 26, 2009, the Company's subsidiary, NASDI, LLC ("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 illegal dumping activities at a dump site NASDI contracted with to have waste materials disposed of between September 2007 and July 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 in the second quarter of 2011 but has had no further contact with the Massachusetts Attorney General's office since then. The matter remains open, and, to the Company's knowledge, no proceedings have currently been initiated against NASDI. Should a claim be brought, NASDI intends to defend itself vigorously. Based on consideration of all of the facts and circumstances now known, the Company does not believe this claim will have a material impact on its business, financial position, results of operations or cash flows.

On March 27, 2011, NASDI received a subpoena from a federal grand jury in the District of Massachusetts directing NASDI to furnish certain documents relating to certain projects performed by NASDI since January 2005. The Company conducted an internal investigation into this matter and continues to fully cooperate with the federal grand jury subpoena. Based on the early stage of the U.S. Department of Justice's investigation and the limited information known to the Company, the Company cannot predict the outcome of the investigation, the U.S. Attorney's views of the issues being investigated, any action the U.S. Attorney may take, or the impact, if any, that this matter may have on the Company's business, financial position, results of operations or cash flows.

The Company has not accrued any amounts with respect to these two NASDI 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.

During the quarter ended March 31, 2012, a favorable judgment was rendered in the Company's loss of use claim related to the dredge *New York* allision in the approach channel to Port Newark, New Jersey. In January 2008, the Company filed suit against the *M/V Orange Sun* and her owners for damages incurred by the Company in connection with the allision. Following a bench trial in the

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United States District Court in the Southern District of New York, the Court issued an opinion and order in the Company's favor, entitling Great Lakes to \$11,736 in damages plus pre-judgment interest. Judgment was rendered in the aggregate amount of \$13,272. Defendants timely appealed the judgment to the United States Court of Appeals for the Second Circuit, and briefing on the appeal will commence this summer. The Company cannot be assured when the appeal will be heard or predict the outcome of the appellate process.

### **8. Acquisition of noncontrolling interest**

The Company previously owned 65% of the profits interests of NASDI. Effective January 1, 2011 the Company reacquired Mr. Christopher Berardi's 35% membership interest in NASDI for no cost per the terms of NASDI's limited liability company agreement. This resulted in the elimination of noncontrolling interest of \$1,973 during the first quarter ended March 31, 2011. The Company now owns 100% of NASDI.

In March 2011, Mr. Berardi resigned his employment with the Company's demolition segment effective April 29, 2011. Mr. Berardi's resignation and the repurchase of his NASDI membership interest also resulted in the reversal of a \$1,933 accrual established in conjunction with a prior restructuring of ownership interest in NASDI. This reversal was recorded directly to equity as part of the reacquisition of the noncontrolling interest.

### **9. Subsequent events**

On April 3, 2012, the Company purchased a parcel of real estate in Norfolk, Virginia. The proceeds held in escrow from the sale of real estate in Texas during 2011 were used to fund the purchase of the acquired real estate.

### **10. Subsidiary guarantors**

The Company's long-term debt at March 31, 2012 includes \$250,000 of 7.375% senior notes due February 1, 2019. The Company's obligations under these senior unsecured notes are guaranteed by the Company's wholly-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 March 31, 2012 and December 31, 2011;
- (ii) statements of operations and comprehensive income for the three months ended March 31, 2012 and 2011; and
- (iii) statements of cash flows for the three months ended March 31, 2012 and 2011.

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF MARCH 31, 2012**  
(In thousands)

	Subsidiary Guarantors	Non- Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
<b>ASSETS</b>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 85,425	\$ 193	\$ —	\$ —	\$ 85,618
Accounts receivable — net	119,573	287	—	—	119,860
Receivables from affiliates	48,632	7,411	6,619	(62,662)	—
Contract revenues in excess of billings	34,324	144	—	(48)	34,420
Inventories	33,595	—	—	—	33,595
Prepaid expenses and other current assets	29,227	134	12,192	—	41,553
Total current assets	350,776	8,169	18,811	(62,710)	315,046
PROPERTY AND EQUIPMENT—Net	310,755	55	—	—	310,810
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	98,422	371	—	—	98,793
INVENTORIES — Noncurrent	31,803	—	—	—	31,803
INVESTMENTS IN JOINT VENTURES	6,908	—	—	—	6,908
INVESTMENTS IN SUBSIDIARIES	2,623	—	634,420	(637,043)	—
OTHER	11,019	3	5,214	5	16,241
<b>TOTAL</b>	<b>\$812,306</b>	<b>\$ 8,598</b>	<b>\$ 658,445</b>	<b>\$ (699,748)</b>	<b>\$ 779,601</b>
<b>LIABILITIES AND EQUITY</b>					
CURRENT LIABILITIES:					
Accounts payable	\$ 72,887	\$ 495	\$ —	\$ —	73,382
Payables to affiliates	52,271	3,333	8,368	(63,972)	—
Accrued expenses	16,789	691	3,452	—	20,932
Billings in excess of contract revenues	23,783	83	—	(113)	23,753
Current portion of long term debt	2,813	—	—	—	2,813
Total current liabilities	168,543	4,602	11,820	(64,085)	120,880
LONG TERM NOTE PAYABLE	2,500	—	—	—	2,500
7 <sup>3</sup> / <sub>8</sub> % SENIOR NOTES	—	—	250,000	—	250,000
DEFERRED INCOME TAXES	497	—	103,440	5	103,942
OTHER	7,719	—	764	—	8,483
Total liabilities	179,259	4,602	366,024	(64,080)	485,805
Total Great Lakes Dredge & Dock Corporation Equity	633,047	3,996	293,343	(637,043)	293,343
NONCONTROLLING INTERESTS	—	—	453	—	453
<b>TOTAL EQUITY</b>	<b>633,047</b>	<b>3,996</b>	<b>293,796</b>	<b>(637,043)</b>	<b>293,796</b>
<b>TOTAL</b>	<b>\$812,306</b>	<b>\$ 8,598</b>	<b>\$ 659,820</b>	<b>\$ (701,123)</b>	<b>\$ 779,601</b>



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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF DECEMBER 31, 2011**  
(In thousands)

