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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): July 21, 2011

Great Lakes Dredge & Dock Corporation
(Exact name of registrant as specified in its charter)

Delaware	001-33225	20-5336063
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

**2122 York Road
Oak Brook, Illinois 60523**
(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01—Other Events

On January 28, 2011, Great Lakes Dredge & Dock Corporation (the “Company”) completed a private placement of $250 million of its 7.375% senior unsecured notes due February 1, 2019 (the “New Notes”). The New Notes were offered to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S of the Securities Act. The New Notes are guaranteed by the Company’s wholly-owned domestic subsidiaries.

A portion of the proceeds of the New Notes were used to redeem the Company’s $175 million of 7.75% senior subordinated notes due December 15, 2013 (the “Old Notes”). The Old Notes were guaranteed by all of the Company’s domestic subsidiaries (the “Old Notes Guarantors”). As two of the Old Notes Guarantors, NASDI, LLC (“NASDI”) and Yankee Environmental Services, LLC (“Yankee”), were not “100% owned” within the meaning of the Securities and Exchange Commission (“SEC”) Rule 3-10 of Regulation S-X, the Company’s Annual Report on Form 10-K for the year ended December 31, 2010 included separate audited financial statements as well as separate selected financial data, separate supplementary financial information and separate management's discussion and analysis of financial condition and results of operations for each of NASDI and Yankee.

In April 2011 and effective as of January 2011, the Company acquired the remaining non-controlling equity interest in NASDI that the Company did not previously own. As a result, NASDI became a wholly-owned domestic subsidiary and a guarantor of the New Notes. Yankee is not a guarantor of the New Notes.

In connection with the private placement of the New Notes, the Company entered into an agreement giving registration rights to initial purchasers of the New Notes (the "Registration Rights Agreement"). The terms of the Registration Rights Agreement require, among other things, that the Company will use its commercially reasonable efforts to consummate an offer (the “Exchange Offer”) to exchange the New Notes for registered, publicly tradable notes that have substantially identical terms as the New Notes (the “Exchange Notes”). The Exchange Notes also will be guaranteed by the Company’s wholly-owned domestic subsidiaries (the “Exchange Notes Guarantors”). In order to discharge its obligations under the Registration Rights Agreement, the Company intends to file a registration statement with the SEC relating to the issuance of the Exchange Notes pursuant to the Exchange Offer. The Company is filing this Current Report on Form 8-K to reflect, as set forth in the Exhibits hereto, the following:

- Updated Selected Financial Data (Item 6), Management’s Discussion and Analysis of Financial Condition and Results of Operations (Item 7), Financial Statements and Supplementary Data (Item 8) and Financial Statement Schedules to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the “2010 Form 10-K”) for the purpose of

    - Recasting the condensed consolidating financial information included within Note 22 to the Company’s consolidated financial statements to present financial information for the Exchange Notes Guarantors in lieu of financial information for the Old Notes Guarantors. Exclusively for comparability purposes, the Company has recast the condensed consolidating financial information as if the Exchange Notes Guarantors had guaranteed the Old Notes as of December 31, 2010 and 2009 and for each of the three years ended December 31, 2010.

    - Removing the separate presentations of NASDI and Yankee information previously required in respect of the guarantee by NASDI and Yankee of the Old Notes.

  The presentation of condensed consolidating financial information for the Exchange Notes Guarantors in lieu of condensed consolidating financial information for the Old Notes Guarantors does not change the amounts reported in the consolidated financial statements presented in Financial Statements and Supplementary Data (Item 8) of the 2010 Form 10-K. Other events and transactions from the date the 2010 Form 10-K was filed until the date of this Current Report on Form 8-K have not been otherwise reflected. The information in this Current Report on Form 8-K should be read in conjunction with the 2010 Form 10-K and any filings made by the Company with the SEC since March 14, 2011.

- Additional financial information for the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011. The unaudited consolidated financial statements therein presented now include condensed consolidating financial information for the Exchange Notes Guarantors as of March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 and 2010. The inclusion of condensed consolidating financial information for the Exchange Notes Guarantors does not change the amounts reported in the unaudited consolidated financial statements presented in Financial Statements (Item 1) of the Form 10-Q for the quarter ended March 31, 2011. No publicly registered debt securities were outstanding as of March 31, 2011. The condensed consolidating financial information is provided exclusively for comparability purposes.

- Updated unaudited pro forma condensed combined financial information which describes the effect of the acquisition of the business and substantially all of the assets of L.W. Matteson, Inc. on the fiscal year ended December 31, 2010.

Item 9.01—Financial Statements and Exhibits

(d) Exhibits

The following exhibits are furnished herewith:

23.1	Consent of Deloitte & Touche LLP
99.1	Selected Financial Data (updated Item 6 to exclude the stand alone sections related to NASDI, LLC and Yankee Environmental Services, LLC)
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations (updated Item 7 to exclude the stand alone sections related to NASDI, LLC and Yankee Environmental Services, LLC)
99.3	Financial Statements and Supplementary Data (updated Item 8 to exclude the stand alone sections related to NASDI, LLC and Yankee Environmental Services, LLC)
99.4	Consolidated Financial Statements and Financial Statement Schedule (updated to recast Note 22 to the consolidated financial statements and to exclude the stand alone sections related to NASDI, LLC and Yankee Environmental Services, LLC)
99.5	Unaudited Consolidated Financial Statements of Great Lakes Dredge & Dock Corporation and Subsidiaries as of March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 and 2010, reflecting the subsidiary guarantors of the Company's $250 million 7.375% senior unsecured notes due February 1, 2019.
99.6	Unaudited pro forma condensed combined statement of operations of Great Lakes Dredge & Dock Corporation and Subsidiaries for the year ended December 31, 2010, giving effect to the acquisition of the business and substantially all of the assets of L.W. Matteson, Inc.

SIGNATURE

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

GREAT LAKES DREDGE & DOCK CORPORATION

/s/ BRUCE J. BIEMECK

Date: July 21, 2011

Bruce J. Biemeck
President and Chief Financial Officer

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-153207 on Form S-3 and Registration Statement No. 333-150067 on Form S-8 of our report dated March 14, 2011 (July 21, 2011 as to Note 22), relating to the consolidated financial statements and financial statement schedule of Great Lakes Dredge & Dock Corporation and subsidiaries as of December 31, 2010 and 2009 and for each of the three years in the period ended December 31, 2010, appearing in this Current Report on Form 8-K of Great Lakes Dredge & Dock Corporation filed on July 21, 2011.

/s/ Deloitte & Touche LLP

Chicago, Illinois
July 21, 2011

Item 6. Selected Financial Data

The following table sets forth selected financial data and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's audited consolidated financial statements and notes thereto included elsewhere in this current report. The selected financial data presented below have been derived from the Company's consolidated financial statements; items may not sum due to rounding.

On December 26, 2006, GLDD Acquisitions Corp., then the Company's parent corporation, was merged with a subsidiary of Aldabra Acquisition Corporation, or "Aldabra." This merger, referred to in this current report as the "Aldabra Merger," was accounted for as a reverse acquisition. Under this method of accounting, the Company was the acquiring company for financial reporting purposes. Accordingly, the merger was treated as the equivalent of the Company issuance of stock for the net monetary assets of Aldabra accompanied by a recapitalization. The net monetary assets of Aldabra, primarily cash, were stated at their fair value, which was equivalent to the carrying value, and accordingly no goodwill or other intangible assets were recorded.

Prior to the merger in 2006, the Company had Redeemable Preferred Stock. Dividends on the Company's Series A and Series B Preferred Stock were cumulative semiannually and payable upon declaration at a rate of 8%. The preferred stock was recorded at its redemption and liquidation value of $1 per share, or $87 million plus accrued and unpaid dividends. Prior to the merger, there was $23.2 million in accumulated dividends outstanding. The holders of Preferred Stock were entitled to payment before any capital distribution was made with respect to any junior securities and had no voting rights. As a result of the merger on December 26, 2006, the preferred stock and accumulated dividends were exchanged for shares of Aldabra stock. The fair value of stock received was in excess of the carrying value of the Redeemable Preferred Stock at the time of the exchange. Therefore, the net loss available to common shareholders for the year ended December 31, 2006 was adjusted by $2.8 million in determining earnings per share. The historical results prior to the merger date of December 26, 2006, were that of GLDD Acquisitions Corp. The merger was considered a reverse acquisition, and therefore the weighted-average shares outstanding for all prior periods were retroactively restated to reflect the shares that were issued to acquire GLDD Acquisitions Corp common stock. Accordingly, 9,287,669, were deemed to be outstanding at the beginning of the earliest period presented.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions except share and per share data)				
Income Statement Data:					
Contract revenues	$ 686.9	$ 622.2	$ 586.9	$ 515.8	$ 426.0
Costs of contract revenues	564.1	534.0	517.6	447.8	369.0
Gross profit	122.8	88.2	69.3	67.9	57.0
General and administrative expenses	54.4	46.0	43.2	39.0	31.4
Operating income	68.4	42.3	26.1	29.0	25.6
Interest expense, net	(13.5)	(16.2)	(17.0)	(17.5)	(24.3)
Equity in earnings (loss) of joint ventures	(0.6)	(0.4)	(0.0)	2.0	2.0
Income before income taxes	54.3	25.7	9.1	13.5	3.3
Income tax expense	(20.6)	(11.0)	(3.8)	(6.4)	(1.0)
Net income	33.7	14.7	5.3	7.1	2.3
Net (income) loss attributable to noncontrolling interests	0.9	2.7	(0.3)	(0.0)	(0.1)
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 34.6	$ 17.5	$ 5.0	$ 7.1	$ 2.2
Redeemable preferred stock dividends	—	—	—	—	(8.2)
Redemption of preferred stock	—	—	—	—	(2.8)
Net income (loss) available to common stockholders of Great Lakes Dredge & Dock Corporation	$ 34.6	$ 17.5	$ 5.0	$ 7.1	$ (8.8)
Basic earnings (loss) per share (1)	$ 0.59	$ 0.30	$ 0.09	$ 0.14	$ (0.90)
Basic weighted average shares	58,649,681	58,506,608	58,469,431	48,911,491	9,779,781
Diluted earnings (loss) per share (1)	$ 0.59	$ 0.30	$ 0.09	$ 0.14	$ (0.90)
Diluted weighted average shares	58,873,936	58,612,282	58,477,779	52,211,010	9,779,781

Note: Items may not sum due to rounding.

