

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-33225



Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

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

60523
(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (Par Value \$0.0001)	GLDD	Nasdaq Stock Market, LLC

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 26, 2019, 63,826,303 shares of the Registrant's Common Stock, par value \$.0001 per share, were outstanding.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period ended June 30, 2019

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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 per share amounts)

	June 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 125,575	\$ 34,458
Accounts receivable—net	50,767	64,779
Contract revenues in excess of billings	31,159	17,953
Inventories	27,477	28,112
Prepaid expenses and other current assets	31,734	36,617
Assets held for sale	—	24,779
Total current assets	<u>266,712</u>	<u>206,698</u>
PROPERTY AND EQUIPMENT—Net	376,635	369,863
OPERATING LEASE ASSETS	74,684	—
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	76,576	76,576
INVENTORIES—Noncurrent	63,199	61,264
OTHER	11,325	15,870
TOTAL	<u>\$ 869,131</u>	<u>\$ 730,271</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 87,923	\$ 71,537
Accrued expenses	43,837	48,351
Operating lease liabilities	20,805	—
Billings in excess of contract revenues	50,610	17,793
Revolving credit facility	—	11,500
Liabilities held for sale	—	13,940
Total current liabilities	<u>203,175</u>	<u>163,121</u>
LONG-TERM DEBT	322,396	321,950
OPERATING LEASE LIABILITIES—Noncurrent	53,830	—
DEFERRED INCOME TAXES	33,706	22,846
OTHER	4,546	7,426
Total liabilities	<u>617,653</u>	<u>515,343</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
EQUITY:		
Common stock—\$.0001 par value; 90,000 authorized, 63,769 and 62,830 shares issued; 63,769 and 62,552 shares outstanding at June 30, 2019 and December 31, 2018, respectively.	6	6
Treasury stock, at cost	—	(1,433)
Additional paid-in capital	299,320	295,135
Accumulated deficit	(47,016)	(74,971)
Accumulated other comprehensive loss	(832)	(3,809)
Total equity	<u>251,478</u>	<u>214,928</u>
TOTAL	<u>\$ 869,131</u>	<u>\$ 730,271</u>

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Contract revenues	\$ 184,811	\$ 135,270	\$ 377,448	\$ 268,893
Costs of contract revenues	147,325	113,138	290,085	232,631
Gross profit	37,486	22,132	87,363	36,262
General and administrative expenses	14,613	12,232	29,438	25,325
(Gain) loss on sale of assets—net	81	(1,057)	360	(1,256)
Operating income	22,792	10,957	57,565	12,193
Interest expense—net	(7,188)	(8,991)	(14,739)	(17,644)
Other income (expense)	123	33	295	(2,032)
Income (loss) from continuing operations before income taxes	15,727	1,999	43,121	(7,483)
Income tax (provision) benefit	(4,230)	(818)	(11,076)	1,657
Income (loss) from continuing operations	11,497	1,181	32,045	(5,826)
Loss from discontinued operations, net of income taxes	(3,251)	(2,155)	(6,631)	(4,469)
Net income (loss)	<u>\$ 8,246</u>	<u>\$ (974)</u>	<u>\$ 25,414</u>	<u>\$ (10,295)</u>
Basic earnings (loss) per share attributable to continuing operations	\$ 0.18	\$ 0.02	\$ 0.51	\$ (0.09)
Basic loss per share attributable to discontinued operations, net of tax	(0.05)	(0.04)	(0.10)	(0.08)
Basic earnings (loss) per share	\$ 0.13	\$ (0.02)	\$ 0.41	\$ (0.17)
Basic weighted average shares	63,605	62,267	63,243	62,041
Diluted earnings (loss) per share attributable to continuing operations	\$ 0.18	\$ 0.02	\$ 0.50	\$ (0.09)
Diluted loss per share attributable to discontinued operations, net of tax	(0.05)	(0.04)	(0.10)	(0.08)
Diluted earnings (loss) per share	\$ 0.13	\$ (0.02)	\$ 0.40	\$ (0.17)
Diluted weighted average shares	64,990	62,267	64,654	62,041

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 8,246	\$ (974)	\$ 25,414	\$ (10,295)
Currency translation adjustment—net of tax (1)	—	(57)	—	1,304
Net change in cash flow derivative hedges—net of tax (2)	237	(127)	2,977	(861)
Other comprehensive income (loss)—net of tax	237	(184)	2,977	443
Comprehensive income (loss)	<u>\$ 8,483</u>	<u>\$ (1,158)</u>	<u>\$ 28,391</u>	<u>\$ (9,852)</u>

- (1) Net of income tax (provision) benefit of \$5 and \$(530) for the three and six months ended June 30, 2018 respectively.
- (2) Net of income tax benefit of \$84 and income tax provision of \$(689) for the three months ended June 30, 2019 and 2018, respectively. Net of income tax benefit of \$1,055 and income tax provision of \$(949) for the six months ended June 30, 2019 and 2018 respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Equity
(Unaudited)
(in thousands)

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2019	62,830	\$ 6	(278)	\$ (1,433)	\$ 295,135	\$ (74,971)	\$ (3,809)	\$ 214,928
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	45	—	—	—	4,530	—	—	4,530
Vesting of restricted stock units, including impact of shares withheld for taxes	554	—	—	—	(2,929)	—	—	(2,929)
Exercise of options and purchases from employee stock plans	618	—	—	—	3,756	—	—	3,756
Cancellation of treasury stock	(278)	—	278	1,433	(1,173)	(261)	—	—
Net income	—	—	—	—	—	25,414	—	25,414
Other comprehensive income—net of tax	—	—	—	—	—	—	2,977	2,977
BALANCE—June 30, 2019	<u>63,769</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 299,320</u>	<u>\$ (47,016)</u>	<u>\$ (832)</u>	<u>\$ 251,478</u>
BALANCE—January 1, 2018	61,897	\$ 6	(278)	\$ (1,433)	\$ 289,821	\$ (67,101)	\$ 3	\$ 221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577)	—	(1,577)
Share-based compensation	72	—	—	—	2,264	—	—	2,264
Vesting of restricted stock units, including impact of shares withheld for taxes	486	—	—	—	(1,060)	—	—	(1,060)
Exercise of options and purchases from employee stock plans	128	—	—	—	443	—	—	443
Net loss	—	—	—	—	—	(10,295)	—	(10,295)
Other comprehensive income—net of tax	—	—	—	—	—	—	443	443
BALANCE—June 30, 2018	<u>62,583</u>	<u>\$ 6</u>	<u>(278)</u>	<u>\$ (1,433)</u>	<u>\$ 291,468</u>	<u>\$ (78,973)</u>	<u>\$ 446</u>	<u>\$ 211,514</u>
BALANCE—March 31, 2019	63,600	\$ 6	(278)	\$ (1,433)	\$ 296,774	\$ (55,001)	\$ (1,069)	\$ 239,277
Share-based compensation	14	—	—	—	2,329	—	—	2,329
Vesting of restricted stock units, including impact of shares withheld for taxes	101	—	—	—	(741)	—	—	(741)
Exercise of options and purchases from employee stock plans	332	—	—	—	2,130	—	—	2,130
Cancellation of treasury stock	(278)	—	278	1,433	(1,173)	(261)	—	—
Net income	—	—	—	—	—	8,246	—	8,246
Other comprehensive income—net of tax	—	—	—	—	—	—	237	237
BALANCE—June 30, 2019	<u>63,769</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 299,320</u>	<u>\$ (47,016)</u>	<u>\$ (832)</u>	<u>\$ 251,478</u>
BALANCE—March 31, 2018	62,485	\$ 6	(278)	\$ (1,433)	\$ 290,298	\$ (77,999)	\$ 630	\$ 211,502
Share-based compensation	32	—	—	—	1,255	—	—	1,255
Vesting of restricted stock units, including impact of shares withheld for taxes	56	—	—	—	(124)	—	—	(124)
Exercise of options and purchases from employee stock plans	10	—	—	—	39	—	—	39
Net loss	—	—	—	—	—	(974)	—	(974)
Other comprehensive income—net of tax	—	—	—	—	—	—	(184)	(184)
BALANCE—June 30, 2018	<u>62,583</u>	<u>\$ 6</u>	<u>(278)</u>	<u>\$ (1,433)</u>	<u>\$ 291,468</u>	<u>\$ (78,973)</u>	<u>\$ 446</u>	<u>\$ 211,514</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)

	Six Months Ended June 30,	
	2019	2018
OPERATING ACTIVITIES:		
Net income (loss)	\$ 25,414	\$ (10,295)
Loss from discontinued operations, net of income taxes	(6,631)	(4,469)
Income (loss) from continuing operations	\$ 32,045	\$ (5,826)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	18,001	26,838
Deferred income taxes	11,179	(4,434)
(Gain) loss on sale of assets	360	(1,256)
Other non-cash restructuring items	—	2,015
Amortization of deferred financing fees	1,941	1,769
Unrealized foreign currency gain	—	(201)
Share-based compensation expense	3,619	1,986
Changes in assets and liabilities:		
Accounts receivable	14,012	(11,343)
Contract revenues in excess of billings	(13,207)	23,983
Inventories	(1,300)	1,083
Prepaid expenses and other current assets	870	11,604
Accounts payable and accrued expenses	10,044	(10,946)
Billings in excess of contract revenues	32,817	(3,091)
Other noncurrent assets and liabilities	1,404	(4,743)
Net cash flows provided by operating activities from continuing operations	111,785	27,438
Net cash flows used in operating activities of discontinued operations	(5,814)	(2,162)
Cash provided by operating activities	105,971	25,276
INVESTING ACTIVITIES:		
Purchases of property and equipment	(24,316)	(11,754)
Proceeds from dispositions of property and equipment	5,516	9,930
Net cash flows used in investing activities of continuing operations	(18,800)	(1,824)
Net cash flows provided by investing activities of discontinued operations	17,198	13
Cash used in investing activities	(1,602)	(1,811)

	Six Months Ended June 30,	
	2019	2018
FINANCING ACTIVITIES:		
Deferred financing fees	(2,388)	—
Repayments of debt	—	(297)
Taxes paid on settlement of vested share awards	(2,929)	(1,060)
Exercise of options and purchases from employee stock plans	3,756	443
Borrowings under revolving loans	—	18,000
Repayments of revolving loans	(11,500)	(42,118)
Net cash flows used in financing activities of continuing operations	(13,061)	(25,032)
Net cash flows used in financing activities of discontinued operations	(191)	(773)
Cash used in financing activities	(13,252)	(25,805)
Effect of foreign currency exchange rates on cash and cash equivalents	—	26
Net increase (decrease) in cash, cash equivalents and restricted cash	91,117	(2,314)
Cash, cash equivalents and restricted cash at beginning of period	34,458	17,352
Cash, cash equivalents and restricted cash at end of period	<u>\$ 125,575</u>	<u>\$ 15,038</u>
Cash and cash equivalents	\$ 125,575	\$ 13,538
Restricted cash included in other long-term assets	—	1,500
Cash, cash equivalents and restricted cash at end of period	<u>\$ 125,575</u>	<u>\$ 15,038</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 12,963</u>	<u>\$ 16,245</u>
Cash paid for income taxes	<u>\$ 168</u>	<u>\$ 243</u>
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	<u>\$ 7,760</u>	<u>\$ 5,220</u>
Repayments of debt with proceeds from sale-leaseback transactions	<u>—</u>	<u>\$ 13,034</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, 2018. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of June 30, 2019, and its results of operations for the three and six months ended June 30, 2019 and 2018 and cash flows for the six months ended June 30, 2019 and 2018 have been included.