	Subsidiary Guarantors	Non- Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 108,985	\$ 4,303	\$ —	\$ —	\$ 113,288
Accounts receivable — net	118,530	1,738	—	—	120,268
Receivables from affiliates	79,683	7,729	49,724	(137,136)	—
Contract revenues in excess of billings	26,323	153	—	(64)	26,412
Inventories	33,426	—	—	—	33,426
Prepaid expenses and other current assets	15,929	125	16,330	—	32,384
Total current assets	382,876	14,048	66,054	(137,200)	325,778
PROPERTY AND EQUIPMENT—Net	310,459	61	—	—	310,520
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	98,474	389	—	—	98,863
INVENTORIES — Noncurrent	30,103	—	—	—	30,103
INVESTMENTS IN JOINT VENTURES	6,923	—	—	—	6,923
INVESTMENTS IN SUBSIDIARIES	4,385	—	627,754	(632,139)	—
OTHER	10,729	3	5,547	(6)	16,273
<b>TOTAL</b>	<b>\$843,949</b>	<b>\$ 14,501</b>	<b>\$ 699,355</b>	<b>\$ (769,345)</b>	<b>\$ 788,460</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 81,971	\$ 774	\$ —	\$ —	\$ 82,745
Payables to affiliates	85,865	7,234	44,053	(137,152)	—
Accrued expenses	22,445	629	8,047	—	31,121
Billings in excess of contract revenues	13,607	68	—	(48)	13,627
Current portion of long term debt	3,033	—	—	—	3,033
Total current liabilities	206,921	8,705	52,100	(137,200)	130,526
LONG TERM NOTE PAYABLE	2,500	—	—	—	2,500
7 <sup>3</sup> / <sub>4</sub> % SENIOR SUBORDINATED NOTES	—	—	250,000	—	250,000
DEFERRED INCOME TAXES	399	—	103,959	(6)	104,352
OTHER	7,786	—	759	—	8,545
Total liabilities	217,606	8,705	406,818	(137,206)	495,923
Total Great Lakes Dredge & Dock Corporation Equity	626,343	5,796	291,969	(632,139)	291,969
NONCONTROLLING INTERESTS	—	—	568	—	568
<b>TOTAL EQUITY</b>	<b>626,343</b>	<b>5,796</b>	<b>292,537</b>	<b>(632,139)</b>	<b>292,537</b>
<b>TOTAL</b>	<b>\$843,949</b>	<b>\$ 14,501</b>	<b>\$ 699,355</b>	<b>\$ (769,345)</b>	<b>\$ 788,460</b>

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012**  
**(In thousands)**

	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>GLDD Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
Contract revenues	\$ 155,444	\$ 1,799	\$ —	\$ (2,336)	\$ 154,907
Costs of contract revenues	(135,167)	(2,054)	—	2,336	(134,885)
Gross profit	20,277	(255)	—	—	20,022
OPERATING EXPENSES:					
General and administrative expenses	12,569	186	512	—	13,267
Gain on sale of assets—net	(42)	—	11	—	(31)
Operating income (loss)	7,750	(441)	(523)	—	6,786
Interest expense—net	(281)	(28)	(4,950)	—	(5,259)
Equity in earnings of subsidiaries	(379)	—	6,347	(5,968)	—
Equity in loss of joint ventures	(16)	—	—	—	(16)
Gain on foreign currency transactions—net	6	—	—	—	6
Income (loss) before income taxes	7,080	(469)	874	(5,968)	1,517
Income tax (provision) benefit	(643)	—	79	—	(564)
Net income (loss)	6,437	(469)	953	(5,968)	953
Net loss attributable to noncontrolling interests	—	—	115	—	115
Net income (loss) attributable to Great Lakes Dredge & Dock Corporation	<u>\$ 6,437</u>	<u>\$ (469)</u>	<u>\$ 1,068</u>	<u>\$ (5,968)</u>	<u>\$ 1,068</u>
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	<u>\$ 6,911</u>	<u>\$ (465)</u>	<u>\$ 1,546</u>	<u>\$ (6,446)</u>	<u>\$ 1,546</u>

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(In thousands)**

	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>GLDD Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
Contract revenues	\$ 154,039	\$ 3,317	\$ —	\$ (2,018)	\$ 155,338
Costs of contract revenues	(126,909)	(3,005)	—	2,018	(127,896)
Gross profit	27,130	312	—	—	27,442
OPERATING EXPENSES:					
General and administrative expenses	11,204	213	672	—	12,089
Gain on sale of assets—net	(258)	—	—	—	(258)
Operating income (loss)	16,184	99	(672)	—	15,611
Interest expense—net	(80)	(45)	(5,825)	—	(5,950)
Equity in earnings (loss) of subsidiaries	54	—	16,551	(16,605)	—
Equity in loss of joint ventures	(591)	—	—	—	(591)
Loss on extinguishment of debt	—	—	(5,145)	—	(5,145)
Income (loss) before income taxes	15,567	54	4,909	(16,605)	3,925
Income tax benefit (provision)	984	—	(2,511)	—	(1,527)
Net income (loss)	16,551	54	2,398	(16,605)	2,398
Net income attributable to noncontrolling interests	—	—	(6)	—	(6)
Net income (loss) attributable to Great Lakes Dredge & Dock Corporation	<u>\$ 16,551</u>	<u>\$ 54</u>	<u>\$ 2,392</u>	<u>\$ (16,605)</u>	<u>\$ 2,392</u>
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	<u>\$ 17,117</u>	<u>\$ 54</u>	<u>\$ 2,958</u>	<u>\$ (17,171)</u>	<u>\$ 2,958</u>

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012**  
**(In thousands)**

	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>GLDD Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<b>OPERATING ACTIVITIES:</b>					
Net cash flows provided by (used in) operating activities	\$ (5,200)	\$ 801	\$ (13,845)	\$ —	\$ (18,244)
<b>INVESTING ACTIVITIES:</b>					
Purchases of property and equipment	(8,101)	—	—	—	(8,101)
Proceeds from dispositions of property and equipment	68	—	—	—	68
Net cash flows used in investing activities	(8,033)	—	—	—	(8,033)
<b>FINANCING ACTIVITIES:</b>					
Dividends paid	—	—	(1,240)	—	(1,240)
Dividend equivalents paid on restricted stock units	—	—	(12)	—	(12)
Taxes paid on settlement of vested share awards	—	—	(2)	—	(2)
Net change in accounts with affiliates	(10,089)	(4,978)	15,067	—	—
Capital contributions	—	35	(35)	—	—
Repayments of equipment debt	(238)	—	—	—	(238)
Exercise of stock options	—	—	40	—	40
Excess income tax benefit from share-based compensation	—	—	27	—	27
Net cash flows provided by (used in) financing activities	(10,327)	(4,943)	13,845	—	(1,425)
Effect of foreign currency exchange rates on cash and cash equivalents	—	32	—	—	32
Net decrease in cash and cash equivalents	(23,560)	(4,110)	—	—	(27,670)
Cash and cash equivalents at beginning of period	108,985	4,303	—	—	113,288
Cash and cash equivalents at end of period	<u>\$ 85,425</u>	<u>\$ 193</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 85,618</u>

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**(In thousands)**

	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>GLDD Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<b>OPERATING ACTIVITIES:</b>					
Net cash flows provided by (used in) operating activities	\$ 942	\$ (992)	\$ (5,501)	\$ —	\$ (5,551)
<b>INVESTING ACTIVITIES:</b>					
Purchases of property and equipment	(4,420)	—	—	—	(4,420)
Proceeds from dispositions of property and equipment	258	—	—	—	258
Net cash flows used in investing activities	(4,162)	—	—	—	(4,162)
<b>FINANCING ACTIVITIES:</b>					
Proceeds from issuance of 7 <sup>3</sup> / <sub>8</sub> % senior notes	—	—	250,000	—	250,000
Redemption of 7 <sup>3</sup> / <sub>4</sub> % senior subordinated notes	—	—	(175,000)	—	(175,000)
Senior subordinated notes redemption premium	—	—	(2,264)	—	(2,264)
Deferred financing fees	—	—	(5,829)	—	(5,829)
Dividends paid	—	—	(999)	—	(999)
Dividend equivalents paid on restricted stock units	—	—	(6)	—	(6)
Net change in accounts with affiliates	59,097	1,304	(60,401)	—	—
Repayments of equipment debt	(138)	—	—	—	(138)
Net cash flows provided by financing activities	58,959	1,304	5,501	—	65,764
Net increase in cash and cash equivalents	55,739	312	—	—	56,051
Cash and cash equivalents at beginning of period	48,416	62	—	—	48,478
Cash and cash equivalents at end of period	<u>\$104,155</u>	<u>\$ 374</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 104,529</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 (the “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 associated with Great Lakes’ leverage, fixed price contracts, dependence on government contracts and funding, bonding requirement and obligations, international operations, backlog, uncertainty related to pending litigation, government regulation, restrictive debt covenants and fluctuations in quarterly operations, and those factors, risks and uncertainties that are described in Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2011 and in other securities filings by Great Lakes with the SEC.