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions)				
Other Data:					
EBITDA (2)	$103.0	$ 77.6	$ 55.9	$ 57.5	$ 52.6
Net cash flows from operating activities	123.5	54.0	14.8	(6.3)	33.9
Net cash flows from investing activities	(62.7)	(24.9)	(26.3)	(77.8)	(21.5)
Net cash flows from financing activities	(15.6)	(36.4)	13.7	88.6	(9.4)
Depreciation and amortization	34.3	32.9	30.1	26.5	25.1
Maintenance expense	48.2	46.4	41.9	43.8	32.7
Capital expenditures (3)	29.9	27.3	44.6	111.0	29.8

(1) Refer to Note 1 in the Company's Consolidated Financial Statements for the years ended December 31, 2010, 2009 and 2008 and above information for additional details regarding these calculations.

(2) See definition of EBITDA below

(3) Capital expenditures in 2007 included the purchase of three vessels for $40.4 million. It also included the purchase of another vessel for $25.5 million, funded through a sale-leaseback transaction, as well as the buy-out of certain equipment previously under operating leases for $14.6 million. Capital expenditures in 2006 included approximately $3.9 million spent to buy-out certain equipment previously under operating leases and $10.4 million related to the reconfiguration of a dredge into a material handling barge that was funded through a sale-leaseback transaction.

	As of December 31,				
	2010	2009	2008	2007	2006
	(in millions)				
Balance Sheet Data:					
Cash and equivalents	$ 48.5	$ 3.3	$ 10.5	$ 8.2	$ 3.6
Working capital	90.2	91.3	87.7	82.3	42.9
Total assets	693.8	665.4	666.2	624.4	528.4
Long term senior debt, promissory notes and subordinated notes	182.5	186.0	216.5	196.5	194.7
Total stockholder's equity	279.0	245.8	228.1	230.4	130.5

EBITDA, as provided herein, represents net income (loss) attributable to Great Lakes Dredge & Dock Corporation, adjusted for net interest expense, income taxes, depreciation and amortization expense. The Company presents EBITDA as an additional measure by which to evaluate the Company's operating trends. The Company believes that EBITDA is a measure frequently used to evaluate performance of companies with substantial leverage and that all of the Company's primary stakeholders (i.e. its stockholders, bondholders and banks) use EBITDA to evaluate the Company's period to period performance. Additionally, management believes that EBITDA provides a transparent measure of the Company's recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For this reason, the Company uses a measure based upon EBITDA to assess performance for purposes of determining compensation under the Company's incentive plan. EBITDA should not be considered an alternative to, or more meaningful than, amounts determined in accordance with accounting principles generally accepted in the United States ("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 EBITDA, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of interest and income tax expense and the associated significant cash requirements and the exclusion of depreciation and amortization, which represent significant and unavoidable operating costs given the level of indebtedness and capital expenditures needed to maintain the Company's business. For these reasons, the Company uses operating income to measure the Company's operating performance and uses EBITDA only as a supplement. The following is a reconciliation of EBITDA to net income (loss) attributable to Great Lakes Dredge and Dock Corporation:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions)				
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 34.6	$17.5	$ 5.0	$ 7.1	$ 2.2
Adjusted for:					
Interest expense, net	13.5	16.2	17.0	17.5	24.3
Income tax expense	20.6	11.0	3.8	6.4	1.0
Depreciation and amortization	34.3	32.9	30.1	26.5	25.1
EBITDA	$103.0	$77.6	$55.9	$57.5	$52.6

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is the largest provider of dredging services in the United States. In addition, the Company is the only U.S. dredging service provider with significant international operations, which represented approximately 14% of the Company's dredging revenues for 2010, down from the Company's three year average of 23%.

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. The U.S. dredging market consists of three primary types of work: capital, beach nourishment and maintenance. The Company's "bid market" is defined as the aggregate dollar value of domestic projects on which the Company bid or could have bid if not for capacity constraints. The Company has experienced an average combined bid market share in the U.S. of 39% over the past three years, including 44%, 32% and 52% of the capital, beach nourishment and maintenance sectors, respectively. These bid market shares do not reflect the activities of Matteson prior to December 31, 2010.

With its acquisition of Matteson, on January 1, 2011 the Company began to provide the following additional dredging and other services: inland lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction. In 2010, Matteson's revenues were $37.2 million.

Our fleet of 35 dredges, of which 10 are deployed internationally, 21 material transportation barges, two drillboats, and numerous other specialized support vessels is the largest and most diverse fleet of any U.S. dredging company. The mobility of the Company's fleet enables us to move equipment in response to changes in demand for dredging services to take advantage of the most attractive opportunities to employ our dredges. The Company estimates the replacement cost of the Company's fleet to be in excess of $1.5 billion in the current market.

Our largest domestic dredging customer is the Army Corp of Engineers ("Corps") which is responsible for federally funded projects related to navigation and flood control of U.S. waterways. Approximately 60% of our 2010 dredging revenues resulted 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. This is comparable with the Company's three year average.

The Company also owns a majority interest in NASDI, a demolition service provider headquartered in the Boston, Massachusetts area. NASDI's principal services consist of interior and exterior demolition of commercial and industrial buildings, salvage and recycling of related materials, and removal of hazardous substances and materials. The majority of NASDI's work has historically been performed in the New England area; however, NASDI is currently expanding into the New York area and other markets including marine and bridge demolition. In January 2009, the Company acquired a 65% interest in Yankee, a provider of environmental remediation services including asbestos abatement and removal of other hazardous materials for private and governmental entities. Prior to this acquisition, Yankee served as a subcontractor on many NASDI projects, and continues to serve as a subcontractor many NASDI projects subsequent to the acquisition.

The Company has a 50% ownership interest in Amboy. Amboy's primary business is mining sand from the entrance channel to New York harbor in order to provide sand and aggregate for use in road and building construction. Together with the Company's Amboy joint venture partner, the Company owns a 50% interest in land that is adjacent to Amboy's property and may be used in conjunction with Amboy's operations. The Company's investment in Amboy is accounted for using the equity method.

The Company operates in two reporting segments: dredging and demolition.

Contract Revenues

Most of the Company's dredging contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The types of equipment required to perform the specified service and the estimated project duration affect the cost of performing the contract and the price that dredging contractors will bid.

The Company recognizes contract revenues under the percentage-of-completion method, based on the Company's engineering estimates of the physical percentage completed for dredging projects and using a cost-to-cost approach for demolition projects. For dredging projects, costs of contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion of each dredging project. For demolition projects, contract revenues are adjusted to reflect the estimated gross profit percentage. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Claims for additional compensation due to the Company are not recognized in contract revenues until such claims are settled. Billings on contracts are generally submitted after verification with the customers of physical progress and may not match the timing of revenue recognition. The difference between amounts billed and recognized as revenue is reflected in the balance sheet as either contract revenues in excess of billings or billings in excess of contract revenues. Contract modifications may be negotiated when a change from the original contract specifications is encountered, necessitating a change in project scope or performance methodology and/or material disposal. Significant expenditures incurred incidental to major contracts are deferred and recognized as costs of contracts based on contract performance over the duration of the related project. These expenditures are reported as prepaid expenses.

Costs and Expenses

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), fuel, subcontracts, 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. Generally, capital projects have the highest margins due to the complexity of the projects, while beach nourishment projects have the most volatile margins because they are most often exposed to variability in weather conditions.

The Company's cost structure includes significant annual equipment related costs, including depreciation, maintenance, insurance and long-term equipment rentals, averaging approximately 21% to 22% of total costs of contract revenues over the last three years. During the year, both equipment utilization and the timing of cost expenditures fluctuate significantly. Accordingly, the Company allocates these equipment costs to interim periods in proportion to revenues recognized over the year to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on the Company's dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over and under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year. As a result of this methodology, the recorded expense in any interim period may be higher or lower than the actual equipment costs incurred in that interim period.

Primary Factors that Determine Operating Profitability

Dredging. The Company's results of operations for its dredging segment for a calendar or quarterly period are generally determined by the following three factors:

- *Bid wins and dredge employment*—The Company's dredging segment generates revenues when the Company wins a bid for a dredging contract and starts that project. Although the Company's dredging equipment is subject to downtime for scheduled periodic maintenance and repair, the Company seeks to maximize its revenues by employing its dredging equipment on a full-time basis. If a dredge is idle (i.e., the dredge is not employed on a dredging project or undergoing scheduled periodic maintenance and repair), the Company does not earn revenue with respect to that dredge during the time period for which it is idle.

- *Project and dredge mix*—The Company's domestic dredging projects generally involve domestic capital, maintenance and beach nourishment work and its foreign dredging projects generally involve capital work. In addition, the Company's dredging projects vary in duration and, in general, projects of longer duration result in less dredge downtime in a given period. Moreover, the Company's dredges have different physical capabilities and typically work on certain types of dredging projects. Accordingly, the Company's dredges have different daily revenue generating capacities.