The Company adopted Accounting Standard Update No. 2016-02 (“ASU 2016-02”), *Leases (Topic 842)* and subsequently issued other Accounting Standard Updates related to the Accounting Standards Codification Topic 842 (collectively, “ASC 842”) on January 1, 2019. The Financial Accounting Standards Board (“FASB”) issued ASC 842 to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted ASC 842 using the package of practical expedients that allowed entities to retain the classification of lease contracts existing as of the date of adoption. Additionally, the Company has elected to combine lease and non-lease components, such as common area maintenance costs, in calculating the operating lease assets and operating lease liabilities for all asset groups except for the Company’s dredges. Further, the Company adopted ASC 842 using the transition method under which entities initially applied ASC 842 at the adoption date and recognized a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this method, the comparative periods presented in the financial statements prior to the adoption date were not adjusted to apply ASC 842. Upon the adoption of ASC 842, the Company recorded a cumulative net adjustment of \$2,802 to the beginning retained earnings balance.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals 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.

The Company has one operating segment which is also the Company’s reportable segment and reporting unit of which the Company tests goodwill for impairment. During the second quarter of 2019, the Company entered into an agreement and completed the sale of the historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and is no longer reflected in continuing operations. The Company performed its most recent annual test of impairment as of July 1, 2018 with no indication of impairment as of the test date. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2019.

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

Recent accounting pronouncements

In January 2017, the FASB issued Accounting Standard Update No. 2017-04 (“ASU 2017-04”), *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendment removes the requirement to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. The guidance is effective for fiscal years beginning after December 15, 2019. The Company does not anticipate that the adoption of ASU 2017-04 will have a material effect on the Company’s consolidated financial statements.

2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed 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.

The computations for basic and diluted earnings (loss) per share are as follows:

(shares in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income (loss) from continuing operations	\$ 11,497	\$ 1,181	\$ 32,045	\$ (5,826)
Loss from discontinued operations, net of income taxes	(3,251)	(2,155)	(6,631)	(4,469)
Net income (loss)	8,246	(974)	25,414	(10,295)
Weighted-average common shares outstanding — basic	63,605	62,267	63,243	62,041
Effect of stock options and restricted stock units	1,385	—	1,411	—
Weighted-average common shares outstanding — diluted	64,990	62,267	64,654	62,041
Earnings (loss) per share from continuing operations — basic	\$ 0.18	\$ 0.02	\$ 0.51	\$ (0.09)
Earnings (loss) per share from continuing operations — diluted	\$ 0.18	\$ 0.02	\$ 0.50	\$ (0.09)

For the three and six months ended June 30, 2018, the following amounts of stock options (“NQSO”) and restricted stock units (“RSU”) were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during the period:

(shares in thousands)	Three Months Ended June 30,	Six Months Ended June 30,
	2018	2018
Effect of stock options and restricted stock units	429	920

For the three and six months ended June 30, 2019 and 2018 the following amounts of NQSOs and RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive:

(shares in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Effect of stock options and restricted stock units	—	1,495	33	1,524

3. Leases

The Company leases certain operating equipment and office facilities. Leases with an initial term greater than twelve months are recorded on the Company’s balance sheet as an operating lease asset and operating lease liability and are measured at the present value of lease payments over the lease term. Substantially all of the Company’s leases are classified as operating leases. Leases with an initial term of twelve months or less with purchase options or extension options that are not reasonably certain to be exercised are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

The exercise of lease renewal options is at the Company’s sole discretion and is considered in the measurement of operating lease assets and operating lease liabilities when it is reasonably certain the Company will exercise the option. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Lease cost

The Company's lease costs are recorded in cost of contract revenues and general and administrative expenses. For the three and six months ended June 30, 2019, lease costs are as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	\$ 6,336	\$ 12,575
Short-term lease cost	16,718	32,286
Total lease cost	<u>\$ 23,054</u>	<u>\$ 44,861</u>

Lease terms and commitments

The Company's maturity analysis of its operating lease liabilities, recorded on the balance sheet, as of June 30, 2019 is as follows:

2019	\$ 12,630
2020	22,883
2021	18,737
2022	13,290
2023	8,613
Thereafter	9,046
Minimum lease payments	85,199
Imputed interest	10,564
Present value of minimum operating lease payments	<u>\$ 74,635</u>

Future minimum operating lease payments at December 31, 2018, were as follows:

2019	\$ 26,554
2020	22,349
2021	18,430
2022	13,552
2023	9,041
Thereafter	8,697
Total minimum operating lease payments	<u>\$ 98,623</u>

As most of the Company's leases do not provide an implicit rate, the Company used our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. At the date of adoption, the Company used the incremental borrowing rate as of December 31, 2018, for operating leases that commenced prior to that date.

Additional information related to the Company's leases as of June 30, 2019 is as follows:

	June 30, 2019
Weighted average remaining lease term	4.3 years
Weighted average discount rate	6.8%

Supplemental information related to leases during the three and six months ended June 30, 2019 is as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating cash flows from operating leases	\$ (7,118)	\$ (13,538)
Operating lease liabilities arising from obtaining new operating lease assets	\$ 3,179	\$ 3,248

4. Accrued expenses

Accrued expenses at June 30, 2019 and December 31, 2018 are as follows:

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Insurance	\$ 15,303	\$ 13,724
Payroll and employee benefits	9,760	15,298
Contract reserves	6,142	1,709
Interest	3,282	3,448
Income and other taxes	1,082	1,175
Fuel hedge contracts	678	4,710
Other	7,590	8,287
Total accrued expenses	<u>\$ 43,837</u>	<u>\$ 48,351</u>

5. Long-term debt

Credit agreement

On May 3, 2019, the Company, Great Lakes Dredge & Dock Company, LLC, NASDI Holdings, LLC, Great Lakes Dredge & Dock Environmental, Inc., Great Lakes Environmental & Infrastructure Solutions, LLC, Great Lakes U.S. Fleet Management, LLC, and Drews Services LLC (collectively, the “Credit Parties”) entered into an amended and restated revolving credit and security agreement (as amended, supplemented or otherwise modified from time to time, the “Amended Credit Agreement”) with certain financial institutions from time to time party thereto as lenders, PNC Bank, National Association, as Agent (the “Agent”), PNC Capital Markets, CIBC Bank USA, Suntrust Robinson Humphrey, Inc. and Bank of America, N.A., as Joint Lead Arrangers and Joint Bookrunners, and HSBC USA, N.A., as Documentation Agent. The Amended Credit Agreement amends and restates the prior Revolving Credit and Security Agreement dated as of December 30, 2016 (as amended, the “Prior Credit Agreement”) by and among the financial institutions from time to time party thereto as lenders, the Agent and the Credit Parties party thereto, such that the terms and conditions of the Prior Credit Agreement have been subsumed and replaced in their entirety by the terms and conditions of the Amended Credit Agreement, including the amount available under the revolving credit facility. The terms of the Amended Credit Agreement are summarized below.

The Amended Credit Agreement provides for a senior secured revolving credit facility in an aggregate principal amount of up to \$200,000 of which the full amount is available for the issuance of standby letters of credit. The maximum borrowing capacity under the Amended Credit Agreement is determined by a formula and may fluctuate depending on the value of the collateral included in such formula at the time of determination. The Amended Credit Agreement also includes an increase option that will allow the Company to increase the senior secured revolving credit facility by an aggregate principal amount of up to \$100,000. This increase is subject to lenders providing incremental commitments for such increase, the Credit Parties having adequate borrowing capacity and provided that no default or event of default exists both before and after giving effect to such incremental commitment increase.

The Amended Credit Agreement contains customary representations and affirmative and negative covenants, including a springing financial covenant that requires the Credit Parties to maintain a fixed charge coverage ratio (ratio of earnings before income taxes, depreciation and amortization, net interest expenses, non-cash charges and losses and certain other non-recurring charges, minus capital expenditures, income and franchise taxes, to net cash interest expense plus scheduled cash principal payments with respect to debt plus restricted payments paid in cash) of not less than 1.10 to 1.00. The Amended Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company’s surety bonding providers. The obligations of the Credit Parties under the Amended Credit Agreement will be unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. Borrowings under the Amended Credit Agreement will be used to pay fees and expenses related to the Amended Credit Agreement, finance acquisitions permitted under the Amended Credit Agreement, finance ongoing working capital and for other general corporate purposes. The Amended Credit Agreement matures on May 3, 2024; provided that the maturity date shall be accelerated to the date that is ninety-one days prior to the scheduled maturity date of the Company’s unsecured senior notes if the Company fails to refinance its unsecured senior notes prior to their scheduled maturity date. The refinanced notes must have a maturity on or after the date that is 180 days after the maturity date of the Amended Credit Agreement.

The obligations under the Amended Credit Agreement are secured by substantially all of the assets of the Credit Parties. The outstanding obligations thereunder shall be secured by a valid first priority perfected lien on substantially all of the U.S. flagged and

located vessels of the Credit Parties and a valid perfected lien on all domestic accounts receivable and substantially all other assets of the Credit Parties, subject to the permitted liens and interests of other parties (including the Company’s surety bonding providers).

Interest on the senior secured revolving credit facility of the Amended Credit Agreement is equal to either a Domestic Rate option or LIBOR option, at the Company’s election. As of the Closing Date, (a) the Domestic Rate option is the highest of (1) the base commercial lending rate of PNC Bank, National Association, as publically announced, (2) the sum of the federal funds open rate plus 0.5% and (3) the sum of the daily LIBOR rate plus 1.0%, so long as a daily LIBOR rate is offered, ascertainable and not unlawful plus an interest margin of 0.5%; and (b) the LIBOR Rate option is the rate that applies for the applicable interest period on the Bloomberg page BBAMI (or such other substitute page or alternate source as agreed) plus an interest margin of 1.5%. After the date on which a borrowing base certificate is required to be delivered under Section 9.2 of the Amended Credit Agreement (commencing with the fiscal quarter ending September 30, 2019, the “Adjustment Date”), the Domestic Rate option will be the Domestic Rate plus an interest margin ranging between 0.5% and 1.0% and the LIBOR Rate option will be the LIBOR Rate plus an interest margin ranging between 1.5% and 2.0%, in each case, depending on the quarterly average undrawn availability on the Amended Credit Agreement.

As of June 30, 2019, the Company had no borrowings on the revolver, \$36,747 of letters of credit outstanding and \$162,761 of availability under the Amended Credit Agreement. The availability under the Amended Credit Agreement is suppressed by \$492 as of June 30, 2019 as a result of certain limitations set forth in the Amended Credit Agreement.

Senior Notes and subsidiary guarantors

In May 2017, the Company issued \$325,000 of 8.000% senior notes (“8% Senior Notes”) due May 15, 2022. The interest is paid semi-annually.

The Company’s obligations under these Senior Notes are guaranteed by certain of the Company’s 100% owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several. The parent company issuer has no independent assets or operations and all non-guarantor subsidiaries have been determined to be minor.

6. 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 times, the Company holds certain derivative contracts that it uses to manage foreign currency risk or commodity price risk. The Company does not hold or issue derivatives for speculative or trading purposes. The fair values of these financial instruments are summarized as follows:

Description	At June 30, 2019	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	\$ 678	\$ —	\$ 678	\$ —

Description	At December 31, 2018	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	\$ 4,710	\$ —	\$ 4,710	\$ —

Fuel hedge contracts

The Company is exposed to certain market risks, primarily commodity price risk as it relates to 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 could have an adverse impact on cash flows associated with its domestic dredging contracts. The Company's goal is to hedge approximately 80% of the fuel requirements for work in domestic backlog.

As of June 30, 2019, 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 June 2020. As of June 30, 2019, there were 8.5 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through June 2020. Under these swap agreements, the Company will pay fixed prices ranging from \$1.86 to \$2.34 per gallon.