Although the Company 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, results of operations and cash flows, 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. In addition, the Company is the only U.S. dredging service provider with significant international operations, which represented 16% of its dredging revenues for the first three months of 2012, compared with the Company’s prior three year average of 17%. 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 three primary types of work: capital, beach nourishment and maintenance. The Company’s “bid market” is defined as the aggregate dollar value of domestic projects on which the Company bid or could have bid if not for capacity constraints. The Company experienced an average combined bid market share in the U.S. of 39% over the prior three years, including 41%, 60% and 32% of the domestic capital, beach nourishment and maintenance sectors, respectively. The foregoing bid market data does not reflect rivers & lakes activities which are separately categorized. The Company’s bid market share of rivers & lakes in the prior year of activity is 39%.

The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”), which is responsible for federally funded projects related to navigation and flood control of U.S. waterways. In the first three months of 2012, 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, and third parties operating under contracts with federal agencies were approximately 75% of dredging revenues, above the Company’s prior three year average of 59%.

The Company’s demolition subsidiaries are a major U.S. provider of commercial and industrial demolition services. Historically, the majority of the work was performed in the New England area. Through increased collaboration with Great Lakes’ other lines of business, the demolition operations continue to expand into the New York area and marine demolition markets, specifically bridge demolition. In the first three months of 2012, demolition revenues accounted for 21% of total revenues, above the prior three year average of 12%. The demolition segment’s principal services consist of exterior and interior demolition of commercial and industrial buildings, dismantling and disposal of aged or failing bridges, site development, salvage and recycling of related materials and removal of hazardous substances and materials. The Company’s demolition operations are one of a few providers in New England with the required licenses, operating expertise, equipment fleet and access to bonding to execute larger, complex industrial demolition projects.

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The Company also owns 50% of Amboy Aggregates (“Amboy”) and 50% of TerraSea Environmental Solutions (“TerraSea”) as joint ventures. Amboy’s primary business is dredging sand from the entrance channel to the New York harbor in order to provide sand and aggregate for use in road and building construction and for clean land fill. Amboy also imports stone from upstate New York and Nova Scotia and distributes it throughout the New York area. TerraSea is engaged in the environmental services business through its ability to remediate contaminated soil and dredged sediment treatment. The Company operates in two reportable segments: dredging and demolition. These reportable segments are the Company’s operating segments and the reporting units at which the Company tests goodwill for impairment.

### **Results of Operations**

The following tables set forth the components of net income (loss) attributable to Great Lakes Dredge & Dock Corporation and Adjusted EBITDA, as defined below, as a percentage of contract revenues for the three months ended March 31, 2012 and 2011:

	Three Months Ended	
	March 31,	
	2012	2011
Contract revenues	100.0%	100.0%
Costs of contract revenues	(87.1)	(82.3)
Gross profit	12.9	17.7
General and administrative expenses	8.5	7.8
Gain on sale of assets—net	0.0	(0.1)
Operating income	4.4	10.0
Interest expense—net	(3.4)	(3.8)
Equity in loss of joint ventures	0.0	(0.4)
Gain on foreign currency transactions—net	0.0	0.0
Loss on extinguishment of debt	0.0	(3.3)
Income before income taxes	1.0	2.5
Income tax provision	(0.4)	(1.0)
Net income	0.6	1.5
Net (income) loss attributable to noncontrolling interests	0.1	0.0
Net income attributable to Great Lakes Dredge & Dock Corporation	0.7%	1.5%
Adjusted EBITDA	9.5%	15.8%

Adjusted EBITDA, as provided herein, represents net income (loss) attributable to Great Lakes Dredge & Dock Corporation, adjusted for net interest expense, income taxes, depreciation and amortization expense and debt extinguishment. Adjusted EBITDA is not a measure derived in accordance with accounting principles generally accepted in the United States of America (“GAAP”) The Company presents Adjusted EBITDA as an additional measure by which to evaluate the Company’s operating trends. The Company believes that Adjusted EBITDA 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 to evaluate the Company’s period to period performance. Additionally, management believes that Adjusted EBITDA 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 to assess performance for purposes of determining compensation under the Company’s incentive plan. Adjusted EBITDA 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, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of 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 only as a supplement. The following is a reconciliation of Adjusted EBITDA to net income attributable to Great Lakes Dredge & Dock Corporation:

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(in thousands)	Three Months Ended March 31,	
	2012	2011
Net income attributable to Great Lakes Dredge & Dock Corporation	\$ 1,068	\$ 2,392
Adjusted for:		
Loss on extinguishment of debt	—	5,145
Interest expense—net	5,259	5,950
Income tax expense	564	1,527
Depreciation and amortization	7,764	9,566
Adjusted EBITDA	<u>\$14,655</u>	<u>\$24,580</u>

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 March 31,		
	2012	2011	Change
Dredging:			
Capital—U.S.	\$ 26,907	\$ 46,029	(41.5)%
Capital—foreign	18,025	21,871	(17.6)%
Beach nourishment	31,183	17,857	74.6%
Maintenance	39,233	47,239	(16.9)%
Rivers & lakes	7,013	3,601	94.8%
Total dredging revenues	122,361	136,597	(10.4)%
Demolition	32,546	18,741	73.7%
Total revenue	<u>\$154,907</u>	<u>\$155,338</u>	<u>(0.3)%</u>

Total revenue for the 2012 first quarter was \$154.9 million, down \$0.4 million or less than 1% from \$155.3 million during the 2011 first quarter. Total dredging revenues for the three months ended March 31, 2012 are net of \$1,312 in intersegment revenues. The increases in beach nourishment and rivers & lakes revenue were offset by a decline in domestic capital and maintenance revenue. Demolition revenue for the quarter was \$32.5 million, a 74% increase from \$18.7 million a year ago.

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 revenues in the first quarter ended March 31, 2012 were primarily generated by work in the Ports of New York, as well as projects in Florida and Louisiana. Domestic capital dredging revenue decreased \$19.1 million, or 42%, in the 2012 first quarter compared to the 2011 first quarter. Capital dredging for the 2011 first quarter included remaining work on the construction of sand berms off the coast of Louisiana, which accounted for approximately \$15.7 million of the quarter's revenue, that did not reoccur in 2012.