The Company generally expects to achieve different levels of gross margin (i.e., gross profit divided by revenues) for work performed on the different types of dredging projects and for work performed by different types of dredges. The Company's expected gross margin for a project is based upon the Company's estimates at the time of the bid. Although the Company seeks to bid on and win projects that will maximize its gross margin, the Company cannot control the type of dredging projects that are bid from time to time, the type of dredge that is needed to complete these projects or the time schedule upon which these projects are required to be completed. As a result, in some quarters the Company works on a mix of dredging projects that, in the aggregate, have relatively high expected gross margins (based on project type and dredges employed) and in other quarters, the Company works on a mix of dredging projects that, in the aggregate, have relatively low expected gross margins (based on project type and dredges employed).

- *Project execution*—The Company seeks to execute all of its dredging projects consistent with its project estimates. In general, the Company's ability to achieve its project estimates depends upon many factors including weather, variances from estimated project conditions, equipment mobilization time periods, unplanned equipment downtime or other events or circumstances beyond the Company's control. If the Company experiences any of these events and circumstances, the completion of a dredging project will often be accelerated or delayed, as applicable, and, consequently, the Company will experience project results that are better or worse than its estimates. The Company does its best to estimate for events and circumstances that are not within its control; however, these situations are inherent in dredging.

Demolition. The Company's demolition segment generates revenues when the Company is awarded a contract for demolition services and performs the project. The Company's revenues from its demolition segment increase or decrease based upon market demand. Like the Company's dredging segment, results of operations for the Company's demolition segment fluctuate based upon project mix and the Company's ability to execute its projects consistent with its estimates.

Critical Accounting Policies and Estimates

Our significant accounting policies are discussed in the Notes to the Consolidated Financial Statements. The application of certain of these policies requires significant judgments or an estimation process that can affect the Company's results of operations, financial position and cash flows, as well as the related footnote disclosures. The Company bases its estimates on historical experience and other assumptions that it believes are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company's results of operations for the period in which the actual amounts become known. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results.

Percentage-of-completion method of revenue recognition—The Company's contract revenues are recognized under the percentage-of-completion method, which is by its nature based on an estimation process. For dredging projects, the Company uses engineering estimates of the physical percentage of completion. For demolition projects, the Company uses estimates of remaining costs-to-complete to determine the percentage of project completion. In preparing the Company's estimates, it draws on its extensive experience in the dredging and demolition businesses and its database of historical dredging information to assure that its estimates are as accurate as possible, given current circumstances. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Claims for additional compensation are not recognized in contract revenues until such claims are settled. Cost and profit estimates are reviewed on a periodic basis to reflect changes in expected project performance.

Impairment of goodwill—Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company believes that this estimate is a critical accounting estimate because: (i) goodwill is a material asset and (ii) the impact of an impairment could be material to the consolidated balance sheet and consolidated statement of operations. The Company performs its annual impairment test as of July 1 each year. The Company operates in two reporting segments: dredging and demolition. These reporting segments are the Company's operating segments and reporting units at which the Company tests goodwill for impairment.

The Company assesses the fair values of its reporting units using both a market approach and an income approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, expected periods the assets will be utilized, appropriate discount rates and other variables. The estimates are based on assumptions that the Company believes to be reasonable, but which are unpredictable and inherently uncertain. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of an entity through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and EBITDA. The Company analyzed companies that performed similar services or are considered competitors. Due to the fact that there are no public companies that are direct competitors, the Company weighed the results of this approach less than the income approach.

At December 31, 2010, the majority of goodwill represents the purchase price in excess of the net amount assigned to assets acquired and liabilities assumed by Madison Dearborn Capital Partners IV, L.P. on December 23, 2003. Goodwill was allocated between the Company's two reporting segments, dredging and demolition, based on the value assigned to each segment at that time. At both December 31, 2010 and 2009, dredging goodwill was $76.6 million and demolition goodwill was $21.5 million.

The Company performed its most recent annual test of impairment as of July 1, 2010 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. As of the test date, the fair value of both the dredging segment and the demolition segment were in excess of their carrying values by approximately 25%.

No goodwill impairment test was performed in the fourth quarter for either segment because no triggering event occurred which would require such a test.

Impairment of long-lived assets—The Company evaluates the carrying value of long-lived assets whenever events or changes in circumstances indicate that an impairment may exist. Our policy is to recognize an impairment charge when an asset's carrying value exceeds its net undiscounted future cash flows. The amount of the charge is the difference between the asset's book value and fair market value. Our policy is to estimate the undiscounted future cash flows using financial projections that require the exercise of significant judgment on the part of management. Changes in these projections may expose us to future impairment charges. If a triggering event requiring impairment testing occurs, the Company would evaluate the remaining useful lives of these assets to determine whether the lives are still appropriate.

Self-insurance reserves—The Company self-insures costs associated with its seagoing employees covered by the provisions of Jones Act, workers' compensation claims, hull and equipment liability and general business liabilities up to certain limits. Insurance reserves are established for estimates of the loss that the Company will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. In determining its estimates, the Company considers historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of such reserves.

Results of Operations—Fiscal Years

The following table sets forth the components of net income as a percentage of contract revenues for the years ended December 31:

	2010	2009	2008
Contract revenues	100.0%	100.0%	100.0%
Costs of contract revenues	(82.1)	(85.8)	(88.2)
Gross profit	17.9	14.2	11.8
General and administrative expenses	(7.9)	(7.4)	(7.4)
Operating income	10.0	6.8	4.4
Interest expense, net	(2.0)	(2.6)	(2.9)
Equity in earnings of joint ventures	(0.1)	(0.1)	—
Income before income taxes	7.9	4.1	1.5
Income tax provision	(3.0)	(1.8)	(0.7)
Net income	4.9	2.3	0.8
Net (income) loss attributable to noncontrolling interests	0.1	0.4	—
Net income attributable to Great Lakes Dredge & Dock Corporation	5.0%	2.7%	0.8%

Components of Contract Revenues

The following table sets forth, by segment and type of work, the Company's contract revenues for the years ended December 31 (in thousands):

	2010	2009	2008
Revenues			
Dredging:			
Capital—U.S.	$300,873	$203,147	$153,414
Capital—foreign	82,898	134,123	172,345
Beach nourishment	106,163	62,133	63,550
Maintenance	119,035	174,908	95,350
Total dredging revenues	608,969	574,311	484,659
Demolition	77,953	47,933	102,220
Total revenues	$686,922	$622,244	$586,879

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Dredging revenues were $609 million in 2010, an increase of $34.7 million, or 6%, over 2009 dredging revenues of $574.3 million. This increase was primarily due to higher revenues in the capital and beach markets more than offsetting lower revenues in the foreign and maintenance markets. Highlights from the Company's primary dredging sectors are as follows:

- Revenues from domestic capital dredging projects of $300.9 million in 2010 increased $97.7 million, or 48.1%, from 2009 revenues of $203.1 million. During the second half of 2010, several of the Company's dredges and ancillary equipment worked on sand berm construction off the coast of Louisiana in response to the Deepwater Horizon oil spill in the Gulf of Mexico. In addition, capital dredging revenues included continued deepening work in the ports of New York, New Jersey, and Jacksonville.

- Revenues from beach nourishment projects of $106.2 million in 2010 increased $44.1 million, or 71.0%, from $62.1 million in 2009. The amount of beach work won by the Company in the second half of 2009 significantly exceeded the amount of beach work won by the Company in the second half of 2008. As the Company performs much of its beach work during the first half of each year, when environmental windows are open, the increased backlog at the end of 2009 resulted in increased 2010 beach revenues.

- Revenues from maintenance dredging projects in 2010 were $119.0 million, a decrease of $55.9 million, or 31.9%, from $174.9 million in 2009. Maintenance revenue in 2009 was uncharacteristically high because the Corps put many delayed projects out to bid. The Company believes that funding of many maintenance projects bid in 2009 was augmented by the federal economic stimulus. The Company believes that substantially all of the stimulus funded projects were completed by June 30, 2010. In addition, the number of maintenance projects worked on during the second half of the year declined due to the dredging industry's response to the Deepwater Horizon oil spill in the Gulf of Mexico.

- Revenues from foreign dredging operations in 2010 totaled $82.9 million, a decrease of $51.2 million, or 38.2%, from 2009 revenues of $134.1 million. Foreign revenues started to decline in the second half of 2009 as the global recession significantly slowed the rate of infrastructure development in the Middle East. In 2010, the Company worked on international projects outside of Bahrain, including in the United Arab Emirates and Brazil.

Demolition segment revenues in 2010 were $78.0 million, an increase of $30.1 million, or 62.6%, over 2009 revenues of $47.9 million. This increase was primarily related to improved market conditions in Massachusetts and increased activity in New York as well as with respect to bridge demolition, new markets for the demolition segment. In 2009, demolition revenues were negatively impacted by the slowdown in the U.S. construction industry.

Dredging segment gross profit increased 32.4% to $117.7 million from $88.9 million in 2009, and dredging segment gross profit margin (dredging gross profit divided by dredging revenue) was 19.3%, up from 15.6% in 2009. The increases in gross profit and gross profit margin were primarily due to increased dredging revenues and dredging project execution that in the aggregate was better than the Company's estimates.

Demolition segment gross profit increased $5.7 million from a gross loss of $0.7 million in 2009 to a gross profit of $5.0 million in 2010 and demolition segment gross profit margin was 6.5%, up from a negative gross profit margin of 1.8% in 2009, primarily due to improved market conditions which resulted in increased revenues. While demolition segment gross profit margins have improved in comparison to 2009, they remain lower than pre-recession gross profit margins, reflecting continuing competitive pricing pressures.