At June 30, 2019 and December 31, 2018, the fair value liabilities of the fuel hedge contracts were estimated to be \$678 and \$4,710, respectively, and are recorded in accrued expenses. For fuel hedge contracts considered to be highly effective, the losses reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the six months ended June 30, 2019 were \$1,186. The remaining gains and losses included in accumulated other comprehensive loss at June 30, 2019 will be reclassified into earnings over the next twelve months, corresponding to the period during which the hedged fuel is expected to be utilized. Changes in the fair value of fuel hedge contracts not considered highly effective are recorded as cost of contract revenues in the Statement of Operations. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

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

The fair value of the fuel hedge contracts outstanding as of June 30, 2019 and December 31, 2018 is as follows:

Liability derivatives:	Balance Sheet Location	Fair Value at	
		June 30, 2019	December 31, 2018
Derivatives designated as hedging instruments			
Fuel hedge contracts	Accrued expenses	\$ 678	\$ 4,710

Accumulated other comprehensive income (loss)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cumulative translation adjustments—net of tax	\$ —	\$ (57)	\$ —	\$ 1,304
Derivatives:				
Reclassification of derivative (gains) losses to earnings—net of tax	295	(1,037)	1,186	(1,769)
Change in fair value of derivatives—net of tax	(58)	910	1,791	908
Net change in cash flow derivative hedges—net of tax	237	(127)	2,977	(861)
Total other comprehensive income (loss)	\$ 237	\$ (184)	\$ 2,977	\$ 443

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

Statement of Operations Location	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Derivatives:				
Fuel hedge contracts				
Costs of contract revenues	\$ 399	\$ (1,404)	\$ 1,606	\$ (2,396)
Income tax (provision) benefit	104	(367)	420	(627)
	\$ 295	\$ (1,037)	\$ 1,186	\$ (1,769)

During the first quarter of 2018, the Company substantially completed the closeout of its Brazil operations. This liquidation resulted in the reversal of the Company's cumulative translation adjustment. Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

Statement of Operations Location	Six Months Ended June 30, 2018	
Cumulative translation adjustment:		
Other expense	\$	(2,015)
Income tax benefit		527
	\$	(1,487)

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of our revolving credit agreement approximates fair value. In May 2017, the Company issued a total of \$325,000 of 8% senior notes due May 15, 2022, which were outstanding at June 30, 2019 (see Note 5, Long-term debt). The 8% Senior Notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the 8% Senior Notes. The fair value of the senior notes was \$344,110 at June 30, 2019, which is a Level 1 fair value measurement as the senior notes' value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

7. Share-based compensation

On May 11, 2017, the Company's stockholders approved the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the "Incentive Plan"), which previously had been approved by the Company's board of directors subject to stockholder approval. The Incentive Plan permits the granting of stock options, stock appreciation rights, restricted stock and restricted stock units to the Company's employees and directors for up to 3.3 million shares of common stock, plus an additional 1.7 million shares underlying equity awards issued under the 2007 Long-Term Incentive Plan.

During the six months ended June 30, 2019, the Company granted 542 thousand restricted stock units to certain employees. In addition, all non-employee directors on the Company's board of directors are paid a portion of their board-related compensation in stock grants or restricted stock units. Compensation cost charged to expense related to share-based compensation arrangements was \$1,619 and \$1,135 for the three months ended June 30, 2019 and 2018, respectively, and \$3,619 and \$1,986 for the six months ended June 30, 2019 and 2018 respectively.

8. Revenue

At June 30, 2019, the Company had \$498,089 of remaining performance obligations, which the Company refers to as total backlog. Approximately 64% of the Company's backlog will be completed in 2019 with the remaining balance expected to be completed by 2020.

Revenue by category

The following series of tables presents our revenue disaggregated by several categories.

Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. Foreign projects typically involve capital work.

The Company's contract revenues by type of work, for the periods indicated, were as follows:

Revenues	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Dredging:				
Capital—U.S.	\$ 59,406	\$ 69,651	\$ 152,150	\$ 146,603
Capital—foreign	18,640	3,279	26,969	8,802
Coastal protection	58,195	38,121	91,938	79,982
Maintenance	30,188	19,077	59,837	26,880
Rivers & lakes	18,382	5,142	46,554	6,626
Total revenues	<u>\$ 184,811</u>	<u>\$ 135,270</u>	<u>\$ 377,448</u>	<u>\$ 268,893</u>

The Company's contract revenues by type of customer, for the periods indicated, were as follows:

Revenues	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Dredging:				
Federal government	\$ 126,804	\$ 92,913	\$ 296,959	\$ 169,607
State and local government	36,469	23,346	50,572	69,971
Private	2,898	15,732	2,948	20,513
Foreign	18,640	3,279	26,969	8,802
Total revenues	<u>\$ 184,811</u>	<u>\$ 135,270</u>	<u>\$ 377,448</u>	<u>\$ 268,893</u>

Contract balances

Accounts receivable at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Completed contracts	\$ 6,709	\$ 8,592
Contracts in progress	37,300	48,418
Retainage	6,958	7,969
	50,967	64,979
Allowance for doubtful accounts	(200)	(200)
Total accounts receivable—net	<u>\$ 50,767</u>	<u>\$ 64,779</u>

The components of contracts in progress at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 282,443	\$ 433,093
Amounts billed	(258,668)	(416,956)
Costs and earnings in excess of billings for contracts in progress	23,775	16,137
Costs and earnings in excess of billings for completed contracts	9,496	3,928
Total contract revenues in excess of billings	\$ 33,271	\$ 20,065
Current portion of contract revenues in excess of billings		
Current portion of contract revenues in excess of billings	\$ 31,159	\$ 17,953
Long-term contract revenues in excess of billings	2,112	2,112
Total contract revenues in excess of billings	<u>\$ 33,271</u>	<u>\$ 20,065</u>
Billings in excess of costs and earnings:		
Amounts billed	\$ (515,791)	\$ (260,691)
Costs and earnings for contracts in progress	465,181	242,898
Total billings in excess of contract revenues	<u>\$ (50,610)</u>	<u>\$ (17,793)</u>

For amounts included in billings in excess of contract revenues balance at the beginning of the year, the Company recognized nearly all of the related revenue during the six months ended June 30, 2019.

At June 30, 2019 and December 31, 2018, costs to fulfill a contract with a customer recognized as an asset were \$10,046 and \$13,129, respectively, and are recorded in other current assets and other noncurrent assets. These costs relate to pre-contract and pre-construction activities. During the three and six months ended June 30, 2019 and 2018, the company amortized \$2,998 and \$5,749 and \$3,968 and \$6,465, respectively, of pre-construction costs.

9. Restructuring charges

In 2017, a strategic review was begun to improve the Company's financial results in both domestic and international operations enabling debt reduction, improvements in return on capital and the continued renewal of our extensive fleet with new and efficient dredges to best serve our domestic and international clients. Management executed a plan to reduce general and administrative and overhead expenses, retire certain underperforming and underutilized assets, write-off pre-contract costs on a project that was never formally awarded and that the Company no longer intends to pursue and closeout the Company's Brazil operations. The cumulative amounts incurred to date for restructuring charges, including amounts presented in discontinued operations, include severance of \$3,549, asset retirements of \$32,309, pre-contract costs of \$6,441 and closeout costs of \$4,194. Restructuring activities were substantially completed in 2018.

Restructuring charges recognized for the above actions for the three and six months ended June 30, 2018 are summarized as follows:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Costs of contract revenues—depreciation	\$ 1,676	\$ 4,668
Costs of contract revenues—other	(274)	993
General and administrative expenses	(28)	(21)
Loss on sale of assets—net	(840)	(847)
Other expense	—	2,015
Total	<u>\$ 534</u>	<u>\$ 6,808</u>

The Company had accrued severance expense of \$41 and \$662 at June 30, 2019 and December 31, 2018, respectively, which are expected to be settled in 2019. Accrued severance is included in accrued expenses.

10. Commitments and contingencies

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & infrastructure projects. The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company, under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty, Surety Company of America and Zurich American Insurance Company (“Zurich”). Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At June 30, 2019, the Company had outstanding performance bonds with a notional amount of approximately \$1,249,824 of which \$41,085 relates to projects from the Company’s historical environmental & infrastructure businesses. The revenue value remaining in backlog related to these projects totaled approximately \$442,475.

In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project and issued Zurich a letter of credit related to this exposure. In February 2017, the Company was notified by Zurich of an alleged default triggered on a historical demolition surety performance bond in the aggregate of approximately \$20,000 for failure of the contractor to perform in accordance with the terms of a project. In May 2017, Zurich drew upon the letter of credit in the amount of \$20,881. In order to fund the draw on the letter of credit in May 2017, the Company had to increase the borrowings on its revolving credit facility. As the outstanding letters of credit previously reduced our availability under the revolving credit facility, this draw down on our letter of credit did not impact our liquidity or capital availability.

Pursuant to the terms of sale of our historical demolition business, the Company received an indemnification from the buyer for losses resulting from the bonding arrangement. The Company intends to aggressively pursue enforcement of the indemnification provisions if the buyer of the historical demolition business is found to be in default of its obligations. The Company cannot estimate the amount or range of recoveries related to the indemnification or resolution of the Company’s responsibilities under the surety bond. The surety bond claim impact has been included in discontinued operations.

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

Except as noted below, the Company has not accrued any amounts with respect to the below 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.

On April 23, 2014, the Company completed the sale of NASDI, LLC (“NASDI”) and Yankee Environmental Services, LLC (“Yankee”), which together comprised the Company’s historical demolition business, to a privately owned demolition company. Legal actions brought by the Company to enforce the buyer’s obligations under the sale agreement are described below.

On January 14, 2015, the Company and our subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company’s agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of the buyer’s obligation to

collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants' allegations.

The Company is in the process of negotiating a Consent Order with the Florida Department of Environmental Protection regarding alleged impacts to a seagrass habitat in connection with a project in Charlotte County, Florida. The Company estimates the range of potential loss related to this matter as between \$200 and \$250.

In June 2019, the U.S. Attorney's Office for the Eastern District of Louisiana informed the Company that it intends to file criminal charges against the Company in connection with a September 2016 oil spill. The oil spill occurred during the Company's Cheniere Ronquille project, allegedly resulting in the discharge of around 125 barrels of crude oil in Bay Long, Louisiana. The Company has cooperated with the U.S. Attorney's Office in its investigation of the oil spill and believes that criminal charges are not warranted.

In September 2018, the EPA Region 4 informed the Company of the EPA's intent to file an administrative complaint against the Company relating to a project the Company performed at PortMiami from 2013-2015, although no complaint has been filed to date. The EPA is alleging violations of Section 103 of the Marine Protection, Research, and Sanctuaries Act ("MPRSA") and failure to report violations of the MPRSA. In December 2018, EPA proposed a tolling agreement to provide additional time for EPA to assess the case and possible resolution. EPA and Great Lakes negotiated and executed a tolling agreement that suspended the running of any statute of limitations until May 15, 2019, and then extended that agreement through August 14, 2019. The Company disagrees with the EPA on whether a violation occurred and, if a violation did occur, the appropriate penalty calculation.

11. Business dispositions

Discontinued operations

During the second quarter of 2019, the Company entered into an agreement and completed the sale of the historical environmental & infrastructure business. Under the terms of the agreement, the Company received cash of \$17,500. The final purchase price amount is subject to change based on the settlement of the working capital existing at the date of disposition.