Foreign dredging revenue decreased \$3.9 million, or 18%, for the first quarter of 2012 to \$18.0 million. Nearly 70% of first quarter 2012 foreign revenue was driven by two projects in Bahrain. Foreign revenues in the 2011 first quarter benefited from the resolution of outstanding project claims of approximately \$3.8 million.

Beach nourishment projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Beach nourishment revenue in the 2012 first quarter increased \$13.3 million, or 75%, from the 2011 first quarter. The significant increase in beach nourishment awards in the prior year created a larger supply of projects in backlog, of which the Company continued to convert into revenue. In the comparable quarter of 2011, several vessels that would typically be allocated to beach nourishment projects were utilized on the construction of sand berms off the coast of Louisiana. In the 2012 first quarter, the Company worked on several beach projects, including projects in Delaware, Florida, New Jersey and South Carolina and Virginia.

Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if optimal navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging. Maintenance revenue in the 2012 first quarter decreased by \$8.0 million, or 17%, compared to the 2011



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first quarter. Maintenance revenue in the first quarter of 2011 was atypically high as the Company was able to work on maintenance projects that had been delayed from 2010 in order to work on construction of sand berms off the coast of Louisiana. During the first quarter of 2012, the Company performed maintenance dredging in Baltimore Harbor as well as important shipping channels in Georgia, North Carolina and Texas.

Domestic rivers and 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 first quarter of 2012 was \$7.0 million, an increase of \$3.4 million or 95% compared to the first quarter of 2011. In the first quarter of 2011, rivers and lakes revenues were minimal, due to freezing conditions in the northern United States. The first quarter of 2012 was uncharacteristically warm allowing work to progress in the northern U.S. In addition, the Company performed work on a significant project in Texas which was not hindered by adverse weather conditions.

Consolidated gross profit for the 2012 first quarter decreased by 27% to \$20.0 million, from \$27.4 million in the first quarter of 2011. Gross profit margin (gross profit divided by revenue) for the 2012 first quarter decreased to 12.9% from 17.7% in the 2011 first quarter. The mix of project types in the first quarter of 2012 impacted gross profit margin as well as offshore weather conditions, primarily wind that produced rough seas, and subsequent lower dredge utilization that resulted in lower fixed cost coverage. The demolition segment continued to work on projects with increased profit margins, led by bridge demolition projects as well as improved market conditions from the economic recovery in the segment's primary market.

The Company's general and administrative expenses totaled \$13.3 million for the three months ended March 31, 2012. General and administrative expenses totaled \$12.1 million for the three months ended March 31, 2011. The increase in 2012 is due largely to additional legal costs of \$0.7 million relating to the trial on the dredge *New York* allision loss of use claim and additional payroll and benefit expenses of \$1.3 million for the three months ended March 31, 2012. This was partially offset by a decrease in amortization costs of \$0.6 million as certain intangible assets acquired in the Matteson acquisition have become fully amortized.

Operating income for the three months ended March 31, 2012 decreased 56.5% to \$6.8 million, respectively, compared to the same periods of 2011 as a result of the decline in gross profit.

Interest expense totaled \$5.3 million for the three months ended March 31, 2012, a decrease from \$6.0 million from the first quarter of 2011, primarily due to the Company's issuance of \$250 million of 7.375% senior notes and the related redemption of the Company's \$175 million of 7.75% senior subordinated notes in the 2011 first quarter. Due to timing requirements, both of these note issuances were outstanding and accruing interest for approximately 30 days in the 2011 first quarter, resulting in duplicative interest expense of approximately \$1.1 million.

Income tax expense for the three months ended March 31, 2012 was \$0.6 million, compared to \$1.5 million for the same 2011 period. This decrease was mainly attributable to lower earnings generated in 2012. The effective tax rate for the three months ended March 31, 2012 was 37.2%, which is substantially consistent with the effective tax rate of 38.9% for the same period of 2011. The Company expects the tax rate for the full year to remain at 37.2%.

Net income attributable to Great Lakes Dredge & Dock Corporation was \$1.1 million and earnings per diluted share were \$0.02 for the 2012 first quarter as compared to \$2.4 million and \$0.04 for the first quarter of 2011. The decrease is due to the lower operating income for the period, partially offset by the lower interest expense in the first quarter of 2012 as well as the \$5.1 million loss on extinguishment of debt that reduced net income in the first quarter of 2011.

Adjusted EBITDA (as defined above) was \$14.7 million for the three months ended March 31, 2012, compared with \$24.6 million in the same 2011 periods, primarily for the reasons discussed above, as operating income has declined by \$8.8 million. The lower operating income included depreciation and amortization expense for the quarter ended March 31, 2012 of \$7.8 million compared to \$9.6 million in the quarter ended March 31, 2011. Depreciation expense, a component of equipment fixed cost expenditures, is allocated 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.

### **Results by segment**

#### *Dredging*

Dredging revenues for the three months ended March 31, 2012 were \$122.4 million, compared to \$136.6 million for the same periods of 2011. Dredging revenues for the three months ended March 31, 2012 were driven by lower revenues on domestic capital projects primarily related to the construction of sand berms off the coast of Louisiana in the 2011 first quarter. This revenue did not reoccur in the current quarter and accounted for approximately \$15.7 million of the decline between first quarter 2012 and 2011. Lower revenue on continued maintenance project work and a decline in foreign capital revenue were offset with significant contributions from strong beach nourishment revenue.

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Gross profit margin in the dredging segment was 13.0% for the three months ended March 31, 2012 compared to gross profit margin in the dredging segment of 20.3% for the three months ended March 31, 2011, as the mix of project types impacted gross profit margin as well as offshore weather conditions, primarily wind that produced rough seas and subsequent lower dredge utilization that resulted in lower fixed cost coverage. Dredging segment operating income was \$4.9 million for the three months ended March 31, 2012, compared to operating income of \$17.8 million for the three months ended March 31, 2011.

### *Demolition*

Demolition revenues for the three months ended March 31, 2012 totaled \$32.5 million, compared to \$18.7 million for the same 2011 periods. The demolition segment experienced higher revenue levels in the three months ended March 31, 2012 than from the same period in the prior year. The segment had several large jobs that were included in backlog at year end 2010, that were not executed until later quarters in 2011, while a significant portion of the backlog outstanding at the end of 2011 has been executed in the three months ended March 31, 2012.

The demolition segment generated operating income of \$1.8 million for the three months ended March 31, 2012, compared to operating loss of \$2.2 million for the same periods of 2011. Projects with increased profit margins, led by bridge demolition projects as well as improved market conditions from the economic recovery were contributors to the higher gross profit margin. Gross profit margin in the demolition segment was 12.5% for the three months ended March 31, 2012 compared to gross profit margin of (1.8%) for the three months ended March 31, 2011.