Dredging segment operating income for 2010 increased 41.4% reaching $70.5 million versus $49.8 million in 2009, as increased gross profit offset a 20.9% increase in general and administrative expenses. These expenses increased primarily due to $7.2 million in costs that were incurred for severance, legal and consulting expenses that were incurred in conjunction with the senior management reorganization. See Note 21 "Senior Management Reorganization" in the Notes to Consolidated Financial Statements.

Demolition segment operating loss for 2010 decreased $5.5 million from $7.6 million in 2009 to $2.1 million in 2010. Despite improved gross profit, the demolition segment incurred losses with respect to certain projects including a large bridge demolition project, one of the demolition segment's first projects of this type. In 2010, the demolition segment recorded a loss of $3.0 million related to this bridge demolition project. In addition, demolition segment operating results in 2009 were negatively impacted by certain projects that had been worked on in 2008 and canceled in 2009, resulting in write-offs of $3.8 million. Demolition segment general and administrative expenses for 2010 of $6.8 million increased 7.9% compared with $6.3 million in 2009 primarily as a result of an increase in bad debt expense and incentive pay.

Consolidated general and administrative expenses as a percentage of revenue have been generally consistent, ranging between 7.4% and 7.9% of revenues over the last three years. In 2010, general and administrative expenses increased due to additional expenses related to the Company's senior management reorganization.

The Company's net interest expense for 2010 totaled $13.5 million compared with $16.2 million in 2009. This decrease is due to the lower average outstanding borrowings on the Company's revolving credit facility during 2010. In addition, in 2010 the Company realized a $2.1 million gain on its outstanding interest rate swaps compared to a $0.4 million gain during 2009.

The Company incurred income tax expense of $20.6 million in 2010 compared with $10.9 million in 2009. This $9.7 million increase is primarily the result of the increase in the Company's operating income. The effective tax rate for the year ended December 31, 2010 was 37.9% compared to 42.7% for the year ended December 31, 2009. The decrease in the effective tax rate was due to the resolution of certain state tax matters.

For the year ended December 31, 2010, net income attributable to Great Lakes was $34.6 million compared to $17.5 million for the year ended December 31, 2009. This $17.1 million increase was primarily driven by higher operating income in 2010.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Dredging revenues were $574.3 million in 2009, an increase of $89.6 million, or 18.7%, over 2008 dredging revenues of $484.7 million, due to a higher level of dredge employment in 2009. In particular, the 2009 increase was the result of increased domestic dredging operations that more than offset decreased foreign dredging activity. Dredging gross margin was 15.6%, up from 11.8% in 2008, primarily due to increased dredging revenues and project execution that was better than the Company's estimates for certain projects, particularly in the first half of the year. Highlights from the Company's primary dredging sectors are as follows:

- Revenues from domestic capital dredging projects of $203.1 million in 2009 were up $49.7 million, or 32.4%, from 2008 revenues of $153.4 million. This increase was driven by additional capital projects, including deepening work in the ports of New York, New Jersey, Jacksonville and Tampa, Florida and three coastal restoration projects in Louisiana.

- Revenues from beach nourishment projects of $62.1 million in 2009 decreased $1.4 million, or 2.2%, from $63.5 million in 2008. Beach revenues were negatively impacted throughout 2008 and the beginning of 2009 as state and local governments experienced delays in getting the necessary funding to put projects out to bid. More beach work was bid and worked in the second half of 2009.

- Revenues from maintenance dredging projects in 2009 were $174.9 million, an increase of $79.6 million, or 83.4%, from $95.4 million in 2008. This increase was due to the Corps continuing to put out maintenance work that had long been delayed. The Company believes that many maintenance projects were supported by the federal economic stimulus funding.

- Revenues from foreign dredging operations in 2009 totaled $134.1 million, a decrease of $38.2 million, or 22%, from 2008 revenues of $172.3 million. Revenues decreased due to the postponement of a portion of the Company's largest foreign project and declining Middle Eastern demand resulting from the global recession, instability in oil prices and the deterioration of the region's real estate market in 2008 and 2009.

Demolition segment revenues in 2009 were $47.9 million, a decrease of $54.3 million, or 53%, over 2008 revenues of $102.2 million. As the construction and real estate development market continued to slow in 2009, new project opportunities were scarce. In addition, a few projects that had been worked on in 2008 were canceled in 2009, resulting in write offs related to those projects. Moreover, several large demolition projects were worked on in 2008 and were not replaced in 2009. As a result, the demolition segment recorded negative gross profit margin of 1.8% compared to gross profit margin of 11.9% in 2008.

Dredging segment operating income for 2009 increased 124% reaching $49.8 million versus $22.2 million in 2008, as strong gross profit performance offset a 12.1% increase in general and administrative expenses. These expenses increased primarily due to higher payroll and incentive costs, legal expenses and other costs related to the Company's August 2009 secondary offering of stock.

In 2009, the demolition segment produced an operating loss of $7.6 million, compared to operating income of $3.9 million in 2008 due to weaker gross profit performance including write offs related to canceled projects. Demolition segment general and administrative expenses for 2009 of $6.3 million decreased 21.6% compared with $8.0 million in 2008 primarily as a result of a decrease in incentive pay.

Consolidated general and administrative expenses as a percentage of revenue have been generally consistent, ranging between 7.3% and 7.5% of revenues over the last three years.

The Company's net interest expense for the year ended December 31, 2009 totaled $16.2 million compared with $17.0 million in 2008. While average debt levels were consistent year over year, lower interest rates decreased interest expense. The Company entered into new interest rate swap agreements in 2009 for which the Company realized a $0.5 million gain during the year. In 2008 the Company also realized a $0.5 million gain on its former swap agreements.

The Company incurred income tax expense of $10.9 million compared with $3.8 million in 2008. This $7.1 million increase is primarily the result of the increase in the Company's operating income. The effective tax rate for the year ended December 31, 2009 was 42.7% compared to 42.1% for the year ended December 31, 2008.

For the year ended December 31, 2009, net income attributable to Great Lakes was $17.5 million compared to $5.0 million for the year ended December 31, 2008. This $12.5 million increase was driven by higher operating income in 2009 as previously described.

Bidding Activity and Backlog

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

	December 31, 2010	December 31, 2009	December 31, 2008
Backlog			
Dredging:			
Capital—U.S.	$ 117,866	$ 203,294	$ 176,051
Capital—foreign	65,334	35,715	139,479*
Beach nourishment	18,080	63,390	18,934
Maintenance	56,140	63,335	26,726
Rivers & Lakes **	25,116	—	—
Total dredging backlog	282,536	365,734	361,190
Demolition	80,984	16,448	23,501
Total backlog	$ 363,520	$ 382,182	$ 384,691

* For comparison purposes, foreign backlog has been decreased by $56,908 to reflect the portion of the Diyar contract that was reclassified as an option pending award in the first quarter of 2009

** Represents backlog acquired by the Company on December 31, 2010 in connection with the Matteson acquisition

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

Approximately 95% of the Company's December 31, 2010 backlog is expected to be completed in 2011.

Dredging.

The 2010 domestic dredging bid market totaled $875 million, a 23% decline from the 2009 domestic dredging bid market of $1.1 billion. The 2009 bid market was larger than the 2010 bid market primarily because the 2009 bid market was bolstered by maintenance dredging projects that were funded by the U.S. government economic stimulus package. In addition, the 2010 bid market excludes dredging work related to the construction of sand berms off the coast of Louisiana in response to the Deepwater Horizon oil spill in the Gulf of Mexico. Over $100 million of this sand berm construction work was awarded to the Company directly by the prime contractor rather than through the customary bidding process.

The Company won 30% of the overall 2010 domestic bid market compared to 47% of the overall 2009 domestic bid market. The Company's five-year average win rate is 41%. This range underscores the variability that can occur in the quarter to quarter and year to year bid results.

The Company's December 31, 2010 dredging backlog was $282.5 million, which includes $25.1 million attributable to the Matteson acquisition. This represents an increase of $61.2 million, or 27.6%, over the Company's September 30, 2010 dredging backlog of $221.4 million, but a decrease of $83.2 million, or 22.8%, from the Company's December 31, 2009 dredging backlog. This decrease in the Company's annual dredging backlog is primarily the result of the decreased 2010 domestic dredging bid market and the Company's lower 2010 bid win rate.

The Company won 21%, or $75 million, of the capital dredging projects awarded in 2010, including a large project in Virginia that was awarded in the fourth quarter. The Company's 2010 project win rate was adversely affected by the loss of one large capital dredging project, for which the Company may ultimately perform work as a subcontractor. Approximately $117.9 million, or 42%, of the Company's December 31, 2010 dredging backlog consists of domestic capital dredging work, a substantial portion of which is expected to be performed in 2011. December 31, 2010 capital dredging backlog is less than the prior year because the Company worked off most of its backlog related to deepening projects in the ports of New York and New Jersey and no large capital projects were added to backlog at year end. Predominantly all of the capital work in backlog at the end of 2010 is federally funded. The Company continues to believe that the expansion of the Panama Canal will heighten the need for the U.S. to deepen its East and Gulf Coast ports; however, it does not appear that any sizable new deepening projects probably will be bid until the fourth quarter of 2011. In addition, on October 6, 2010, President Obama signed an executive order establishing the Gulf Coast Restoration Task Force. The Company believes that this emphasis on Gulf coast restoration, including the Corps' Mississippi Coastal Improvement Program, will provide additional growth opportunities with the domestic capital dredging market.