The results of the historical environmental & infrastructure businesses have been reported in discontinued operations as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Revenue	\$ 15,856	\$ 15,320	\$ 25,040	\$ 28,290
Loss before income taxes from discontinued operations	(2,044)	(2,919)	(6,237)	(6,053)
Loss on disposal of assets held for sale	(2,315)	—	(2,630)	—
Income tax benefit	1,108	764	2,236	1,584
Loss from discontinued operations, net of income taxes	<u>\$ (3,251)</u>	<u>\$ (2,155)</u>	<u>\$ (6,631)</u>	<u>\$ (4,469)</u>

The major classes of assets and liabilities of businesses reported as discontinued operations are shown below:

	<u>December 31, 2018</u>	
Assets:		
Accounts receivable—net	\$	13,943
Contract revenues in excess of billings		9,971
Other current assets		865
Assets held for sale	\$	<u>24,779</u>
Property and equipment—net		6,612
Operating lease assets		—
Goodwill		7,000
Other intangible assets—net		372
Other assets		1,699
Reserve for loss on disposal		(14,110)
Assets held for sale—noncurrent	\$	<u>1,573</u>
Liabilities:		
Accounts payable	\$	8,343
Accrued expenses		4,380
Operating lease liabilities		—
Other current liabilities		1,217
Liabilities held for sale	\$	<u>13,940</u>
Other liabilities		146
Operating lease liabilities—noncurrent		—
Liabilities held for sale—noncurrent	\$	<u>146</u>

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

Cautionary note regarding forward-looking statements

Certain statements in this Quarterly Report on Form 10-Q may constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Great Lakes Dredge & Dock Corporation and its subsidiaries (“Great Lakes” or the “Company”), or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions.

These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Item 1A. “Risk Factors” of Great Lakes’ Annual Report on Form 10-K for the year ended December 31, 2018, and in other securities filings by Great Lakes with the SEC.

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

General

The Company is the largest provider of dredging services in the United States. In addition, the Company is the only U.S. dredging service provider with significant international operations. 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. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s bid market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints (“bid market”). The Company experienced an average combined bid market share in the U.S. of 42% over the prior three years, including 62%, 50%, 18% and 33% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In the first six months of 2019, the Company’s dredging revenues earned from contracts with federal government agencies, including the Corps as well as other federal entities such as the U.S. Coast Guard and the U.S. Navy were approximately 79% of dredging revenues, above the Company’s prior three year average of 68%.

During the second quarter of 2019, the Company entered into an agreement and completed the sale of its historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations. Refer to Note 11, Business dispositions, to our condensed consolidated financial statements.

The Company has one operating segment which is also the Company’s one reportable segment and reporting unit.

The Company’s vessels are subject to periodic dry dock inspections to verify that the vessels have been maintained in accordance with the rules of the U.S. Coast Guard and the American Bureau of Shipping (“ABS”) and that recommended repairs have been satisfactorily completed. Dry dock frequency is a statutory requirement mandated by the U.S. Coast Guard and the ABS. The

Company's vessels dry-dock every two to three years or every five years, depending on the vessel type and also on an as-needed basis for occasional unscheduled repairs. The planned dry docking of certain vessels began during the second quarter of 2019 and will continue to have an impact on the Company's results into the third and fourth quarters of 2019.

Results of operations

The following tables set forth the components of net income (loss) and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(79.7)	(83.6)	(76.9)	(86.5)
Gross profit	20.3	16.4	23.1	13.5
General and administrative expenses	7.9	9.0	7.8	9.4
(Gain) loss on sale of assets—net	—	(0.8)	0.1	(0.5)
Operating income	12.4	8.2	15.2	4.6
Interest expense—net	(3.9)	(6.6)	(3.9)	(6.6)
Other income (expense)	0.1	—	0.1	(0.8)
Income (loss) from continuing operations before income taxes	8.6	1.6	11.4	(2.8)
Income tax (provision) benefit	(2.3)	(0.6)	(2.9)	0.6
Income (loss) from continuing operations	6.3	1.0	8.5	(2.2)
Loss from discontinued operations, net of income taxes	(1.8)	(1.6)	(1.8)	(1.7)
Net income (loss)	4.5	(0.7)	6.7	(3.9)
Adjusted EBITDA from continuing operations	17.3%	17.2%	20.1%	13.8%

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

(in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 8,246	\$ (974)	\$ 25,414	\$ (10,295)
Loss from discontinued operations, net of income taxes	(3,251)	(2,155)	(6,631)	(4,469)
Income (loss) from continuing operations	11,497	1,181	32,045	(5,826)
Adjusted for:				
Interest expense—net	7,188	8,991	14,739	17,644
Income tax provision (benefit)	4,230	818	11,076	(1,657)
Depreciation and amortization	9,096	12,276	18,001	26,838
Adjusted EBITDA from continuing operations	\$ 32,011	\$ 23,266	\$ 75,861	\$ 36,999

The Company's contract revenues by type of work, for the periods indicated, were as follows:

Revenues (in thousands)	Three Months Ended			Six Months Ended		
	2019	2018	Change	2019	2018	Change
Dredging:						
Capital—U.S.	\$ 59,406	\$ 69,651	(14.7)%	\$ 152,150	\$ 146,603	3.8%
Capital—foreign	18,640	3,279	N/M	26,969	8,802	206.4%
Coastal protection	58,195	38,121	52.7%	91,938	79,982	14.9%
Maintenance	30,188	19,077	58.2%	59,837	26,880	122.6%
Rivers & lakes	18,382	5,142	257.5%	46,554	6,626	N/M
Total revenues	\$ 184,811	\$ 135,270	36.6%	\$ 377,448	\$ 268,893	40.4%

N/M = Not meaningful due to magnitude

Total revenue was \$184.8 million for the three months ended June 30, 2019, up \$49.5 million, or 37%, from \$135.3 million for the same period in the prior year. For the three months ended June 30, 2019, the Company experienced increases in revenue from all types of work except domestic capital revenue when compared to the same period in the prior year. For the six months ended June 30, 2019, total revenue was \$377.4 million, up from revenue of \$268.9 million for the same period in the prior year, representing an increase of \$108.5 million or 40%. For the six months ended June 30, 2019, the Company experienced increases in revenue from all types of work when compared to the same period in the prior year.

Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins 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 coastal restoration and land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. For the quarter ended June 30, 2019, domestic capital dredging revenue was \$59.4 million, down \$10.3 million, or 15%, compared to \$69.7 million for the same quarter in 2018. For the three months ended June 30, 2019, the change in domestic capital dredging revenue was primarily driven by a greater amount of revenue earned during the same period in the prior year on coastal restoration projects and the deepening projects in Charleston. This decrease was partially offset by a greater amount of revenue earned on deepening projects in Tampa and Jacksonville during the current year period. For the six months ended June 30, 2019, domestic capital dredging revenue was \$152.2 million compared to \$146.6 million for the same period in 2018, representing an increase of \$5.6 million, or 4%. For the six months ended June 30, 2019, the higher domestic capital dredging revenue was primarily driven by revenue earned from deepening projects in Tampa and Jacksonville as well as a greater amount of revenue earned on a deepening project on the Delaware River during the current year as compared to the same period in the prior year. This increase was partially offset by a greater amount of revenue earned on coastal restoration projects and the deepening projects in Charleston and Savannah Harbor during the six months ended June 30, 2018.

Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. In the second quarter of 2019, foreign capital revenue was \$18.6 million, up \$15.3 million, as compared to \$3.3 million in the same quarter in the prior year. Foreign capital revenue for the first half of 2019 was \$27.0 million which is \$18.2 million, or 207%, higher than revenue of \$8.8 million for the same period of the prior year. The increase in revenue for the three and six months ended June 30, 2019 was driven by revenue earned on a project in Bahrain that commenced during the first quarter of 2019. During the first quarter of 2018, the Company substantially completed the closeout of its Brazil operations.

Coastal protection projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Coastal protection revenue for the quarter ended June 30, 2019 was \$58.2 million, an increase of \$20.1 million, or 53%, compared to \$38.1 million in the prior year period. Coastal protection revenue for the six months ended June 30, 2019 was \$91.9 million representing an increase of \$11.9 million or 15%, from \$80.0 million for the first six months of 2018. The increase in coastal protection revenue for the three and six months ended June 30, 2019 was mostly attributable to a greater amount of revenue earned on projects in South Carolina, North Carolina and New York in the current year as compared to the same periods in the prior year. This increase was partially offset by revenue earned on a project in Delaware during the same periods in the prior year that did not repeat during the current year periods. Additionally, revenue for the three and six months ended June 30, 2018 included projects in Florida, Georgia and Delaware that did not repeat during the current year period.

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 for the second quarter of 2019 was \$30.2 million, up \$11.1 million, or 58%, from \$19.1 million in the second quarter of 2018. Maintenance revenue for the first six months of 2019 was \$59.8 million, an increase of \$32.9 million, or 122%, compared to \$26.9 million for the comparable period in the prior year. The increase in maintenance dredging revenue for the first three and six months of 2019 was mostly attributable to revenue earned on projects in Georgia, Florida and North Carolina. This increase was partially offset by revenue earned on projects in Texas and Virginia during the first half of 2018 that did not repeat during the current year.

Rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. During the second quarter of 2019 rivers & lakes revenue was \$18.4 million, an increase of \$13.3 million, or 260% from \$5.1 million during the same period of 2018. Rivers & lakes revenue for the six months ended June 30, 2019 was \$46.6 million, up \$40.0 million, from \$6.6 million in the first six months of 2018. The increase in rivers & lakes revenue for the three and six months ended June 30, 2019 was mostly attributable to revenue earned on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as revenue earned on projects in Louisiana and Iowa during the current year periods. This increase was slightly offset by a greater amount of revenue earned on a lake project in Illinois and a project in New Jersey in the same period of the prior year.

Consolidated gross profit for the quarter ended June 30, 2019 was \$37.5 million, up \$15.4 million, or 70% compared to \$22.1 million in the same quarter of 2018. Gross profit margin for the three months ended June 30, 2019 was 20.3% compared to 16.3% in the second quarter of 2018. Consolidated gross profit for the six months ended June 30, 2019 was \$87.4 million, up \$51.1 million, or 141%, compared to \$36.3 million in the same period of the prior year. Gross profit margin for the six months ended June 30, 2019 was up to 23.2% from 13.5% in the first six months of 2018. The higher gross profit experienced in the first half of 2019 was driven by strong performance on the Company's domestic capital, maintenance, coastal protection and rivers & lakes projects when compared to the prior year period. Additionally, greater fixed cost coverage also contributed to the increased profit during the current year. The three and six months ended June 30, 2018 included \$1.4 million and \$5.7 million, respectively, of restructuring charges related to asset retirements and the closeout of the Company's Brazil operations.

During the three and six months ended June 30, 2019, general and administrative expenses were \$14.6 million and \$29.4 million, respectively, compared to the same periods in prior year in which the three and six months totaled \$12.2 million and \$25.3 million, respectively. General and administrative expenses increased by \$2.4 million and \$4.1 million for the three and six months ended June 30, 2019, respectively compared to the same periods of the prior year. The increase in general and administrative expenses for the three and six months ended June 30, 2019 was attributable to a \$2.1 million and \$4.3 million, respectively, increase in payroll and benefits expense mostly related to incentive compensation as a result of improved profitability.

Operating income for the second quarter of 2019 was \$22.8 million, up \$11.8 million compared to operating income of \$11.0 million for the same quarter in 2018. The increase in operating income for the second quarter of 2019 was a result of higher gross profit compared to the same period in the prior year, as described above. This increase in operating income was offset by a \$2.4 million increase in general and administrative expenses, as noted above, and a \$1.6 million decrease in gain on sale of assets. Operating income for the six months ended June 30, 2019 was \$57.6 million, up \$45.4 million from operating income of \$12.2 million in the same prior year period. The change in operating income for the first half of 2019 was a result of higher gross profit partially offset by higher general and administrative expense compared to the same period in the prior year, as described above.

For the three months ended June 30, 2019, net interest expense was \$7.2 million, down \$1.8 million, or 20%, from \$9.0 million for the same period in the prior year. Net interest expense for the six months ended June 30, 2019 was \$14.7 million, down \$2.9 million, or 16%, from interest expense of \$17.6 million for the same period in the prior year. The change in interest expense for the three and six months ended June 30, 2019 was attributable to a decrease of \$1.4 million and \$2.6 million, respectively, in interest expense

associated with the Company's senior secured revolving credit facility in addition to higher interest income during the current year periods when compared to the same periods in the prior year.