### *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:

<b>Backlog (in thousands)</b>	<b><u>March 31,</u></b>	<b><u>December 31,</u></b>	<b><u>March 31,</u></b>
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2011</u></b>
<b>Dredging:</b>			
Capital - U.S.	\$151,479	\$ 109,897	\$ 88,404
Capital - foreign	247,257	78,379	54,871
Beach	70,767	84,607	33,008
Maintenance	22,166	31,293	32,789
Rivers & lakes	32,273	15,256	23,439
<b>Dredging Backlog</b>	<b>523,942</b>	<b>319,432</b>	<b>232,511</b>
Demolition	60,427	50,672	79,598
<b>Total Backlog</b>	<b><u>\$584,369</u></b>	<b><u>\$ 370,104</u></b>	<b><u>\$312,109</u></b>

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 demolition 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. In addition, 37% of the Company's 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. In addition, 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 2012 first quarter totaled \$229.6 million, an increase of \$32.1 million from the same period in the prior year. The Company won 76%, or \$20.0 million, of the beach nourishment projects awarded through March 31, 2012, as well as 22%, or \$23.5 million, of the maintenance projects along with 100%, or \$53.4 million, of capital projects and 56% or \$24.0 million, of the rivers & lakes projects awarded through March 31, 2012. The Company won 53% of the overall domestic bid market through March 31, 2012, above its prior three year average of 39%. 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 \$523.9 million at March 31, 2012 compared to \$319.4 million as of December 31, 2011. These amounts do not reflect approximately \$15.3 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at March 31, 2012. At December 31, 2011 the amount of domestic low bids and options pending award was \$36.1 million.

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Domestic capital dredging backlog at March 31, 2012 was \$41.6 million more than at December 31, 2011 as the Company was awarded a \$46.5 million contract to restore and reinforce the existing shoreline of Scofield Island, located along the barrier shoreline in Plaquemines Parish, Louisiana. In another important market, the Gulf Coast, we expect additional coastal restoration projects to be let for bidding in the second half of the year, for which we have made a working capital investment in pipe and feel we will be well positioned to execute. The Company continues to believe that many states and Washington D.C. will continue to focus on marine infrastructure as significant port and harbor authorities recognize that the ongoing expansion of the Panama Canal and initiatives to increase exports heightens the need for the U.S. to deepen its East and Gulf Coast ports to facilitate larger draft vessels from international trade. The Company still anticipates a deepening project in Miami to be released in the second half of 2012. Florida officials and the Corps are actively working to responsibly resolve environmental concerns related to the execution methods and impact of this project to ensure timely execution.

Beach nourishment dredging backlog at March 31, 2012 was \$13.8 million lower than at December 31, 2011 as the Company worked off its prior backlog related to beach projects in Delaware, Florida, New Jersey, South Carolina and Virginia. The Company added backlog in the quarter by winning the larger of the only two beach nourishment projects in the bid market in the first quarter of 2012. The dredge *Liberty Island* will travel to the West Coast in the third quarter to start a large beach project in San Diego.

Maintenance dredging backlog was \$9.1 million lower at March 31, 2012 than at December 31, 2011. The decrease in backlog occurred as the Company continued to work through backlog won in the fourth quarter of 2011, partially offset by new projects and additional options on existing projects in Louisiana, Georgia and Baltimore Harbor. There has been progress in Washington D.C. as it relates to the Harbor Maintenance Trust Fund (“HMTF”). On April 18th, 2012 the House of Representatives approved passage of H.R. 4348 (Surface Transportation Extension Act of 2012, Part II) that, if ultimately passed, will have a positive impact on maritime commerce and restoring the Gulf Coast. The Company continues to encourage Congressional leaders to come to resolution on legislation that incorporates utilization of HMTF monies to pay for the intended maintenance of our important maritime waterways. The passage of a HMTF bill would be an important positive step for maritime commerce and transparency in federal spending.

Rivers & lakes backlog is \$17.0 million higher at March 31, 2012 than at December 31, 2011. During 2011, the Company began to pursue municipal lake projects which expand the Company’s service capabilities using existing equipment. A large municipal lake project of \$12.5 million was won in the first quarter of 2012 related to this initiative. During the first quarter of 2012, the Company also added new river work and levee repair projects on the Mississippi River and in Louisiana.

Foreign capital dredging backlog increased \$168.9 million at March 31, 2012 from December 31, 2011, due primarily to the award of the dredging contract for the Wheatstone LNG Project in Western Australia. The Company currently expects to realize at least \$180 million in revenue on this project with the potential for greater income as the project details are finalized. The Company anticipates mobilizing the dredge *New York* to Australia in the third quarter of 2012. The Company’s portion of the project is expected to take about 27 months to complete. The Company also sees additional opportunities in the Middle East, Southeast Asia and South America that it continues to pursue. The Company recently made strategic moves to bolster its international sales and marketing effort, and sees an abundance of opportunities ahead.

Demolition services backlog was \$9.8 million higher at March 31, 2012 from December 31, 2011, as the Company was formally awarded a \$22.2 million contract for a brownfield remediation project in New Jersey that was pending award at year end. There were also several options and change orders that were approved in the quarter, offset by the strong revenue that was recorded as the segment continued to work off backlog from the prior year.

### ***Dredge New York litigation development***

During the quarter ended March 31, 2012, a judgment in the aggregate amount of \$13,272 was rendered in the Company’s favor in its litigation regarding the dredge *New York* loss of use claim. The defendants are appealing the judgment and the Company cannot be assured when the appeal will be heard or predict the outcome of the appellate process. For additional information regarding this matter, see Note 7 to the Company’s condensed consolidated financial statements.

### ***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 used in operating activities for the three months ended March 31, 2012 and 2011 totaled \$18.2 million, and \$5.6 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. In the first three months of 2012, the increase in net cash used in operating activities was primarily the result of lower net income and increased investment in working capital.

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The Company's net cash flows used in investing activities for the first three months of 2012 and 2011 totaled \$8.0 million and \$4.2 million, respectively. Investing activities in both periods primarily relate to normal course upgrades and capital maintenance of the Company's dredging fleet. During the three months ended March 31, 2012, the Company overhauled the engines on the dredge *Alaska* to provide increased useful life and efficiency. This engine overhaul added \$3.4 million in investing capital expenditures during the quarter ended March 31, 2012.

The Company's net cash flows provided by (used in) financing activities for the three months ended March 31, 2012 and 2011 totaled (\$1.4) million and \$65.8 million, respectively. The Company issued \$250 million of 7.375% senior notes in the first three months of 2011, resulting in \$244.2 million of net proceeds. The Company used a portion of these net proceeds to redeem its \$175 million of 7.75% senior subordinated notes in the first three months of 2011 for \$180.0 million, which included a redemption premium and unpaid interest.

The Company paid \$1.2 million in dividends in the first three months of 2012. The future declaration and payment of dividends will be at the discretion of the Company's board of directors and will depend on many factors, including general economic and business conditions, the Company's strategic plans, financial results and condition and legal requirements, including restrictions and limitations contained in the revolving credit facility, bonding agreements through which it obtains performance, bid and payment bonds and the indenture relating to its senior notes. Accordingly, the Company cannot make any assurances as to the size of any such dividend or that it will pay any such dividend in future quarters.

The Company's obligations under the revolving credit facility and a bonding agreement are secured by liens on a substantial portion of the Company's operating equipment. The Company's obligations under its international letter of credit facility are secured by the Company's foreign accounts receivable. The Company's obligations under its senior notes are unsecured. The Company's material agreements related to bonding and long term debt contain various restrictive covenants, including limitations on dividends, redemption and repurchases of capital stock, and the incurrence of indebtedness and requirements to maintain certain financial covenants. The Company is in compliance with its various covenants under the respective agreements as of March 31, 2012.