The Company won 73%, or $55 million, of the beach nourishment projects awarded in 2010. However, the Company's December 31, 2010 beach nourishment backlog was $18.1 million at the end of 2010 compared to $63.4 million at the end of 2009. The 2009 beach nourishment bid market was very active in the second half of 2009 and totaled $183 million for that year. This is substantially above the average bid market over the last three years of $127 million. The Company's beach nourishment backlog fluctuates from period to period based on various factors, including which beaches require nourishment and funding and permitting issues.

The Company won 30%, or $131 million, of the maintenance dredging projects awarded in 2010. The Company's December 31, 2010 maintenance dredging backlog was $56.1 million compared to $63.3 million at the end of 2009. The 2010 maintenance dredging bid market was $443.8 million, which is significantly below the 2009 maintenance dredging bid market of $645 million but still above the five year average maintenance dredging bid market of $393 million. The 2009 bid market was atypically large because it included maintenance dredging projects that were funded by the U.S. government economic stimulus package. The Company's share of the 2010 maintenance dredging bid market was 30%, slightly below its 32% average over the last three years. On January 5, 2011, the Realize America's Promise Act was introduced into the U.S. House of Representatives and on February 17, 2011, the Harbor Maintenance Act of 2011 was introduced into the U.S. Senate. The two bills are substantially similar and provide that all resources of the Harbor Maintenance Trust Fund may be used only for harbor maintenance programs. If enacted, the Company anticipates that this legislation would increase the Corps' annual budget by approximately $500 million, with the majority of such amount likely to be allocated for maintenance dredging.

Foreign capital dredging backlog increased to $65.3 million at the end of 2010 from $35.7 million at the end of 2009, primarily as a result of the last phase of the Diyar land reclamation project being awarded to the Company in the fourth quarter of 2010. The Company cannot predict if or to what extent its operations or business prospects in the Middle East will be affected by the recent civil unrest that many Middle Eastern countries have experienced.

Demolition. Demolition services backlog was $81.0 million at December 31, 2010, a 392% increase from $16.4 million at 2009 year end, reflecting the Company's continuing progress in expanding into new markets, specifically the New York area, a renewed increase in activity in the Boston area, and the addition of a $26 million bridge demolition project in Louisiana. The demolition business continues to gain momentum. The demolition business faces operating and other challenges that can impact profitability as it moves into new markets.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flow generated from operations and borrowings under its senior credit facility (see Note 12, "Long-Term Debt" in the Notes to Consolidated Financial Statements). The Company's principal uses of cash are to meet debt service requirements, finance its capital expenditures, provide working capital and meet other general corporate purposes.

The Company's net cash provided by operating activities for the years ended December 31, 2010, 2009 and 2008 totaled $123.5 million, $54.0 million and $14.8 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. In 2010, lower activity in foreign operations (which usually experience longer accounts receivable collection periods) coupled with payments being made on foreign accounts receivable that had been outstanding at the end of 2009 drove the increase in cash generated. Additionally, the increase in cash was generated by strong domestic operations in 2010, which have by comparison shorter accounts receivable collections periods. In 2009, an increase in domestic accounts receivable resulting from increased domestic activity, offset by a decrease in pipe and spare parts inventory as well as other working capital items, decreased net cash provided by operating activities. In 2008, the increase in investment in the Company's foreign operations was partially offset by favorable billing terms on one domestic project. Significant investments in pipe and spare parts inventory were included in 2008.

The Company's net cash flows used in investing activities for the years ended December 31, 2010, 2009 and 2008 totaled $62.7 million, $24.9 million and $26.3 million, respectively. The increase in 2010 is primarily due to the Company's acquisition of Matteson on December 31, 2010. See Note 19 "Matteson Acquisition" in the notes to the Consolidated Financial Statements. Investing activities in all years related to normal course upgrades and capital maintenance of our dredging fleet. The 2010 expenditures included $14.6 million on the upgrade of the dredge Ohio. Investing activities in 2008 included $17.7 million of capital expenditures on the dredges Ohio, Reem Island and Noon Island for upgrades and other activities related to placing these vessels into service. Another $5.5 million was spent in 2008 on continuing construction of the power barge that enhanced the operating efficiency of the dredge Florida; $7.2 million was spent on this vessel in 2007. Work on this vessel was completed in October 2008 and the vessel was then sold via a sale leaseback for $16.6 million. An immaterial loss was fully recognized on this transaction.

The Company’s net cash flows provided by (used in) financing activities for the years ended December 31, 2010, 2009 and 2008 totaled ($15.6) million, ($36.4) million and $13.7 million, respectively. The Company's financing cash flows represent net repayment or borrowings on its revolving credit facility, approximately $4.0 million in annual dividends, and approximately $1.0 million to $2.0 million of annual repayments on other debt and capital leases.

On June 12, 2007, the Company entered into a credit agreement (the “Credit Agreement”) with Bank of America N.A. and various other financial institutions as lenders. The Credit Agreement provides for a revolving credit facility of up to $145.0 million in borrowings and includes sublimits for the issuance of letters of credit and swingline loans. The revolving credit facility matures on June 12, 2012. The revolving credit facility bears interest at rates selected at the option of Great Lakes, currently equal to either LIBOR plus an applicable margin or the “Base Rate” plus an applicable margin. The applicable margins for LIBOR loans and Base Rate loans, as well as any non-use fee, are subject to adjustment based upon the Company’s ratio of Total Funded Debt to Adjusted Consolidated EBITDA (each as defined in the Credit Agreement). The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed by its direct and indirect domestic subsidiaries. Additionally, the obligations are secured by a perfected first priority lien on certain equipment of Great Lakes’ subsidiary, Great Lakes Dredge & Dock Company, LLC (“GLDD Company”); a perfected second priority lien on certain other equipment of GLDD Company, subject to a perfected first priority lien in favor of Great Lakes’ bonding company; a perfected first priority lien on the inter-company receivables of Great Lakes and its direct and indirect domestic subsidiaries and having an equal priority to the liens of Great Lakes’ bonding company; and a perfected second priority lien on the accounts receivable of Great Lakes and its direct and indirect subsidiaries that relate to bonded projects. The Credit Agreement contains various covenants and restrictions including (i) limitations on dividends to $5 million per year, (ii) limitations on redemptions and repurchases of capital stock, (iii) limitations on the incurrence of indebtedness, liens, leases and investments, and (iv) maintenance of certain financial covenants.

As of December 31, 2010, the Company had no borrowings and $11.9 million of letters of credit outstanding, resulting in $133.1 million of availability under, the Credit Agreement. On December 31, 2010, the Company amended the Credit Agreement to permit it to increase the principal amount of unsecured debt it may issue to refinance its senior subordinated notes from an aggregate of $175 million to an aggregate of $300 million, subject to compliance with the financial covenants set forth in the Credit Agreement, as amended, and to eliminate the requirement that such refinanced debt be subordinated to the obligations under the Credit Agreement. The Company is evaluating the possibility of extending and increasing the commitments under the Credit Agreement during the first half of 2011. Leading positions in the Company’s credit facility are held by Bank of America, Royal Bank of Scotland, GE Capital Corporation and Wells Fargo Bank.

The Company obtains performance, bid and payment bonds through a bonding agreement with Travelers Casualty and Surety Company of America. The bonds issued under the bonding agreement are customarily required for dredging and marine construction projects, as well as demolition projects. At December 31, 2010, the Company had outstanding performance bonds valued at approximately $369.0 million; however, the revenue value remaining in backlog related to these projects totaled approximately $176.5 million. On June 12, 2007, the Company and Travelers entered into a fourth amendment to the third amended and restated underwriting and continuing indemnity agreement (the “Fourth Amendment”) with Travelers. The Fourth Amendment provides, among other things, for new equipment collateral securing the obligations under the Company’s bonding agreement and permits the Credit Agreement and related collateral securing the obligations under the Credit Agreement. On January 24, 2011, the Company and Travelers entered into a sixth amendment to third amended and restated underwriting and continuing indemnity agreement (the “Sixth Amendment”). The Sixth Amendment was entered into to, among other things, permit the Company to incur up to $250 million of debt as part of the January 2011 refinancing of the Company’s $175 million principal amount senior subordinated notes due December 2013. The amendment also provides that if the Company’s outstanding credit exposure under its senior credit facility exceeds $25 million, then at Travelers’ request the Company is required to provide Travelers with $20 million of additional collateral (in cash or an irrevocable letter of credit, at the Company’s discretion). In addition, the Company is required to grant Travelers a first priority security interest in such additional collateral in accordance with the terms and conditions of the Company’s intercreditor agreement.

In addition to its credit facility, the Company has a $24 million International Letter of Credit Facility with Wells Fargo HSBC Trade Bank. This facility is used for performance and advance payment guarantees on foreign contracts. The obligations under the agreement are guaranteed by the Company's foreign accounts receivable under Ex-Im Bank's Working Capital Guarantee Program which covers 90% of the obligations owing under the facility. The Company had $15.7 million of letters of credit issued under this facility at December 31, 2010.

In January 2011, the Company issued $250 million in aggregate principal amount of its 7.375% senior unsecured notes due February 1, 2019 (the "Senior Unsecured Notes") in a private placement. Approximately $180 million of the net proceeds from the issuance of the Senior Unsecured Notes was used to prepay all of the Company's 7.75% senior subordinated notes due December 2013, including prepayment premiums and accrued and unpaid interest. The remaining net proceeds from the issuance of the Senior Unsecured Notes will be used for general corporate purposes, which may include acquisitions. The Indenture governing the Senior Unsecured Notes, among other things, limits the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on its assets; (iv) transfer and sell assets; (v) merge, consolidate or sell all or substantially all of its assets; (vi) enter into certain transactions with affiliates; (vii) create restrictions on dividends or other payments by its restricted subsidiaries and (viii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the Indenture governing the Senior Unsecured Notes.