Income tax provision for the three months ended June 30, 2019 was \$4.2 million compared to an income tax provision of \$0.8 million for the same period in the prior year. For the six months ended June 30, 2019 and 2018, the Company had an income tax provision of \$11.1 million and an income tax benefit of \$1.7 million, respectively. The effective tax rate for the six months ended June 30, 2019 was 25.7%, mostly in line with the effective tax rate of 22.1% for the same period of 2018.

Net income from continuing operations for the quarter ended June 30, 2019 was \$11.5 million, up \$10.3 million from \$1.2 million in the same quarter in the prior year. Diluted earnings per share attributable to continuing operations was \$0.18 for the three months ended June 30, 2019, compared to \$0.02 for the three months ended June 30, 2018. Net income from continuing operations for the six months ended June 30, 2019 was \$32.0 million, up \$37.8 million from a net loss from continuing operations of \$5.8 million for the same period in the prior year. Diluted earnings (loss) per share attributable to continuing operations were \$0.50 and (\$0.09) for the six months ended June 30, 2019 and 2018, respectively. The increase in net income from continuing operations for the six months ended June 30, 2019 was driven by the increase in operating income and decrease in interest expense during the current year, as described above. Further, the prior year was negatively impacted by a \$2.0 million charge to other income (expense) for the reversal of a cumulative translation adjustment related to the closeout of the Company's Brazil operations during the first half of 2018. These items were partially offset by an increase in the income tax provision during the current year period, as noted above.

Adjusted EBITDA from continuing operations (as defined on page 22) for the quarter ended June 30, 2019 was \$32.0 million, up \$8.7 million, or 37%, from \$23.3 million in the same quarter in the prior year. The change in Adjusted EBITDA from continuing operations during the second quarter of 2019 was driven by higher gross profit, excluding depreciation, partially offset by higher general and administrative expenses, as described above. For the six months ended June 30, 2019, Adjusted EBITDA from continuing operations was \$75.9 million, up \$38.9 million, or 105%, from Adjusted EBITDA from continuing operations of \$37.0 million for the same prior year period. The change in Adjusted EBITDA from continuing operations during the first six months of 2019 was attributable to higher gross profit, excluding depreciation, and a positive change related to the \$2.0 million charge to other income (expense), as described above, when compared to the prior year. These positive factors were partially offset by higher general & administrative expenses incurred during the first half of 2019, as described above.

Bidding activity and backlog

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

Backlog (in thousands)	June 30, 2019	December 31, 2018	June 30, 2018
Dredging:			
Capital - U.S.	\$ 311,380	\$ 447,139	\$ 335,588
Capital - foreign	49,014	73,112	3,788
Coastal protection	67,368	81,068	129,689
Maintenance	39,224	56,189	12,254
Rivers & lakes	31,103	49,583	25,192
Total Backlog	<u>\$ 498,089</u>	<u>\$ 707,091</u>	<u>\$ 506,511</u>

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. 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. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 85% of the Company's June 30, 2019 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer.

The domestic dredging bid market for the quarter ended June 30, 2019 was \$235.1 million, a \$124.5 million decrease compared to the same period in the prior year. The domestic dredging bid market for the six months ended June 30, 2019 was \$453.9 million, a decrease of \$238.3 million compared to the first six months of 2018. Total domestic dredging bid market for the current year period included awards for a coastal protection project in New York, two coastal protection projects in Virginia, a maintenance project in

Texas, and maintenance projects on the Mississippi River. The bid market for the six months ended June 30, 2019 decreased compared to the prior year due to a greater number of larger capital projects let to bid in the prior year, which included the Boston Harbor deepening project, and rivers & lakes projects. This was partially offset by slightly higher maintenance projects awarded in the six months ended June 30, 2019. For the contracts awarded in the current year, the Company won 61%, or \$66.4 million, of the coastal protection projects, no domestic capital projects, 14%, or \$41.6 million, of the maintenance projects and 27%, or \$4.7 million, of rivers & lakes projects through June 30, 2019. The Company won 25% of the overall domestic bid market for the first six months of 2019, which is below the Company's prior three year average of 42%. 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 \$498.1 million at June 30, 2019 compared to \$707.1 million of backlog at December 31, 2018. These amounts do not reflect approximately \$110.1 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at June 30, 2019. At December 31, 2018 the amount of domestic low bids and options pending award was \$115.6 million.

Domestic capital dredging backlog at June 30, 2019 was \$135.8 million lower than at December 31, 2018. For the six months ended June 30, 2019, the Company continued to earn revenue on a coastal restoration project in Mississippi and deepening projects in Charleston, Tampa, and Jacksonville as well as on a deepening project on the Delaware River which were in backlog at December 31, 2018. The Company expects additional phases of multiple large deepening and other capital projects to bid in the second half of 2019. The projects coming into the pipeline include additional phases of work in Savannah and Corpus Christi, new projects in the Ports of Norfolk, Virginia and Freeport, Texas and large coastal restoration projects in Mississippi and Louisiana. Further, several liquefied natural gas petro chemical and crude oil projects are creating the need for port development in support of energy exports. The Company expects several of these private client projects to be bid in 2019.

Foreign capital dredging backlog at June 30, 2019 was \$24.1 million lower than at December 31, 2018. During the first six months of 2019, the Company continued to earn revenue on a project in the Middle East which was in backlog at December 31, 2018. During 2018, the Company relocated two of its dredges to our domestic fleet from their previous positions in the international market to meet increased demand in the U.S. market.

Coastal protection dredging backlog at June 30, 2019 was \$13.7 million lower than at December 31, 2018. In the first six months of 2019, the Company was awarded a \$20 million coastal protection project in North Carolina and two coastal protection projects, \$23 and \$20 million each, in Virginia. During the first six months of 2019, the Company continued to earn revenue on coastal protection projects in New York, North Carolina and South Carolina which were in backlog at December 31, 2018. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. With continued funding available for projects in the Northeast from the Superstorm Sandy supplemental appropriations, the Company expects to continue to see an increase in projects let for bid in the coastal protection market. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Senate Committee on Appropriations passed supplemental appropriations for disaster relief and recovery which includes \$17.4 billion for the Corps to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is beginning to provide visibility on its plans for this money, and it is expected that approximately \$1.8 billion will be allocated to dredging-related work. Most of this work is anticipated to be coastal protection related, but some funding may be provided for channel maintenance. During the fourth quarter of 2018, Congress passed an additional \$1.7 billion of supplemental appropriations for disaster relief funding as a result of Hurricane Florence.

Maintenance dredging backlog was down \$17.0 million from December 31, 2018. Awarded in the first six months of 2019 were maintenance projects in Texas, South Carolina and on the Mississippi River. During the first six months of 2019, the Company continued to earn revenue on projects in the South Atlantic, Georgia, North Carolina and Florida which were in backlog at December 31, 2018. In March 2018, Congress approved and the President signed an omnibus spending bill through fiscal year 2018. The spending bill continues the increases in the budget for the Corps and exceeds the increase in Harbor Maintenance Trust Fund ("HMTF") spending for maintenance dredging as required by the Water Resources Reform and Development Act of 2014. During the fourth quarter of 2018, the President signed America's Water Infrastructure Act of 2018/Water Resources Development Act ("WRDA 2018") into law. Similar to past versions of the bill, WRDA 2018 language calls for full use of the HMTF for its intended purpose of maintaining future access to the waterways and ports that support our nation's economy. Further, WRDA 2018 ensures that Harbor Maintenance Tax ("HMT") funding targets will increase by three percent over the prior year, even if the HMT revenue estimates decrease, to continue annual progress towards full use of the HMT by 2025. Through the increased appropriation of HMTF monies, the Company anticipates an increase in harbor projects to be let for bid throughout 2019 and beyond. Congress has improved spending from the HMTF by providing the Corps with record annual budgets including 94% utilization of the HMTF in FY 2018 and 91% proposed in the FY 2019 budget which was above its commitment.

Rivers & lakes backlog at June 30, 2019 was down by \$18.5 million from backlog at December 31, 2018. During the first six months of 2019, the Company was awarded new work in Texas and Nebraska. For the six months ended June 30, 2019, the Company continued to earn revenue on a large project in Texas and a project in Louisiana which were in backlog at December 31, 2018.

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 cash provided by operating activities of continuing operations for the six months ended June 30, 2019 and 2018 totaled \$111.8 million and \$27.4 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. The increase in cash provided by operating activities of continuing operations in the first six months of 2019 compared to the same period in the prior year was driven by billings and collections on large projects during the first half of 2019 as well as a greater investment in working capital during the prior year period. Further, this increase was also driven by an increase of \$37.9 million in net income from continuing operations in the first half of 2019 compared to the same period in the prior year.

The Company's cash flows used in investing activities for the first six months of 2019 and 2018 totaled \$18.8 million and \$1.8 million, respectively. Investing activities primarily relate to normal course upgrades and capital maintenance of the Company's dredging fleet. Capital expenditures for the six months ended June 30, 2019 included the final payment of \$10.0 million for the new clamshell dredge. During the six months ended June 30, 2018, the Company received \$4.5 million in cash proceeds from a sale-leaseback of a dredge.

The Company's cash flows used in financing activities for the six months ended June 30, 2019 and 2018 totaled \$13.1 million and \$25.0 million, respectively. The decrease in cash used in financing activities primarily relates to changes in the net repayments on Company's revolving credit facility in the current period of \$11.5 million compared to \$24.1 million in the same period in the prior year.

Senior notes

In May 2017, the Company issued \$325 million in aggregate principal amount of its 8% Senior Notes due May 15, 2022. Interest on the 8% Senior Notes is payable semi-annually in arrears on May 15 and November 15 of each year, beginning on November 15, 2017. The 8% Senior Notes are senior unsecured obligations of the Company and will be guaranteed on a senior unsecured basis by the guarantors and any other subsidiary guarantors that from time to time become parties to the indenture. The terms of the indenture will, among other things, limit the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on their assets; (iv) transfer and sell assets; (v) enter into certain business combinations with third parties or into certain other transactions with affiliates; (vi) create restrictions on dividends or other payments by the Company's restricted subsidiaries; and (vii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the indenture.

Commitments, contingencies and liquidity matters

Refer to Note 5, Long-term debt, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's Amended Credit Agreement. Additionally, refer to Note 10, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's surety agreements.

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

Critical accounting policies and estimates

In preparing its consolidated financial statements, the Company follows GAAP, which is described in Note 1, Basis of presentation, to the Company's December 31, 2018 Consolidated Financial Statements included on Form 10-K. The application of these principles requires significant judgments or an estimation process that can affect the results of operations, financial position and cash flows of

the Company, as well as the related footnote disclosures. The Company continually reviews its accounting policies and financial information disclosures. Except as noted in Note 1, Basis of presentation, of the company's financial statements, there have been no material changes in the Company's critical accounting policies or estimates since December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The market risk of the Company's financial instruments as of June 30, 2019 has not materially changed since December 31, 2018. The market risk profile of the Company on December 31, 2018 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, 2018.

Item 4. Controls and Procedures.

a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2019. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and b) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2019 in providing such a reasonable assurance.

b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2019 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 10, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes during the six months ended June 30, 2019 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, 2018.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

On July 31, 2019, the Company and Christopher P. Shea, former President of the Company’s Environmental & Infrastructure Division, entered into a consulting agreement (the “Consulting Agreement”) to assist the Company with services related to the divestiture of the Environmental & Infrastructure Division. Services provided under Mr. Shea’s Consulting Agreement began on July 31, 2019, which is the day following his Separation Date, as defined in his Separation Agreement. Pursuant to the Consulting Agreement, Mr. Shea may provide consulting services to the Company through March 31, 2021 (the “Consulting Period”). Under the terms of the Consulting Agreement, Mr. Shea will be entitled to a monthly retainer of \$16,667 for the first twelve months of the Consulting Period. Mr. Shea may terminate the Consulting Agreement for convenience or for the Company’s material breach of the Consulting Agreement, and the Company may terminate the Consulting Agreement for Cause, as defined in the Consulting Agreement. In addition, Mr. Shea’s outstanding performance-based equity awards will remain in place and continue to vest in accordance with their terms for as long as the Consulting Agreement remains in effect, subject to the applicable award agreements. The foregoing description of the Consulting Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of such document.