The Company's revolving credit facility matures on June 12, 2012 and the Company is in discussions with lenders to finalize a successor credit facility with substantially similar capabilities and terms as the current revolving credit facility. The Company believes that it will finalize a successor credit facility early in the second quarter of 2012.

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, is reflected in the cumulative translation adjustment, net within accumulated other comprehensive income. 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 and pay any declared dividends 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 revolving credit facility 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. 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, 2011.

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

The market risk of the Company's financial instruments as of March 31, 2012 has not materially changed since December 31, 2011. The market risk profile of the Company on December 31, 2011 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, 2011.

**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, has 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 March 31, 2012. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act 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 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 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 March 31, 2012 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 7 “Commitments and Contingencies” in the Notes to Condensed Consolidated Financial Statements.

**Item 1A. Risk Factors.**

There have been no material changes during the three months ended March 31, 2012 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, 2011.

**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) In 2011, the Financial Accounting Standards Board issued accounting guidance that requires presentation of net income and total comprehensive income, together with their components, either in a single continuous statement or in two separate but consecutive statements. The amendments do not alter any current recognition or measurement requirements in respect of items of other comprehensive income. The amendment was adopted and became effective for Great Lakes Dredge & Dock Corporation and its subsidiaries on January 1, 2012 and had no material impact on the consolidated financial statements. The financial information presented in Part I, Item 1 — Financial Statements of this Quarterly Report on Form 10-Q presents condensed consolidated statements of operations and condensed consolidated statements of comprehensive income in two separate and consecutive statements for the three months ended March 31, 2012 and 2011. The table below presents consolidated comprehensive income information for the retrospective application of this guidance for each of the three years ended December 31, 2011, 2010 and 2009.

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009  
(In thousands, except per share amounts)**

	2011	2010	2009
Net income	\$17,251	\$33,720	\$14,734
Other comprehensive (income) loss			
Currency translation adjustment—net of tax of (\$177), \$0 and \$0, respectively	(267)	—	—
Reclassification of derivative (gains) losses to earnings—net of tax of (\$882), (\$213) and \$2,101, respectively	(1,437)	(321)	3,164
Change in fair value of derivatives —net of tax of \$824, \$92 and \$524, respectively	1,350	139	790
Other comprehensive (loss) income	(354)	(182)	3,954
Comprehensive income	16,897	33,538	18,688
Comprehensive (income) loss attributable to noncontrolling interest	(723)	889	2,734
Comprehensive income attributable Great Lakes Dredge & Dock Corporation	\$16,174	\$34,427	\$21,422

Retrospective application of the accounting guidance for our supplemental financial information on subsidiary guarantors would result in presentation of condensed consolidating comprehensive income for each of the three years ended December 31, 2011, 2010 and 2009 as follows.

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)**  
**FOR THE TWELVE MONTHS ENDED:**  
**(In thousands)**

	<u>Subsidiary Guarantors</u>	<u>Non- Guarantor Subsidiaries</u>	<u>GLDD Corporation</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<b>December 31, 2011</b>					
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$ 58,253	\$ (90)	\$ 16,174	\$ (58,163)	\$ 16,174
<b>December 31, 2010</b>					
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$ 72,704	\$ (1,721)	\$ 34,427	\$ (70,983)	\$ 34,427
<b>December 31, 2009</b>					
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$ 51,262	\$ (613)	\$ 21,422	\$ (50,649)	\$ 21,422

(b) Not applicable.



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### **Item 6. Exhibits**

- 10.1 Employment Agreement dated as of January 9, 2012 between Great Lakes Dredge & Dock Corporation and Steven E. Pegg. \*
  - 10.2 Second Amended and Restated Great Lakes Dredge & Dock Company, LLC Annual Bonus Plan. (1)
  - 10.3 Employment Agreement dated as of April 9, 2012 between Great Lakes Dredge & Dock Company, LLC and David E. Simonelli. (2)
  - 10.4 Employment Agreement dated as of April 26, 2012 between Great Lakes Dredge & Dock Company, LLC and Kyle D. Johnson. (3)
  - 10.5 Employment Agreement dated as of April 26, 2012 between Great Lakes Dredge & Dock Company, LLC and John F. Karas. (4)
  - 31.1 Certification Pursuant to Rules 13a-14(a) and 15d-14(a) 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(a) and 15d-14(a) 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 Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 17, 2012 (Commission file no. 001-33225).
- (2) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 13, 2012 (Commission file no. 001-33225).
- (3) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 2, 2012 (Commission file no. 001-33225).
- (4) Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 2, 2012 (Commission file no. 001-33225).
- \* Filed herewith.

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**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/ BRUCE J. BIEMECK                      
                                Bruce J. Biemeck  
                                President and Chief Financial Officer  
                                (Principal Financial and Accounting Officer and Duly Authorized Officer)

Date: May 4, 2012

**EXHIBIT INDEX**

<u>Number</u>	<u>Document Description</u>
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- \* Filed herewith.

**EMPLOYMENT AGREEMENT**

This **EMPLOYMENT AGREEMENT** (the "**Agreement**") is made as of the 9<sup>th</sup> day of January 2012 (the "**Agreement Date**"), by and between Great Lakes Dredge & Dock Corporation (the "**Company**"), and Stephen E. Pegg ("**Executive**").

**ARTICLE I  
EMPLOYMENT SERVICES**

**1.1 Term of Employment.** Executive's employment under this Agreement shall commence on January 9, 2012 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**").

**1.2 Position and Duties.** During the Employment Term, Executive shall hold the position of Senior Vice President-Business Development, and shall report to the Company's Chief Executive Officer. Executive shall perform such duties and responsibilities as are consistent with a Senior Vice President and those duties as may be assigned to Executive by the Chief Executive Officer from time to time. 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. The 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 Company'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 Company'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 (“**Base Salary**”) of \$235,000, payable in accordance with the general payroll practices of the Company. The Board may, in its sole discretion, increase or decrease Executive’s Base Salary if there is a salary reduction affecting substantially all senior executive officers of the Company. The Company will pay the Executive’s Base Salary according to payroll practices in effect for 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 Cash Bonus Plan or such similar or successor plans as the Company may establish. Thirty-three percent of any annual bonus earned by the 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 the Executive earns such bonus. All incentive compensation paid to Executive will be subject to the terms of the Company’s policy for recovering overpayments of incentive compensation in certain circumstances, including a restatement of reported financial or operating results, fraud or misconduct, in effect from time to time.

**2.3 Equity Compensation.** Executive will be eligible to participate in any equity-based compensation plans established or maintained by the Company for senior executive officers, including but not limited to the Company’s 2007 Long-Term Incentive Plan and any successor thereto. All equity compensation paid to Executive will be subject to the terms of the Company’s recoupment policy in effect from time to time. Upon acceptance by Executive of the Company’s offer of employment dated March 6, 2011, Executive was granted 15,000 restricted stock units, vesting in two equal installments on March 7, 2012 and March 7, 2013. If Executive’s employment is terminated without cause or if there is a Change in Control, these restricted stock units shall vest immediately.