On January 2011, in connection with the issuance of the Senior Unsecured Notes, the Company, its subsidiaries which guaranteed the Senior Unsecured Notes and the initial purchasers of the Senior Unsecured Notes entered into a Registration Rights Agreement (the "Registration Rights Agreement"). The Registration Rights Agreement requires the Company, among other things, to (i) use its commercially reasonable efforts to cause a registration statement with respect to an exchange offer for the Senior Unsecured Notes to become effective within 365 days after the issue date of the Senior Unsecured Notes; (ii) consummate the exchange offer within 30 business days after the target date for effectiveness of the registration statement with respect to the exchange offer and (iii) use its commercially reasonable efforts to file a shelf registration statement for the resale of the Senior Unsecured Notes in certain circumstances. If the Company fails to satisfy it registration obligations under the Registration Rights Agreement, then the Company will be required to pay liquidated damages to the holders of the Senior Unsecured Notes, which will accrue at an annual rate of 0.25% of the aggregate principal amount of the outstanding Senior Unsecured Notes.

The Company paid dividends of approximately $1 million each quarter of 2010 and 2009 and in the first quarter of 2011. The declaration and payment of dividends will be at the discretion of the Company's board of directors and will depend on many factors, including general economic and business conditions, the Company's strategic plans, its financial results and condition, legal requirements, including restrictions and limitations contained in the Credit Agreement, bonding agreements and the indenture relating to its senior unsecured notes. Accordingly, the Company cannot make any assurances as to the size of any such dividend or that it will pay any such dividend in future quarters.

The Company believes 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 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 of the financial covenants under the Credit Agreement and bonding agreement, depends on its future operating performance and cash flow, 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.

Contractual Obligations

The following table summarizes the Company's contractual cash obligations at December 31, 2010. Additional information related to these obligations can be found in Note 11 "Long-Term Debt" and Note 14 "Lease Commitments" to Consolidated Financial Statements.

		Obligations coming due in year(s) ending:			
	Total	2011	2012-2014	2015-2017	2018 and beyond
			(in millions)		
Long term bank debt (1)	$ —	$ —	$ —	$ —	$ —
Senior subordinated notes (2)	215.7	13.6	202.1	—	—
Operating lease commitments	109.1	17.4	44.0	39.6	8.1
Promissory note (3)	8.9	3.0	5.9	—	—
Equipment notes	0.4	0.3	0.1	—	—
Total	$334.0	$34.2	$252.1	$39.6	$ 8.1

(1) Represents the Company's senior credit facility. No amounts were outstanding at December 31, 2010.

(2) Includes cash interest payments calculated at stated fixed rate of 7.75%. In January 2011, the Company refinanced the senior subordinated notes with the issuance of $250 million senior unsecured notes due February 1, 2019. The senior unsecured notes bear interest at 7.375%.

(3) Includes cash interest payments calculated at stated fixed rate of 6.00%. This note was issued in connection with the Matteson acquisition.

Excluded from the above table are $0.8 million in liabilities for uncertain tax positions for which the period of settlement is not determinable.

Other Off-Balance Sheet and Contingent Obligations

The Company had outstanding letters of credit relating to foreign contract guarantees and insurance payment liabilities totaling $27.6 million at December 31, 2010. All issued letters of credit were undrawn at year-end.

The Company has granted liens on a substantial portion of its owned operating equipment as security for borrowings under its Credit Agreement and its bonding agreement. The Company's Credit Agreement and bonding agreement also contain provisions that require the Company to maintain certain financial ratios and restrict its ability to pay dividends, incur indebtedness, create liens, and take certain other actions.

The Company finances certain key vessels used in its operations with off-balance sheet lease arrangements with unrelated lessors, requiring annual rentals of $17.3 million which decline to $0.4 million over the next ten years. These off-balance sheet leases contain default provisions, which are triggered by an acceleration of debt maturity under the terms of the Company's Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some demolition projects. The Company obtains its performance and bid bonds through its bonding agreement with Travelers, which has been granted a security interest in a substantial portion of the Company's operating equipment with a net book value of $70.7 million at December 31, 2010. The bonding agreement contains provisions that require the Company to maintain certain financial ratios and that restrict the Company's ability to pay dividends, incur indebtedness, create liens and take certain other actions. At December 31, 2010, the Company was in compliance with its covenants under the bonding agreement. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from $1 million to $10 million. At December 31, 2010, the Company had outstanding performance bonds valued at approximately $369.0 million; however, the revenue value remaining in backlog related to these projects totaled approximately $176.5 million.

Certain foreign projects performed by the Company have warranty periods, typically spanning no more than three to five 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.

Prior to February 2011, the Company was a member of an insurance association that provides personal injury coverage for its maritime workforce in excess of self-insurance retention limits. As part of this arrangement, the Company was subject to retroactive premium adjustments based on the association's claims experience and investment performance. The Company accrued for retroactive premium adjustments when assessed by the insurance association. During the years ended December 31, 2010 and 2009, there were $2.2 million and $2.0 million recorded for retroactive assessments, respectively. In February 2011, the Company withdrew from this insurance association and purchased insurance to provide personal injury coverage for its maritime workforce in excess of self-insurance retention limits. The Company's withdrawal from the insurance association and payment of the related release call discharges the Company from any future liability to the insurance association.

The Company considers it unlikely that it would have to perform under any of the aforementioned contingent obligations, other than operating leases and retroactive insurance premium adjustments associated with the Company's insurance coverage, and performance has never been required in any of these circumstances in the past.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements (including financial statement schedule of the Company called for by this Item, together with the Report of Independent Registered Public Accounting Firm dated March 14, 2011 (July 21, 2011 as to Note 22), are set forth in Exhibit 99.4 of this Report, and are hereby incorporated by reference into this Item. Financial statement schedules not included in this Report have been omitted because they are not applicable or because the information called for is shown in the consolidated financial statements or notes thereto.

Quarterly Results of Operations (Unaudited)

The following tables set forth our unaudited quarterly results of operations for 2010 and 2009. We have prepared this unaudited information on a basis consistent with the audited consolidated financial statements contained in this report and this unaudited information includes all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our results of operations for the quarters presented. You should read this quarterly financial data along with the Condensed Consolidated Financial Statements and the related notes to those statements included in our Quarterly Reports on Form 10-Q filed with the Commission. The operating results for any quarter are not necessarily indicative of the results for the annual period or any future period.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	Unaudited (in millions except share and per share data)			
2010				
Contract revenues	$ 161.4	$ 180.1	$ 173.3	$ 172.1
Costs of contract revenues	(130.9)	(145.5)	(140.6)	(147.0)
Gross profit	30.5	34.6	32.7	25.1
General and administrative expenses	(11.1)	(14.4)	(16.5)	(12.3)
Operating income	19.4	20.2	16.2	12.8
Interest expense, net	(3.2)	(3.0)	(3.3)	(4.0)
Equity in earnings (loss) of joint ventures	(0.7)	(0.1)	0.1	0.1
Income before income taxes	15.5	17.1	12.8	8.9
Income tax provision	(6.2)	(6.8)	(5.1)	(2.5)
Net income	9.3	10.3	7.7	6.4
Net loss attributable to noncontrolling interests	0.1	0.5	—	0.4
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 9.4	$ 10.8	$ 7.7	$ 6.8
Basic earnings per share	$ 0.16	$ 0.18	$ 0.13	$ 0.12
Basic weighted average shares	58,547,990	58,601,649	58,698,299	58,750,621
Diluted earnings per share	$ 0.16	$ 0.18	$ 0.13	$ 0.11
Diluted weighted average shares	58,705,175	58,780,611	58,900,824	59,067,964

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	Unaudited (in millions except share and per share data)			
2009				
Contract revenues	$ 179.2	$ 142.5	$ 140.0	$ 160.6
Costs of contract revenues	(152.2)	(113.9)	(123.0)	(145.0)
Gross profit	27.0	28.6	17.0	15.6
General and administrative expenses	(10.6)	(11.8)	(12.0)	(11.6)
Operating income	16.4	16.8	5.0	4.0
Interest expense, net	(4.3)	(4.7)	(3.2)	(3.9)
Equity in earnings (loss) of joint ventures	(0.6)	—	0.2	—
Income before income taxes	11.6	12.0	2.0	0.1
Income tax benefit (provision)	(5.2)	(4.6)	(0.9)	(0.3)
Net income (loss)	6.4	7.4	1.1	(0.2)
Net (income) attributable to noncontrolling interests	0.9	—	0.5	1.3
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 7.3	$ 7.4	$ 1.6	$ 1.1
Basic earnings (loss) per share	$ 0.13	$ 0.13	$ 0.03	$ 0.02
Basic weighted average shares	58,488,394	58,499,312	58,506,332	58,532,394
Diluted earnings (loss) per share	$ 0.13	$ 0.13	$ 0.03	$ 0.02
Diluted weighted average shares	58,488,394	58,553,842	58,688,696	58,745,421

Note: Items may not sum due to rounding.