Item 6. Exhibits

Number	Document Description
<u>10.1</u>	Amended and Restated Revolving Credit and Security Agreement dated as of May 3, 2019 by and among Great Lakes Dredge & Dock Corporation, as Borrower, each other Credit Party party hereto from time to time, the financial institutions which are now or which hereafter become a party hereto as lenders, PNC Capital Markets, CIBC Bank, USA, Suntrust Robinson Humphrey, Inc., and Bank of America, N.A., as joint lead arrangers and joint bookrunners, HSBC Bank USA, N.A., as documentation agent, and PNC Bank, National Association, as lender and as agent (Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 9, 2019 (Commission file no. 001-33225)). (1)
<u>10.2</u>	Separation Agreement, dated July 31, 2019, between Great Lakes Dredge & Dock Corporation with and on behalf of its wholly owned subsidiary Great Lakes Environmental & Infrastructure Solutions, LLC and Christopher P. Shea. †*
<u>10.3</u>	Consulting Agreement, dated July 31, 2019, between Great Lakes Dredge & Dock Corporation with and on behalf of its wholly owned subsidiary Great Lakes Environmental & Infrastructure Solutions, LLC and Christopher P. Shea. †*
<u>31.1</u>	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
<u>31.2</u>	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
<u>32.1</u>	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
<u>32.2</u>	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) Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K. The omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

* Filed herewith

** Furnished herewith

† Compensatory plan or arrangement

SEPARATION AND GENERAL RELEASE AGREEMENT**Caution: Read Carefully
This Is A Release Of All Claims**

THIS SEPARATION AND GENERAL RELEASE AGREEMENT ("Agreement") is voluntarily entered into as of the date(s) set forth below by and between the undersigned individual employee, Christopher P. Shea, and Great Lakes Dredge & Dock Corporation with and on behalf of its wholly owned subsidiary, Great Lakes Environmental & Infrastructure Solutions, LLC (collectively, the "Company").

WHEREAS, Shea and the Company are parties to a certain Employment Agreement dated November 2, 2015, as amended by the First Amendment to Employment Agreement dated July 31, 2018, which is currently in effect to and including November 2, 2019 (together referred to as the "Employment Agreement"), which is incorporated by reference herein; and

WHEREAS, all or substantially all of the assets of Great Lakes Environmental & Infrastructure Solutions, LLC have been acquired by GLEI Equity, LLC ("Purchaser");

WHEREAS, Shea maintains such acquisition constitutes a Change in Control as set forth in Section 3.4 of the Employment Agreement, that he has suffered a termination of employment other than for Cause by a material diminution of his authority, duties, or responsibilities, and that he is entitled to certain compensation and benefits as set forth in Section 3.4 of the Employment Agreement;

WHEREAS, by its terms, as a condition for receipt of such compensation and benefits Shea must execute and not revoke a separation agreement, as well as abide by certain other continuing obligations as set forth in the Employment Agreement, which by his acceptance and execution of this Agreement he hereby affirms and accepts, as well as certain other obligations set out in this Agreement;

WHEREAS, Shea and the Company have now reached mutual agreement on the termination of Shea's employment by his voluntary resignation from the Company effective as of July 30, 2019 ("Separation Date") on the terms set forth herein, which the parties agree is in full satisfaction of any and all rights, obligations, payments, and other consideration, which may be due and owing to Shea, if any, under the terms of the Employment Agreement and otherwise;

NOW, THEREFORE, in consideration of the mutual understandings, covenants, and the release contained in this Agreement, the Company and Shea hereby voluntarily agree as follows:

1. **Definitions.** Specific terms used in this Agreement have the following meanings: (a) words such as "I," "me," and "my" include both the undersigned, Christopher P. Shea, and anyone who has or obtains any legal rights or claims through me; and (b) "Company" means Great Lakes Dredge & Dock Corporation, all of its past and present officers, directors, stockholders, employees, trustees, parent corporations, subsidiaries (including without limitation

Great Lakes Dredge & Dock Company, LLC and Great Lakes Environmental & Infrastructure Solutions, LLC), agents, members, affiliates, insurers, any and all employee benefit plans (and any fiduciary of such plans) sponsored by such entities, and each such entity's subsidiaries, predecessors, successors (which, for purposes of the release set forth in Paragraph 2, below, shall include Purchaser and its parent corporations, subsidiaries, and affiliates), and assigns, and all other entities, persons, firms, or corporations liable or who might be claimed to be liable, none of whom admit any liability to me, but all of whom expressly deny any such liability.

2. **My Claims.** The claims I am releasing ("My Claims") include all of my rights to any relief of any kind from the Company (as defined in Paragraph 1 above), including without limitation all claims I have now, whether or not I now know about the claims. These claims, which I hereby release, include, but are not limited to, the following:

(a) all claims relating to my employment with the Company, or the termination of that employment, including, but not limited to, any claims arising under the Fair Labor Standards Act; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1866; the Age Discrimination in Employment Act ("ADEA"); the Older Worker Benefits Protection Act ("OWBPA"); the Employee Retirement Income Security Act; the Family and Medical Leave Act ("FMLA") (to the extent that FMLA claims may be released under governing law); the Americans with Disabilities Act; the applicable state civil rights laws; and/or any other federal, state or local law;

(b) all claims under any principle of common law or equity, including but not limited to claims for alleged unpaid compensation or other monies; commissions; any tort; breach of contract; and any other allegedly wrongful employment practices; and

(c) all claims for any type of relief from the Company, including but not limited to claims for damages, costs and attorney's fees.

In addition to these claims being released, I acknowledge that I have not suffered any physical or mental injuries arising out of my employment or the termination or resignation of that employment. If requested, I agree to sign an agreement similar to this one on or about the date of final payment of the consideration set forth in Paragraph 4, below.

I acknowledge that I may hereafter discover facts different from or in addition to those now known or believed to be true related to the matters set forth in this Agreement and agree that this Agreement shall remain in full force and effect, notwithstanding the existence of any such different or additional facts. In this connection, I expressly waive all rights afforded by any statute including, but not limited to, Section 1542 of the California Civil Code which limits the effect of a release with respect to unknown claims. I understand the significance of my release of unknown claims and my waiver of statutory protection against a release of unknown claims (such as under Section 1542). Section 1542 of the California Civil Code reads as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

Notwithstanding the above-stated provisions of Section 1542 and for purposes of implementing a full and complete release and discharge, I expressly acknowledge that this Agreement is specifically intended to include in its effect, without limitation, all claims which I have but do not or may not know or suspect to exist in my favor at any time on or prior to the date of execution of this Agreement, and that this Agreement extinguishes any and all such claim(s).

3. **Exclusions From Release.** I understand that My Claims released under this Agreement do not include any rights or claims that may arise after the Effective Date of this Agreement (which is that date occurring on the eighth (8th) day after I sign this Agreement, provided that I do not revoke this Agreement as described below). I understand I do not waive future claims. Also, I further understand that nothing in this Agreement shall in any way adversely affect whatever vested rights I may have to benefits under any retirement or other employee benefit plan. In addition, I acknowledge that this Agreement is not intended to (a) prevent me from filing a charge or complaint including a challenge to the validity of this Agreement, with the Equal Employment Opportunity Commission ("EEOC"); (b) prevent me from participating in any investigation or proceeding conducted by the EEOC; or (c) establish a condition precedent or other barrier to exercising these rights. While I have the right to participate in an investigation, I understand that I am waiving my right to any monetary recovery arising from any investigation or pursuit of claim on my behalf. I acknowledge that I have the right to file a charge alleging a violation of the ADEA with any administrative agency and/or to challenge the validity of the waiver and release of any claim I might have under the ADEA without either: (a) repaying to the Company the amounts paid by it to me or on my behalf under this Agreement; or (b) paying to the Company any other monetary amounts (such as attorney's fees and/or damages).

4. **Company's Agreement to Make Payments and Provide Consideration to Me.** In exchange for my release and other promises made by me in this Agreement, the Company agrees that it shall:

(a) pay to me in a lump sum an amount equivalent to 2.0 times my Base Salary, in the gross amount of Seven Hundred Thirty-Five Thousand Four Hundred Twenty Dollars and No Cents (\$735,420.00) (less taxes and other required deductions and withholdings);

(b) pay to me in a lump sum an additional amount equivalent to the average of my annual bonus over the three (3) year period immediately preceding the Separation Date, in the gross amount of One Hundred Forty-Three Thousand Six Hundred Sixty-Six Dollars and Sixty-Seven Cents (\$143,666.67) (less taxes and other required deductions and withholdings);

(c) pay to me in a lump sum an agreed portion of my annual target bonus in the gross amount of Sixty-One Thousand Seven Hundred Seventy-Five Dollars and Twenty-Eight Cents (\$61,775.28) (less taxes and other required deductions and withholdings);

(d) pay to me in a lump sum in the gross amount of Fifty Thousand Dollars (\$50,000.00) which represents an amount equal to twenty-four (24) months of the amount of premium the Company would have contributed toward the Company's group medical and dental insurance had I not resigned pursuant to this Agreement, which may be used by me for any purpose, at my discretion;

(e) contribute to my Supplemental Savings Plan account (at the time contributions customarily are made under the plan in accordance with its terms, but in no event later than March 15 of the year following the Separation Date) a payment equal to 1.0 times the average of my Supplemental Savings Plan benefit earned over the three (3) year period immediately preceding the Separation Date (less applicable withholdings);

(f) provide to me (and my spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Separation Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) the opportunity to elect continuation coverage under COBRA in accordance with applicable law; however, if I (and my spouse and eligible dependents) waive the right to continuation coverage under COBRA, the Company will provide to me (and my spouse and eligible dependents, to the extent they have been provided with coverage on the date immediately prior to the Separation Date and otherwise continue to be eligible for coverage under the terms of the applicable governing documents) access to the Company's group medical and dental insurance for up to 24 months following the Separation Date; provided, that (i) during this 24-month period, I will be responsible for paying the full premium for any such coverage on an after-tax basis; (ii) after this 24-month period, I (and my spouse and eligible dependents, as applicable) will be eligible for an additional eighteen (18) months of coverage under the Company's group medical and dental insurance at my full cost on an after-tax basis if I am not otherwise eligible for another employer-sponsored group medical or dental plan; and (iii) notwithstanding any of 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;

(g) provide to me full vesting credit for any unvested time-based equity awards that are outstanding as of the date of this Agreement; and

(h) grant to me an equity award with a grant date value of Three Hundred Thousand Dollars and No Cents (\$300,000.00) (or as close as possible thereto depending on the type and terms of the award), with the number of units calculated based on the closing share price on the Separation Date (or the business day prior); provided that such equity award will be subject to vesting requirements set forth in the applicable award agreement and the terms and conditions of the Company's 2017 Long-Term Incentive Plan.