**2.4 Employee Benefit Plans.** Executive will be eligible to participate on substantially the same basis as the Company’s other senior executive officers in any employee benefit plans offered by the Company including, without limitation, the Company’s 401(k) Lost Benefit 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 other senior executive officers.

**2.5 Vacation.** Executive will be entitled to 20 days of paid vacation per calendar year.

**2.6 Business Expenses.** The Company will reimburse the 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**”). Upon receiving Executive’s notice of intent to resign, 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. Except as otherwise provided under 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 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 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: (i) Executive materially breaches Executive’s obligations under this Agreement or an established policy of the Company; (ii) Executive commits an act constituting a felony or engages in unethical or immoral conduct that, in the reasonable judgment of the Board, could injure the integrity, character or reputation of the Company; (iii) Executive fails, refuses or is unable to perform, or habitually neglects, Executive’s duties and responsibilities hereunder, and continues such failure, refusal, inability or neglect after having been given written notice by the Company that specifies what duties Executive failed to perform and an opportunity to cure of 15 days; (iv) Executive commits an act of dishonesty, misconduct or fraud in connection with his job duties, or otherwise violates a fiduciary duty to the Company; or (v) Executive fails to reasonably cooperate with any audit or investigation involving the Company or its business practices after having been given written notice by the Company that specifies Executive’s failure to cooperate and an opportunity to cure of 15 days.

**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 authority, duties or responsibilities 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 diminution, (b) Executive provided written notice of such diminution to the Board and the Chief Executive Officer within 30 days of such diminution, and (c) the Company failed to cure such diminution within 30 days of receipt of such written notice from Executive.

In the event of a termination without Cause, Executive shall receive from the Company his Base Salary under **Section 2.1** and employee benefits under **Section 2.4** through the termination date, and shall be eligible to receive Severance Pay (as defined below), subject to the requirements set forth in **Section 3.6** and **Section 3.7**. In the event of a termination without Cause during the Employment Term, Executive shall be eligible for the compensation and benefits (“**Severance Pay**”) described in this **Section 3.3** (the period over which the amounts payable in **Section 3.3(a)** 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) (aa) Intentionally Omitted.

(bb) If the Executive’s employment is terminated prior to March 7, 2016, Executive shall receive a payment of up to 12 months of the Executive’s then current Base Pay based upon 1 month of Base Pay for each 2 months of service (calculating the initial service date as March 7, 2011), less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the period that begins on the termination date, subject to **Section 3.6**.

(cc) If the Executive’s employment is terminated on or subsequent to March 7, 2016, Executive shall receive a payment equal to 18 months of the Executive’s then current Base Pay, less applicable withholdings. This amount will be paid in equal installments on each regularly scheduled payroll pay date during the period that begins on the termination date, subject to **Section 3.6**.

(ii) The pro rata portion of the annual bonus and the 401(k) Lost Benefit Plan benefits earned through the termination date. Such amount will be paid 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 the 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, dental and life insurance for the Severance Period. During the Severance Period, the Company will reduce the Executive’s cash Severance Pay by his share of the cost of these benefits, which shall be fixed at the amount the Executive had been paying for such coverage on the date immediately prior to the termination. After the Severance Period, the 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 the 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.

(b) If the Executive is terminated without Cause, the Executive will receive vesting credit for any unvested equity awards through the end of the Severance Period.

Except as otherwise provided under law 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. For the avoidance of doubt, Executive shall not be eligible for Severance Pay if his employment ends because the Company or Executive provides notice of nonrenewal of the Employment Term pursuant to **Section 1.1**. All Severance Pay paid to Executive will be subject to the terms of the Company's policy for recovering overpayments of incentive compensation in certain circumstances, including a restatement of reported financial or operating results, fraud or misconduct, in effect from time to time.

**3.4 Change in Control.** If, contemporaneous with or within fifteen months after a Change in Control (as defined below), the Company terminates the Executive's employment other than for Cause, Executive will be eligible to receive, in lieu of those payments provided under **Sections 3.3**, as applicable: (a) 1 <sup>1</sup>/<sub>4</sub> times his then current Base Pay; and (b) the pro rata portion of the annual bonus and the 401(k) Lost Benefit 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 Pay portion of the Change in Control Payment will be made in a lump sum cash payment as soon as practicable, but in no event more than 10 days after Executive's termination of employment (on or after the date of the Change in Control). In addition, Executive will be eligible for the continued health plan coverage described in **Section 3.3(a)(iii)** and will receive 24 months vesting credit consistent with and subject to the limitations of **Section 3.5**.

For purposes of this Agreement, a "**Change in Control**" of the Company 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 Company entitled to vote generally in the election of directors (the "**Company 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 Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, holders of capital stock of the Company as of the date hereof or an affiliate thereof, any corporation owned, directly or indirectly, by the Company's stockholders in substantially the same proportions as their ownership of stock of the Company); *provided, however* that any acquisition from the Company 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 Company Voting Securities; or



(ii) Within any twelve (12) month period that includes or is after the Effective 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 Company’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 Company of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company 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 Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries (the “**Parent Corporation**”), is represented, directly or indirectly by Company Voting Securities outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Company 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 Company Voting Securities, (B) no Person (excluding any employee benefit plan (or related trust) of the Company 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 Company 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 Company’s stockholders of a complete liquidation or dissolution of the Company.

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: (i) passive ownership of less than two percent of the stock of the purchasing company; or (ii) 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 (i) and (ii)).

Notwithstanding anything to contrary, a Change in Control will have occurred only if such change in ownership constitutes a change in control event 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 an additional vesting credit under each of the Company’s employee benefit plans that have vesting requirements. Such additional vesting credit shall begin with the date of death or disability period, as applicable, and will equal the greater of (i) 24 months vesting credit and (ii) the amount of additional vesting credit that would be provided without regard to this **Section 3.5(a)** under any other Company policy or agreement with Executive.

(b) **Retirement.** Upon Executive’s retirement from the Company, Executive will receive vesting of any of his outstanding equity awards according to the terms of the 2007 Long-Term Incentive Plan.

If the Company determines that the 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 may 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 Severance Pay or the Change in Control Payment set forth in **Section 3.3** or **Section 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. The Company shall deliver to Executive such release within ten (10) days following Executive's termination of employment 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 3.3** or **Section 3.4** shall be made prior to the date that both (i) Executive has delivered an original, signed release to the Company and (ii) 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 65<sup>th</sup> day. If the Executive does not deliver an original, signed release to the Company by the Release Effective Date, Executive's rights shall be limited to those made available to the Executive under **Section 3.1** above, and (ii) the Company shall have no obligation to pay or provide to the Executive any amount or benefits described in **Section 3.3** or **Section 3.4**, or any other monies on account of the termination of Executive's employment. Any obligation of the Company to provide the Severance Pay shall cease: (i) upon Executive's death; (ii) if Executive materially breached or breaches his contractual obligations to the Company, including those set forth in **Article IV** or **Article V** herein, or in the release agreement; or (iii) if, after Executive's termination, the Company discovers facts and circumstances that would have justified a termination for Cause.