Exhibit 99.4

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Great Lakes Dredge & Dock Corporation
Oak Brook, Illinois

We have audited the accompanying consolidated balance sheets of Great Lakes Dredge & Dock Corporation and subsidiaries (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the accompanying financial statement schedule. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Great Lakes Dredge & Dock Corporation and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 14, 2011, not presented herein, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 14, 2011 (July 21, 2011 as to Note 22)

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2010 AND 2009

(In thousands, except share and per share amounts)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 48,478	$ 3,250
Accounts receivable—net	95,548	153,901
Contract revenues in excess of billings	24,842	28,004
Inventories	31,734	29,192
Prepaid expenses	3,448	2,644
Other current assets	18,919	15,445
Total current assets	222,969	232,436
PROPERTY AND EQUIPMENT—Net	323,231	291,157
GOODWILL	98,049	98,049
OTHER INTANGIBLE ASSETS—Net	3,280	1,037
INVENTORIES—Noncurrent	27,128	27,662
INVESTMENTS IN JOINT VENTURES	7,329	7,943
OTHER	11,839	7,142
TOTAL	$693,825	$665,426
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 82,721	$ 83,783
Accrued expenses	32,809	31,265
Billings in excess of contract revenues	14,484	24,901
Current portion of note payable	2,500	—
Current portion of equipment debt	303	1,200
Total current liabilities	132,817	141,149
REVOLVING CREDIT FACILITY	—	11,000
LONG TERM NOTE PAYABLE	5,000	—
7.75% SENIOR SUBORDINATED NOTES	175,000	175,000
DEFERRED INCOME TAXES	92,466	81,642
OTHER	11,717	12,086
Total liabilities	417,000	420,877
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
Common stock—$0.0001 par value; authorized, 90,000,000 shares; issued and outstanding, 58,770,369 shares and 58,542,038 shares at December 31, 2010 and 2009, respectively	6	6
Additional paid-in capital	266,329	263,579
Retained earnings (accumulated deficit)	12,261	(18,336)
Accumulated other comprehensive income	357	539
Total Great Lakes Dredge & Dock Corporation Equity	278,953	245,788
NONCONTROLLING INTERESTS	(2,128)	(1,239)
Total equity	276,825	244,549
TOTAL	$693,825	$665,426

See notes to the consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands, except per share amounts)

	2010	2009	2008
CONTRACT REVENUES	$686,922	$622,244	$586,879
COSTS OF CONTRACT REVENUES	564,140	534,000	517,576
GROSS PROFIT	122,782	88,244	69,303
GENERAL AND ADMINISTRATIVE EXPENSES	54,352	45,993	43,206
Total operating income	68,430	42,251	26,097
OTHER EXPENSE:			
Interest expense—net	(13,542)	(16,150)	(16,971)
Equity in loss of joint ventures	(614)	(384)	(15)
Total other expense	(14,156)	(16,534)	(16,986)
INCOME BEFORE INCOME TAXES	54,274	25,717	9,111
INCOME TAX EXPENSE	(20,554)	(10,983)	(3,839)
NET INCOME	33,720	14,734	5,272
Net (income) loss attributable to noncontrolling interests	889	2,734	(293)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS OF GREAT LAKES DREDGE & DOCK CORPORATION	$ 34,609	$ 17,468	$ 4,979
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.59	$ 0.30	$ 0.09
Basic weighted-average shares	58,647	58,507	58,469
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.59	$ 0.30	$ 0.09
Diluted weighted-average shares	58,871	58,612	58,478

See notes to the consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In thousands, except share and per share amounts)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
BALANCE—January 1, 2008	58,459,824	$ 6	$260,669	$ (32,810)	$ 470	$ 2,061	$230,396
Acquisition of NASDI Noncontrolling Interest	—	—	1,373	—	—	(1,521)	(148)
Repurchase of shares	(3,622)	—	(6)	—	—	—	(6)
Share-based compensation	28,040	—	465	—	—	—	465
Dividends declared and paid	—	—	—	(3,981)	—	—	(3,981)
Comprehensive income:							
Net income	—	—	—	4,979	—	293	5,272
Reclassification of derivative losses to earnings (net of tax of $145)	—	—	—	—	218	—	218
Change in fair value of derivatives (net of tax of $2,720)	—	—	—	—	(4,103)	—	(4,103)
Total comprehensive income:						293	1,387
BALANCE—December 31, 2008	58,484,242	6	262,501	(31,812)	(3,415)	833	228,113
Acquisition of Yankee Environmental Services	—	—	—	—	—	662	662
Share-based compensation	57,796	—	1,078	—	—	—	1,078
Dividends declared and paid	—	—	—	(3,992)	—	—	(3,992)
Comprehensive income (loss):							
Net income (loss)	—	—	—	17,468	—	(2,734)	14,734
Reclassification of derivative losses to earnings (net of tax of $2,101)	—	—	—	—	3,164	—	3,164
Change in fair value of derivatives (net of tax of $524)	—	—	—	—	790	—	790
Total comprehensive income (loss):						(2,734)	18,688
BALANCE—December 31, 2009	58,542,038	6	263,579	(18,336)	539	(1,239)	244,549
Share-based compensation	79,067	—	2,094	—	—	—	2,094
Vesting of restricted stock units	13,302						—
Exercise of stock options	135,962	—	656				656
Dividends declared and paid	—	—	—	(4,012)	—	—	(4,012)
Comprehensive income (loss):							
Net income (loss)	—	—	—	34,609	—	(889)	33,720
Reclassification of derivative gains to earnings (net of tax of $213)	—	—	—	—	(321)	—	(321)
Change in fair value of derivatives (net of tax of $92)	—	—	—	—	139	—	139
Total comprehensive income (loss):						(889)	33,538
BALANCE—December 31, 2010	58,770,369	$ 6	$266,329	$ 12,261	$ 357	$ (2,128)	$276,825

See notes to the consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands)

	2010	2009	2008
OPERATING ACTIVITIES:			
Net income	$ 33,720	$ 14,734	$ 5,272
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	34,301	33,023	30,124
Equity in loss of joint ventures	614	384	15
Distribution from equity joint ventures	—	621	625
Deferred income taxes	7,405	1,401	1,596
Gain on dispositions of property and equipment	(505)	(651)	(553)
Amortization of deferred financing fees	1,607	1,677	1,892
Share-based compensation expense	2,094	1,078	465
Changes in assets and liabilities:			
Accounts receivable	56,603	(33,281)	(4,911)
Contract revenues in excess of billings	3,510	2,925	(17,088)
Inventories	2,630	9,836	(16,218)
Prepaid expenses and other current assets	(847)	3,529	(986)
Accounts payable and accrued expenses	(5,053)	12,591	(2,068)
Billings in excess of contract revenues	(11,078)	5,119	14,345
Other noncurrent assets and liabilities	(1,470)	1,012	2,295
Net cash flows provided by operating activities	123,531	53,998	14,805
INVESTING ACTIVITIES:			
Purchases of property and equipment	(25,258)	(24,666)	(44,484)
Dispositions of property and equipment	431	1,028	17,445
Purchase of Matteson	(37,869)	—	—
Acquisition of controlling interest in Yankee Environmental Services	—	(1,229)	—
Changes in restricted cash	—	—	787
Purchase of noncontrolling interest in NASDI, LLC	—	—	(5)
Net cash flows used in investing activities	(62,696)	(24,867)	(26,257)
FINANCING ACTIVITIES:			
Borrowings under revolving loans	14,968	158,877	222,443
Repayments of revolving loans	(25,968)	(189,377)	(202,443)
Exercise of stock options	656	—	—
Dividends paid	(4,012)	(3,992)	(3,981)
Repayments of long-term debt	(1,186)	(1,774)	(2,148)
Repayment of capital lease debt	(65)	(93)	(174)
Repurchase of preferred and common shares	—	—	(6)
Net cash flows provided by (used in) financing activities	(15,607)	(36,359)	13,691
NET CHANGE IN CASH AND CASH EQUIVALENTS	45,228	(7,228)	2,239
CASH AND CASH EQUIVALENTS—Beginning of year	3,250	10,478	8,239
CASH AND CASH EQUIVALENTS—End of year	$ 48,478	$ 3,250	$ 10,478
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 13,269	$ 14,764	$ 15,357
Cash paid for taxes	$ 16,332	$ 8,677	$ 4,695
NONCASH INVESTING ACTIVITY			
Property and equipment purchased but not yet paid	$ 8,559	$ 4,187	$ 3,187
Property and equipment purchased on equipment notes	$ 109	$ 615	$ 2,213
Purchase price of Matteson comprised of promissory notes and other liabilities	$ 9,140	$ —	$ —

See notes to the consolidated financial statements.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Great Lakes Dredge & Dock Corporation and its subsidiaries (the "Company" or "Great Lakes") are in the business of marine construction, primarily dredging, and commercial and industrial demolition. The Company's primary dredging customers are domestic and foreign government agencies, as well as private entities, and its primary demolition customers are general contractors, corporations that commission projects, nonprofit institutions such as universities and hospitals, and local government and municipal agencies.

Principles of Consolidation and Basis of Presentation—The consolidated financial statements include the accounts of Great Lakes Dredge & Dock Corporation and its majority-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. The equity method of accounting is used for investments in unconsolidated investees in which the Company has significant influence, but not control. Other investments, if any, are carried at cost.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Cost Recognition on Contracts—Substantially all of the Company's contracts for dredging services are fixed-price contracts, which provide for remeasurement based on actual quantities dredged. The majority of the Company's demolition contracts are also fixed-price contracts, with others managed as time-and-materials. Contract revenues are recognized under the percentage-of-completion method, based on the Company's engineering estimates of the physical percentage completed for dredging projects and using a cost-to-cost approach for demolition projects. For dredging projects, costs of contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion. For demolition contracts, contract revenues are adjusted to reflect the estimated gross profit percentage. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Claims for additional compensation due to the Company are not recognized in contract revenues until such claims are settled. Billings on contracts are generally submitted after verification with the customers of physical progress and may not match the timing of revenue recognition. The difference between amounts billed and recognized as revenue is reflected in the balance sheet as either contract revenues in excess of billings or billings in excess of contract revenues. Modifications may be negotiated when a change from the original contract specification is encountered, and a change in project scope, performance methodology and/or material disposal is necessary. Thus, the resulting modification is considered a change in the scope of the original project to which it relates. Significant expenditures incurred incidental to major contracts are deferred and recognized as contract costs based on contract performance over the duration of the related project. These expenditures are reported as prepaid expenses.