I understand that the payments and other consideration described above shall commence no earlier than on the Company's regular payroll date occurring as soon as practical after the later of (i) the Separation Date, (ii) the date I have signed and returned the Agreement, or (iii) after the seven (7) day revocation period described in Paragraph 12 expires, and the equity award described above shall be granted no earlier than the later of (x) the Separation Date, (y) the date I have signed and returned the Agreement, or (z) the date after expiration of the seven (7) day revocation period described in Paragraph 12; provided, however, that any payments or other consideration due hereunder (and after the effective date of this release) that would have been payable or provided within the first sixty (60) days following my Separation Date but that were not paid or provided within that period shall be paid or provided on the sixty-fifth (65th) day (or the next business day thereafter) following my Separation Date. I understand that, if I elect the additional eighteen months of group medical and/or dental coverage under subsection (f)(ii), I will be under a continuing obligation to immediately notify the Company if I become eligible for other employer-sponsored group medical and/or dental coverage. I understand that my failure to do so will result in the Company's right to seek recoupment of any claims paid on behalf of me, my spouse, or eligible dependents under the group medical or dental coverage retroactive to the date on which I became eligible for other employer-sponsored group medical or dental coverage. I acknowledge that the payments described above constitute full and fair consideration for the release of My Claims, that the Company is not otherwise obligated to make these payments to me in the absence of my execution and non-revocation of this Agreement, and that they are in addition to any other sums to which I am otherwise due. This consideration is in full satisfaction of any rights and benefits that I may otherwise be entitled to receive, if any, under any applicable Great Lakes Dredge & Dock Company Severance Pay Plan and the Employment Agreement, which in any event require the execution of a release in a form satisfactory to the Company in exchange for any such benefits. I also acknowledge that I have received all other forms of compensation, of whatever kind, that may be due to me by the Company, including, without limitation, amounts earned by me prior to the Separation Date. I understand that the Company's obligation to provide the consideration set forth above is conditioned on my continued compliance with my contractual obligations to the Company, including those set forth in Articles IV and V of the Employment Agreement, and in this Agreement, and subject to any other conditions and requirements as otherwise set forth in the Employment Agreement, including without limitation those set forth in Sections 3.6 and 4.6 thereof.

5. **Return of Company Property.** I hereby represent and warrant that I have returned to the Company all of its property that was ever in my possession or control. This property includes, but is not limited to, financial and other business records, personnel records, office and other keys, directories, computer hardware and software, passwords, books, documents, memoranda, and all other records, and copies of all such items.

6. **Termination of Relationship.** I acknowledge that my employment has been separated by my voluntary resignation as of the date referenced in the introductory paragraph to this Agreement. I further agree not to apply for future employment with the Company, or any of its affiliates or successors. I acknowledge that neither the Company nor its successors have any obligation, contractual or otherwise, to rehire, reemploy, recall, or hire me as an employee in the future. I understand that this Agreement does not constitute an admission of wrongdoing by any

party. I also understand and agree that all post-employment non-competition and/or other covenants and obligations to the Company, including without limitation those set forth in Articles IV and V of the Employment Agreement, which I acknowledge and reaffirm with this Agreement, remain in full force and effect for the period of time stated in the Employment Agreement and any other written agreement between me and the Company, including without limitation this Agreement, and as imposed by law.

7. **Consultation with Attorney.** I acknowledge that the Company has advised me that it is up to me as to whether I consult an attorney prior to signing this Agreement, and that the Company has advised that I should do so.

8. **Confidentiality; Non-Disparagement; Continued Assistance.** In further consideration of the payments and benefits set forth above, I agree as follows:

(a) **Confidentiality:** I understand and agree that I have certain confidentiality and other continuing obligations as set forth in the Employment Agreement, including without limitation those set forth in Articles IV and V thereof, and subject to the terms and conditions set forth therein. All duties and obligations set forth in the Employment Agreement shall be in addition to those which exist under the applicable state trade secret act(s) and at common law. However, nothing in this Agreement prohibits me from reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission, the U.S. Congress, and any Agency Inspector General, or making other disclosures (including but not limited to providing documents or other information) that are protected under the whistleblower provisions of federal law or regulation. I do not need the prior authorization of the Company to make any such reports or disclosures, and I am not required to notify the Company that I have made such reports or disclosures. I am also not limited in my right to receive an award for information provided to any government agency. As provided by federal law (18 U.S.C. §1833), I understand that I will not be held criminally or civilly liable under any federal or state trade secret law for my disclosure of a trade secret that is made by me: (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (b) in a complaint or other document filed by me in a lawsuit or other proceeding, on the condition that such filing is made under seal.

(b) **Non-Disparagement:** I agree to refrain from making any disparaging or defamatory comments to anyone (including, but not limited to, the Company's customers) concerning the Company, its employees, agents, operations, or plans. I agree that any inquiries concerning the Company shall be directed to the Human Resources Department of Company for response.

(c) **Continued Assistance:** In further protection of the interests of the Company, I agree that, as to any matters currently pending, or which arise relating to my employment with the Company, I will cooperate with the Company and its attorneys in connection with any proceeding involving the Company before a court, an administrative agency, governmental organization, or an arbitrator, and any other matters or requirements otherwise set forth in Section 5.2 of the Employment Agreement. The Company and I have agreed that such

cooperation and assistance will be provided for the 12-month period set out in Section 5.2 of the Employment Agreement, and thereafter as necessary.

9. **Violation of Agreement.** If any legal action or other proceeding is brought for the enforcement of this Agreement, the non-breaching party shall be able to recover from the breaching party its reasonable attorney's fees, court costs and all expenses (including, without limitation, all such fees, costs and expenses incident to appeals), incurred in that action or proceeding, in addition to any other relief to which such party or parties may be entitled.

10. **Severability.** I understand, and it is my intent, that in the event this Agreement is ever held to be invalid or unenforceable (in whole or in part) as to any particular type of claim or charge or as to any particular circumstances, it shall remain fully valid and enforceable as to all other claims, charges, and circumstances.

11. **Period to Consider Agreement and Expiration of Offer.** As required by the ADEA and the OWBPA, I understand that I have twenty-one (21) calendar days from the day that I receive this Agreement, not counting the day upon which I received it, to consider whether I wish to sign it. If I sign this Agreement before the end of the twenty-one (21) calendar day period, it will be my personal and voluntary decision to do so. I also understand that if I fail to deliver this Agreement to the Company within said period of time, it shall expire and be deemed withdrawn by the Company.

12. **Right to Revoke Agreement.** I understand that I may revoke this Agreement at any time within seven (7) calendar days after I sign it, not counting the day upon which I sign it. This Agreement will not become effective or enforceable unless and until the seven (7) calendar day revocation period has expired without my revoking it, i.e. on the eighth calendar day after I sign this Agreement.

13. **Procedure to Accept or Revoke.** To accept this Agreement, I must deliver the Agreement, after it has been signed and dated by me, to the Company, by hand or by mail, and it must be received by the Company within the twenty-one (21) calendar day period that I have to consider this Agreement. To revoke my acceptance, I must deliver a written, signed statement that I revoke my acceptance to the Company by hand or by mail and any such notice of revocation must be received by the Company within seven (7) calendar days after I signed the Agreement. All deliveries shall be made to the Company at the following address, marked "Personal and Confidential": Great Lakes Dredge & Dock Company, LLC, 2122 York Road, Oak Brook, IL 60523, ATTN: Legal Department. If I choose to deliver my acceptance or revocation notice by mail, it must be: (a) postmarked and received by the Company within the applicable period stated above; (b) properly addressed to the Company at the address stated above; and (c) sent by certified mail, return receipt requested.

14. **My Representations.** I HAVE READ THIS AGREEMENT CAREFULLY, I HAVE HAD AN ADEQUATE OPPORTUNITY TO CONSULT AN ATTORNEY, AND I UNDERSTAND ALL OF ITS TERMS. IN AGREEING TO SIGN THIS AGREEMENT, I HAVE NOT RELIED ON ANY STATEMENTS OR EXPLANATIONS MADE BY THE

COMPANY, EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT. I ALSO UNDERSTAND AND AGREE THAT THIS AGREEMENT CONTAINS ALL OF THE AGREEMENTS BETWEEN THE COMPANY AND ME RELATING TO THE MATTERS INCLUDED IN THIS AGREEMENT, EXCEPT AS TO ANY ADDITIONAL NON-COMPETE AND CONFIDENTIALITY AGREEMENTS TO WHICH I AM ALSO A PARTY. I ALSO AGREE THAT THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS, ALL OF WHICH, TAKEN TOGETHER, SHALL CONSTITUTE ONE AND THE SAME AGREEMENT.

15. **Code Section 409A.** All payments and benefits to be made under this Agreement are intended to be exempt from or to comply with Section 409A of the Internal Revenue Code of 1986, as amended (“Code”). To the extent that this Agreement addresses equity-based awards, the timing and form of settlement of such awards shall be governed by the applicable plan and award agreement. For purposes of Code Section 409A, the right to receive a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. Further, for purposes of the limitations on nonqualified deferred compensation under Code Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment. In no event may the Executive, directly or indirectly, designate the calendar year of a payment.

Severance benefits under this Agreement are intended to be exempt from Code section 409A under the “separation pay exception,” to the maximum extent applicable. Any payments hereunder that qualify for the “short-term deferral” exception or another exception under Code Section 409A shall be paid under the applicable exception.

16. **Medicare Addendum.** I represent that (a) I am not enrolled in Medicare, and (b) have not received any treatment from Medicare related to My Claims.

17. **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 the Employment Agreement referenced herein, the parties: (i) agree to submit to the exclusive jurisdiction of the federal courts located in Cook County, Illinois or state courts located in DuPage 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.

Date: July 30, 2019

/s/ Christopher P. Shea

Received and agreed to by Great Lakes Dredge & Dock Corporation
on behalf of itself and all other persons and entities released herein:

By: /s/ Mark S. Marinko

Date: July 31, 2019

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT is made and entered into this 31st day of July, 2019 (“Effective Date”), by and between Great Lakes Dredge & Dock Corporation with and on behalf of its wholly owned subsidiary, Great Lakes Environmental & Infrastructure Solutions, LLC (collectively the “Company”) and Christopher P. Shea (“Consultant”).

WHEREAS, the Company desires to engage the services of Consultant, and Consultant desires to serve, as an independent contractor to the Company, in connection with certain services related to the divestiture of the Environmental & Infrastructure Division of the Company and transition activities provided therewith, all in accordance with the terms and conditions set forth in this Consulting Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained in this Consulting Agreement, the parties agree as follows:

1. **Engagement.** Pursuant to the terms and conditions contained in this Consulting Agreement, the Company now engages Consultant to provide, and Consultant hereby agrees to provide to the Company, the “Consulting Services” (as defined below).

2. **Consulting Services.** During the Term of this Consulting Agreement, Consultant shall provide Consulting Services to the Company such as but not limited to services of a general nature related to the divestiture of the Environmental & Infrastructure Division of the Company and transition activities provided therewith including wrapping up open issues with the Company, assisting in facilitating transition services, and ensure smooth transition of staff. Consultant shall devote such time, effort, and attention to providing the Consulting Services as may be required to fully, timely and professionally perform the Consulting Services.