**3.7 Timing of Payments; Section 409A.**

(a) Pursuant to Section 409A, to the extent that Executive is a Specified Employee as of the date of termination, the Severance Pay set forth in **Section 3.3** or Change in Control Payments set forth in **Section 3.4** shall commence six months after the date of termination (the "**Six-Month Delay**"). Payments to which Executive would otherwise be entitled during the Six Month Delay will be accumulated and paid on the first day of the seventh month following the date of termination; *provided, however*, that:

(i) During the Six-Month Delay, the Company shall pay to Executive Severance Pay set forth in **Section 3.3** or Change in Control Payments set forth in **Section 3.4**, to the extent any of the following exceptions to the Six-Month Delay Rule apply:

(A) the short-term deferral rule of Code Section 409A and Treasury Regulation §1.409A-1(b)(4) (or any similar or successor provisions) (including with the treatment of each payment as one of a series of separate payments for purposes of Code Section 409A and Treasury Regulation §1.409A-2(b)(2)(iii)) (or any similar or successor provisions);

(B) payments permitted under the separation pay exception of Code Section 409A and Treasury Regulation §1.409A-1(b)(9)(iii) (or any similar or successor provisions); and

- (C) payments permitted under the limited payments exception of Code Section 409A and Treasury Regulation §1.409A-1(b)(9)(v)
- (D) (or any similar or successor provisions);

provided that such amounts paid shall count toward, and shall not be in addition to, the total payment amount required to be made to the Executive by the Company under **Section 3.3** or **Section 3.4** on account of the separation from service and any applicable Company benefit plan.

(b) In the event that the Company's independent registered public accounting firm or the Internal Revenue Service determines that any payment, coverage or benefit due or owing to the Executive pursuant to this Agreement is subject to the additional tax imposed by Section 409A or any successor provision thereof or any interest or penalties, including interest imposed under Section 409(A)(1)(B)(i)(I), incurred by the Executive as a result of the application of such provision, the Company agrees to cooperate with Executive to execute any amendment to the provisions hereof reasonably necessary but only (A) to the minimum extent necessary to avoid application of such tax and (B) to the extent that the Company would not, as a result, suffer any adverse consequences (including, without limitation, accelerating the payment or provision of any benefit described herein). The preceding shall not be construed as a guarantee of any particular tax effect for Executive's compensation and benefits and the Company does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(c) Each payment under this Agreement is intended to be treated as one of a series of separate payments for purposes of Code Section 409A and Treasury Regulation §1.409A-2(b)(2)(iii) (or any similar or successor provisions). To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions).

(d) For purposes of this Agreement, "Specified Employee" has the meaning given that term in Section 409A and Treas. Reg. 1.409A-1(c)(i) (or any similar or successor provisions) as determined in accordance with the Company's policy for determining Specified Employees. All payments of "deferred compensation," as defined in Section 409A, due to Executive's "termination of employment" shall be payable upon the Executive's "separation from service," as defined by Treas. Reg. §1.409A-1(h).

(e) Notwithstanding any provision of this Agreement to the contrary, this Agreement is intended to be exempt from or, in the alternative, comply with Section 409A and the interpretive guidance in effect thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions. The Agreement shall be construed and interpreted in accordance with such intent.

**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, 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 the 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 the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this **Section 3.8**, the Company will effect such reduction by reducing the lump sum cash payment related to Base Pay portion of the Change in Control Payment or other taxable cash payment payable in the same calendar year (a “Reduction”). In the event that, after such Reduction any payment or benefit intended to be provided under this Agreement or otherwise is still required to be reduced pursuant to this **Section 3.8**, the Company will effect such reduction by reducing other consideration due to Executive.

**3.9 Removal from any Boards and Positions.** If Executive’s employment is terminated for any reason under this Agreement, this Agreement will constitute his resignation from (i) if a member, the board of directors of the Company as well as any affiliate, any industry group or any other board to which he has been appointed or nominated by or on behalf of the Company, (ii) any position with the Company or any affiliate, including, but not limited to, as an officer of the Company or any of its affiliates, and (iii) any fiduciary positions with respect to the Company’s benefit plans.

#### **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. The Executive will never, directly or indirectly, disclose, publish or use any Confidential Information of which the 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 the 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: (i) 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; (ii) becomes publicly available through no fault of the Executive; or (iii) has been published in a form generally available to the public before the Executive proposes to disclose, publish, or use such information.

**4.2 Noncompetition.** During the Employment Term and for the Severance Period following the termination of the Employment Term for any reason (the "Restricted Period"), the 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 demolition or any

other business engaged in by the Company; *provided, however*, that this restriction shall not prohibit the 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 North America, Central America, South America, the Caribbean, the Middle East, Africa, India, Australia, and Asia. Notwithstanding anything in this **Article IV** to the contrary, the Executive may, at any time during the Restricted Period, provide written notice to the Company that (i) describes a particular business or employment opportunity that he is interested in pursuing or in which he may wish to engage, and (ii) 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 the Executive a written response, indicating whether or not the Company consents to the Executive engaging in the opportunity described in his notice.

**4.3 Non-Solicitation.** During the Restricted Period, Executive shall not (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: (i) 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 month period prior to the solicitation, hire or engagement, or (ii) 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 (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: (i) 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 (ii) 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 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 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 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 Assistance.** During Executive's employment with the Company and for a period of 24 months after the termination of such employment, 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. 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**. The Company will make any such reimbursement within 30 days of the date the 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 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.** During the Employment Term, Executive must retain all shares of Company stock he receives as compensation from the Company; *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 three (3) times 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, with any unvested shares (and options) 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 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 the 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 the 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. 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 **Articles IV and V** shall survive and continue in full force notwithstanding the termination of this Agreement or Executive's employment for any reason.

**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; Consent to Jurisdiction; 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: (i) agree to submit to the exclusive jurisdiction of the federal or state courts located in Cook County, Illinois; (ii) waive any objection to personal jurisdiction or venue in such jurisdiction, and agree not to plead or claim forum non conveniens; and (iii) waive their respective rights to a jury trial of any claims and causes of action, and agree to have any matter heard and decided solely by the court.

**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. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by each of the parties hereto.

**6.11 WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR UNDER ANY INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED IN CONNECTION HERewith OR HEREAFTER AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

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/ Bruce J. Biemeck

Name: Bruce J. Biemeck

Title: President & CFO

**Stephen E. Pegg**

/s/ Stephen E. Pegg

**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 an 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 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: May 4, 2012

/s/ Jonathan W. Berger

Jonathan W. Berger  
Chief Executive Officer

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

**CERTIFICATION**

I, Bruce J. Biemeck, 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 an 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 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: May 4, 2012

/s/ Bruce J. Biemeck

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Bruce J. Biemeck  
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 March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan W. Berger, Chief Executive Officer of the Registrant, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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

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Jonathan W. Berger  
Chief Executive Officer

Date: May 4, 2012

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 March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce J. Biemeck, President and Chief Financial Officer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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/ Bruce J. Biemeck

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Bruce J. Biemeck  
President and Chief Financial Officer

Date: May 4, 2012

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.