3. **Relationship of the Parties.**

a. The Company shall provide Consultant with instructions, if any, and information necessary to perform the Consulting Services as required by the Company; provided, however, that Consultant shall be free from direction and control by the Company in connection with the actual performance of the Consulting Services, both as to the work done and the manner and means in which it is performed. Consultant acknowledges and agrees that he is engaged in an occupation or business distinct from that of the Company, that the Consulting Services are not a part of the regular business of the Company, that Consultant is customarily engaged in an independently established trade, occupation, profession, or business of the same nature as the Consulting Services, and that the nature of the Consulting Services requires a special skill.

b. Except as otherwise required by this Consulting Agreement, Consultant shall have no obligation to work any particular hours or number of hours, but it is expected that the Consulting Services will be completed in a timely manner as required by the Company. Consultant shall supply the instrumentalities, tools, and the place for performing the Consulting Services. Consultant acknowledges that the working relationship is of limited duration and is limited to the performance of the Consulting Services as indicated herein.

c. The parties mutually agree, intend and understand that, in performance of the Consulting Services under this Consulting Agreement, Consultant at all times will act and perform solely as an independent contractor in the performance of the Consulting Services and otherwise, and not as (and shall not be) an employee of the Company. This Consulting Agreement shall not be deemed to represent in any way that Consultant was hired by the Company as an employee, nor does it constitute a contract of employment. Consultant will make no representations to third parties inconsistent with the relationship established by this Consulting Agreement.

d. All amounts payable through this Consulting Agreement to Consultant shall be paid without any reduction by the Company for any taxes, including but not limited to foreign or federal, state or local income, employment, self-employment or withholding taxes. It is the intention of the parties that Consultant shall be solely responsible for the payment of all taxes, fines, penalties or assessments imposed on or related to Consultant's activities pursuant to this Consulting Agreement. Consultant shall indemnify, defend, and hold harmless the Company, and each of its respective officers, directors, representatives, agents, and employees, from and against any and all liabilities which the Company may incur as a result of any failure by Consultant to pay any local, state or federal income, employment, self-employment, or withholding tax, including without limitation any failure to timely pay any estimated tax. If it is determined at any time that Consultant is not an independent contractor under this Consulting Agreement, Consultant agrees to indemnify and hold harmless the Company for any and all taxes, interest, penalties, liabilities, expenses, and any other costs resulting from or arising out of such determination. This obligation shall survive the expiration or earlier termination of this Consulting Agreement. Consultant is not entitled to unemployment insurance benefits unless unemployment compensation coverage is provided by Consultant or some other entity, and Consultant is obligated to pay federal and state income tax on any moneys paid pursuant to this Agreement.

e. Unless otherwise agreed in writing by the parties, Consultant shall be solely responsible for any and all expenses incurred in connection with the provision of Consulting Services pursuant to this Consulting Agreement.

f. Consultant shall not be entitled by virtue of his engagement pursuant to this Consulting Agreement to participate in any insurance, pension plans, bonus plans, or other employee benefits provided by the Company to its employees.

4. **Remuneration.** In full payment and satisfaction for Consultant's provision of Consulting Services pursuant to this Consulting Agreement, the Company shall:

a. pay Consultant a retainer for the first twelve (12) months of the Term in the amount of Sixteen Thousand Six Hundred Sixty-Seven Dollars and No Cents (\$16,667.00) per month (or pro rata portion thereof) of Consulting Services, following which remuneration shall be agreed in writing on a task-by-task basis prior to the provision of such Consulting Services; and

b. allow Consultant to retain the performance-based restricted stock unit awards granted by Great Lakes Dredge & Dock Corporation in 2018 and to have the opportunity to vest

in such awards in accordance with their terms; provided that (i) Consultant has performed the Consulting Services to the satisfaction of the Company, as determined in the Company's sole discretion, (ii) this Consulting Agreement has not been earlier terminated by Consultant or the Company as set forth in Paragraph 6, below, and (iii) such awards shall be subject to the terms and conditions of the applicable award agreement and the Company's 2017 Long-Term Incentive Plan.

The Company will reimburse Consultant for reasonable travel and/or expenses related to his provision of Consulting Services, so long as receipts for the amount of such expenses are submitted and approved by the Company.

Consultant shall invoice the Company on a monthly basis for any expenses incurred and, upon request from the Company, will provide a detailed summary of Consultant Services performed and the time engaged on each matter.

5. **Outside Business Activities.** Consultant retains the right to engage in any outside business activities; provided, however, his involvement in such outside activities does not cause Consultant to breach any provision of this Consulting Agreement, including without limitation those contained in Sections 7, 8, 9, and 10, and/or under the terms of any other agreement between the parties, including those continuing obligations set forth in that certain Employment Agreement between the parties dated November 2, 2015 as amended ("Employment Agreement") and under the terms of the Separation and General Release Agreement dated July 31, 2019 ("Separation Agreement").

6. **Term.** The term of Consultant's engagement under this Consulting Agreement shall commence on the Effective Date and shall continue through March 31, 2021 ("Term").

This Consulting Agreement may be terminated by Consultant during the Term upon ten (10) days' written notice. This Consulting Agreement may be terminated by the Company for Cause during the Term upon thirty (30) days' written notice. "Cause" means, unless Consultant fully corrects the circumstances constituting Cause (provided such circumstances are capable of correction) prior to the expiration of the notice period: (a) Consultant's willful and continued failure to substantially perform his services to the Company (other than any such failure resulting from Consultant's incapacity due to physical or mental illness), (b) Consultant's willful commission of an act of fraud or dishonesty resulting in material economic or financial injury to the Company, (c) Consultant's conviction of, or entry by Consultant of a guilty or no contest plea to, the commission of a felony involving moral turpitude, or (d) Consultant's breach of the non-disparagement provisions of Section 7 of this Agreement or the restrictive covenant provisions of Section 8 of this Agreement or any other restrictive covenants or terms contained in other agreements between the parties, including without limitation the Employment Agreement and the Separation Agreement.

7. **Non-Disparagement.** In further consideration of the payments and benefits set forth above, Consultant agrees to refrain from making any disparaging or defamatory comments to anyone (including, but not limited to, the Company's customers) concerning the Company, its employees, agents, operations, or plans. Consultant agrees that any inquiries concerning the Company shall be directed to the Company for response.

8. Restrictive Covenants.

In the event of a conflict between these restrictive covenants and a restrictive covenant in any other agreement between the Parties, the stricter covenant(s) shall govern.

a. Confidential Information. Consultant acknowledges and agrees that the Confidential Information (as defined below) of the Company and any other entity related to the Company (each, a “Related Entity”) that he obtained during the course of his employment by the Company or in the performance of the Consulting Services under this Consulting Agreement is the property of the Company or such other Related Entity. Consultant will never, directly or indirectly, disclose, publish or use any Confidential Information of which Consultant has become aware, whether or not such information was developed by him. All duties and obligations set forth in this Consulting Agreement regarding Confidential Information shall be in addition to those which exist under any applicable trade secrets law(s) and at common law.

As used in this Consulting 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 Related 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 Consultant concerning the requirements and specifications of the Company’s or any other Related 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 Consultant; or (iii) has been published in a form generally available to the public before Consultant proposes to disclose, publish, or use such information. Further, nothing in this Consulting Agreement prohibits Consultant from reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, including, but not

limited to, the Department of Justice, the Securities and Exchange Commission, the U.S. Congress, and any Agency Inspector General, or making other disclosures (including but not limited to providing documents or other information) that are protected under the whistleblower provisions of federal law or regulation. Consultant does not need the prior authorization of the Company to make any such reports or disclosures, and Consultant is not required to notify the Company that Consultant has made such reports or disclosures. Consultant also is not limited in Consultant's right to receive an award for information provided to any government agency. As provided by federal law (18 U.S.C. §1833), Consultant understands that Consultant will not be held criminally or civilly liable under any federal or state trade secret law for Consultant's disclosure of a trade secret that is made by Consultant: (a) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (b) in a complaint or other document filed by me in a lawsuit or other proceeding, on the condition that such filing is made under seal.

b. Equitable Modification. If any court of competent jurisdiction shall deem any provision in this Section 8 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.

c. Remedies. Consultant acknowledges that the agreements and covenants contained in this Section 8 are essential to protect the Company and its business and are a condition precedent to entering into this Consulting Agreement. Should Consultant breach any covenants in this Section 8, then among other remedies, the duration of the covenant shall be extended by the period of any such breach. Consultant agrees that irreparable harm would result from Consultant's breach or threat to breach any provision of this Section 8, and that monetary damages alone would not provide adequate relief to the Company for the harm incurred. Consultant agrees that in addition to money damages, the Company shall be entitled to seek and obtain temporary, preliminary, and permanent injunctive relief restraining Consultant from committing or continuing any breach without being required to post a bond. Without limiting the foregoing, upon a breach by Consultant of any provision of this Section 8, any outstanding Remuneration for the Consulting Services under Section 4 shall cease and be forfeited .

9. Representation of Consultant. Consultant represents and warrants to the Company that Consultant shall comply with all applicable provisions of law and other rules and regulations of any and all governmental authorities, including those relating to licensure or certification and the regulation of the provision of Consulting Services by Consultant pursuant to this Consulting Agreement. Any and all ideas of literary, artistic, or musical materials of Consultant which Consultant may use in provision of the Consulting Services will be original and will not contravene any common law or any statutory copyright, proprietary, or other right whatsoever. Consultant has not accepted nor agreed to accept, and will not solicit, receive, accept, or agree to accept, directly or indirectly, from any person, other than the Company, any money, service, or other valuable consideration for the inclusion of any matter as a part of these Consulting Services.

10. Ownership. The work product created, conceived, or developed by Consultant in connection with the Consulting Services, or which derive from information or materials

Consultant has received from the Company, including but not limited to any writings of Consultant (the "Work Product") shall be and is the exclusive property of the Company, including all copyrights and other intellectual property rights embodied therein. If any Work Product or any portion thereof, whether or not such Work Product was created at the direction of the Company, is copyrightable, it shall be deemed to be a "work made for hire," as such term is defined in the United States Copyright Act. If, for any reason, any such copyrightable Work Product created by Consultant is excluded from the definition of a "work made for hire," Consultant hereby assigns and conveys to the Company the entire right, title, and interest in and to such Work Product, including Work Product created in connection with Services performed for the Company prior to the date of execution of this Consulting Agreement. Consultant shall cooperate with the Company or its designees and execute documents of assignment, declarations, and other documents which may be prepared by the Company, and take other necessary actions as reasonably directed by the Company, to effect the foregoing or to perfect or enforce any proprietary rights resulting from or related to this Consulting Agreement.

11. Claims by Consultant. Any claim or cause of action by Consultant against the Company shall not constitute a defense to the enforcement of the covenants set forth in this Consulting Agreement and shall not be used to prohibit injunctive relief.

12. Severability. In the event that any provision, term, condition, paragraph, sentence, or subpart in this Consulting Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other term or condition of this Consulting Agreement, but this Consulting Agreement shall be construed in all respects as if such invalid, illegal, or unenforceable term had been omitted.

13. Reasonable Restrictions. Each of the provisions of this Consulting Agreement is intended not to violate public policy. Consultant acknowledges that all of the provisions contained in this Consulting Agreement, including the covenants and confidentiality provisions, are reasonable and necessary to protect the legitimate interests of the Company.

14. Indemnification. Except as otherwise provided herein, the Company agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Consultant against all damages, liabilities or costs including reasonable attorneys' fees and defense costs, arising out of or in any way connected with (i) a breach of any provision of this Consulting Agreement by the Company or (ii) any acts or omissions of the Company in connection with the provision of the Consulting Services.

15. Voluntary Execution. Each of the parties hereto has read this Consulting Agreement, understands it, and voluntarily agrees to be bound by its terms. Consultant acknowledges that he has had adequate opportunity to consult with legal counsel before signing this Consulting Agreement. In agreeing to sign this Consulting Agreement, Consultant has not relied on any statements or explanations made by the Company, except as specifically set forth in this Consulting Agreement.

16. Governing Law; Consent to Jurisdiction; Waiver of Jury. This Consulting 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 Consulting Agreement or with respect to Consultant's services hereunder, the parties: (i) agree to submit to the exclusive jurisdiction of the federal courts located in Cook County, Illinois or state courts located in DuPage 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.

* **

IN WITNESS WHEREOF, the parties to this Consulting Agreement have executed or caused to be executed this Consulting Agreement as of the date first written above.

CONSULTANT

Signature: /s/ Christopher P. Shea

GREAT LAKES DREDGE & DOCK CORPORATION

Signature: /s/ Mark W. Marinko
Senior Vice President, Chief Financial Officer

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

CERTIFICATION

I, Lasse J. Petterson, certify that:

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

Date: August 2, 2019

/s/ LASSE J. PETTERSON

Lasse J. Petterson
Chief Executive Officer

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

CERTIFICATION

I, Mark W. Marinko, certify that:

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

Date: August 2, 2019

/s/ MARK W. MARINKO

Mark W. Marinko

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lasse J. Petterson, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ LASSE J. PETTERSON

Lasse J. Petterson
Chief Executive Officer

Date: August 2, 2019

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

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Marinko, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ MARK W. MARINKO

Mark W. Marinko

Senior Vice President and Chief Financial Officer

Date: August 2, 2019

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.