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

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. These costs have averaged approximately 21% to 22% of total costs of contract revenues over the last three years. During the year, both equipment utilization and the timing of fixed cost expenditures fluctuate significantly. Accordingly, the Company allocates these fixed equipment costs to interim periods in proportion to revenues recognized over the year, to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on its dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over and under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year.

Classification of Current Assets and Liabilities—The Company includes in current assets and liabilities amounts realizable and payable in the normal course of contract completion, unless completion of such contracts extends significantly beyond one year.

Cash Equivalents—The Company considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents.

Accounts receivable-net—Accounts receivable represent amounts due or billable under the terms of contracts with customers, including amounts related to retainage. The Company anticipates collection of retainage generally within one year, and accordingly presents retainage as a current asset. In 2010 it was concluded that a portion of retainage would not be collected until after one year. This amount, $5,923, is classified as other non-current assets. The Company provides an allowance for estimated uncollectible accounts receivable when events or conditions indicate that amounts outstanding are not recoverable.

Inventories—Inventories consist of pipe and spare parts used in the Company's dredging operations. Pipe and spare parts are purchased in large quantities; therefore, a certain amount of pipe and spare part inventories is not anticipated to be used within the current year and is classified as long-term. Inventories are stated at the weighted average historical cost.

Property and Equipment—Capital additions, improvements, and major renewals are classified as property and equipment and are carried at depreciated cost. Maintenance and repairs that do not significantly extend the useful lives of the assets or enhance the capabilities of such assets are charged to expenses as incurred. Depreciation is recorded over the estimated useful lives of property and equipment using the straight-line method and the mid-year depreciation convention. The estimated useful lives by class of assets are:

Class	Useful Life (years)
Buildings and improvements	10
Furniture and fixtures	5-10
Vehicles, dozers, and other light operating equipment and systems	3-5
Heavy operating equipment (dredges and barges)	10-30

Leasehold improvements are amortized over the shorter of their remaining useful lives or the remaining terms of the leases.

Goodwill and Other Intangibles—Goodwill represents the excess of cost over fair value. Other identifiable intangibles mainly represent developed technology and databases, customer relationships, and customer contracts acquired in business combinations and are being amortized over a one to ten-year period. Goodwill is tested annually for impairment in the third quarter of each year, or more frequently should circumstances dictate. GAAP requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company assesses the fair values of its reporting units using both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, expected periods the assets will be utilized, appropriate discount rates and other variables. The estimates are based on assumptions that the Company believes to be reasonable, but which are unpredictable and inherently uncertain. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of an entity through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and EBITDA. The Company analyzed companies that performed similar services or are considered peers. Due to the fact that there are no public companies that are our direct competitors, the Company weighed the results of this approach less than the income approach.

The Company operates in two reportable segments: dredging and demolition. These reportable segments are the Company's operating segments and the reporting units at which the Company tests goodwill for impairment. The Company performed its most recent annual test of impairment as of July 1, 2010 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. As of the test date, the fair value of both the dredging segment and the demolition segment were in excess of their carrying values by approximately 25%. No test was performed in the fourth quarter as based on the segments' current forecasts no triggering events which would require a test were deemed to have occurred. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2011 should no triggering events occur which would require a test prior to the next annual test.

Long-Lived Assets—Long-lived assets are comprised of property and equipment and intangible assets subject to amortization. Long-lived assets to be held and used are reviewed for possible impairment whenever events indicate that the carrying amount of such assets may not be recoverable by comparing the undiscounted cash flows associated with the assets to their carrying amounts. If such a review indicates an impairment, the carrying amount would be reduced to fair value. If long-lived assets are to be disposed, depreciation is discontinued, if applicable, and the assets are reclassified as held for sale at the lower of their carrying amounts or fair values less estimated costs to sell. No triggering events were identified in 2010 or 2009.

Self-insurance Reserves—The Company self-insures costs associated with its seagoing employees covered by the provisions of Jones Act, workers' compensation claims, hull and equipment liability, and general business liabilities up to certain limits. Insurance reserves are established for estimates of the loss that the Company will ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. In determining its estimates, the Company considers historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of such reserves.

The Company is a member of an insurance association that provides personal injury coverage for its maritime workforce in excess of self-insurance retention limits. The Company is subject to retroactive premium adjustments based on the association's claims experience and investment performance. The Company accrues for retroactive premium adjustments when assessed by the insurance association. During the years ended December 31, 2010, 2009 and 2008, there were $2,207, $1,983 and $2,183 recorded for retroactive assessments, respectively.

Income Taxes—The provision for income taxes includes federal, foreign, and state income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. Recorded deferred income tax assets and liabilities are based on the estimated future tax effects of differences between the financial and tax basis of assets and liabilities, given the effect of currently enacted tax laws.

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments—The carrying value of financial instruments included in current assets and current liabilities approximates fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term senior subordinated notes is $177,188 at December 31, 2010. The fair value of other financial instruments approximates their carrying values at December 31, 2010.

Noncontrolling Interest—The Company previously owned 85% of the capital stock of North American Site Developers, Inc. ("NASDI Inc"), a demolition service provider located in the Boston, Massachusetts area. On April 30, 2008, the Company acquired the remaining 15% of the capital stock from Christopher A. Berardi, the then President of NASDI Inc. Additionally, the Company entered into a series of transactions for the purpose of restructuring the Company's arrangements with Mr. Berardi. Noncontrolling interest as currently recorded represents the 35% Class B interests in NASDI, LLC ("NASDI") currently owned by Mr. Berardi.

On January 1, 2009 the Company acquired a 65% interest in Yankee Environmental Services ("Yankee") (See Note 20).

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. At December 31, 2010, the impact of options to purchase shares of common stock ("NQSO") was dilutive and, accordingly, no options are excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. At December 31, 2009 and 2008, 356,774 stock options would have an antidilutive effect on earnings per share and therefore are excluded from the calculation.

The computations for basic and diluted earnings per share for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Net income attributable to common shareholders of Great Lakes Dredge & Dock Corporation	$34,609	$17,468	$ 4,979
Weighted-average common shares outstanding—basic	58,647	58,507	58,469
Effect of stock options and restricted stock units	224	105	9
Weighted-average common shares outstanding—diluted	58,871	58,612	58,478
Earnings per share—basic	$ 0.59	$ 0.30	$ 0.09
Earnings per share—diluted	$ 0.59	$ 0.30	$ 0.09

2. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010 and 2009, are as follows:

	2010	2009
Completed contracts	$20,093	$ 19,468
Contracts in progress	64,399	105,717
Retainage	12,711	29,966
	97,203	155,151
Allowance for doubtful accounts	(1,655)	(1,250)
Total accounts receivable—net	$95,548	$153,901

3. CONTRACTS IN PROGRESS

The components of contracts in progress at December 31, 2010 and 2009, are as follows:

	2010	2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	$ 287,291	$ 264,073
Amounts billed	(263,665)	(236,780)
Costs and earnings in excess of billings for contracts in progress	23,626	27,293
Costs and earnings in excess of billings for completed contracts	1,216	711
Total contract revenues in excess of billings	$ 24,842	$ 28,004
Billings in excess of costs and earnings:		
Amounts billed	$(429,688)	$(434,893)
Costs and earnings for contracts in progress	415,204	409,992
Total billings in excess of contract revenues	$ (14,484)	$ (24,901)

4. GOODWILL

The change in the carrying amount of goodwill during the years ended December 31, 2010 and 2009 is as follows:

	Dredging Segment	Demolition Segment	Total
Balance—January 1, 2009			
Goodwill	$76,575	$ 26,040	$102,615
Accumulated impairment losses	—	(4,816)	(4,816)
	76,575	21,224	97,799
Goodwill acquired during 2009:			
Acquisition of Yankee Environmental Services Inc.	—	250	250
Balance—December 31, 2009	76,575	21,474	98,049
	—	—	—
Balance—December 31, 2010	$76,575	$ 21,474	$ 98,049

There were no changes in goodwill during 2010 as the Matteson acquisition resulted in no recognition of goodwill.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 are as follows:

	2010	2009
Land	$ 2,870	$ 2,870
Buildings and improvements	5,190	4,629
Furniture and fixtures	3,074	2,737
Operating equipment	499,976	435,103
Total property and equipment	511,110	445,339
Accumulated depreciation	(187,879)	(154,182)
Property and equipment—net	$ 323,231	$ 291,157

5. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense was $33,874, $32,251, and $29,684 for the years ended December 31, 2010, 2009, and 2008, respectively.

6. SHARE-BASED COMPENSATION

The Company's 2007 Long-Term Incentive Plan (the "Incentive Plan"), as approved by the Board of Directors on September 18, 2007, permits the grant of stock options, stock appreciation rights, restricted stock and restricted stock units ("RSUs") to its employees and directors for up to 5.8 million shares of common stock.

Compensation cost charged to expense related to these stock-based compensation arrangements was $2,094, $1,078 and $315 for the years ended December 31, 2010, 2009 and 2008, respectively.

Non-qualified stock options
The NQSO awards were granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The option awards generally vest in three equal annual installments commencing on the first anniversary of the grant date, and have ten year exercise periods.

The fair value of the NQSOs was determined at the grant date using a Black-Scholes option pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The annual dividend yield on the Company's common stock is based on estimates of future dividends during the expected term of the NQSOs. The expected life of the NQSOs was determined based upon a simplified assumption that the NQSOs will be exercised evenly from vesting to expiration, as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected life.

For grants issued in 2010, the volatility assumptions were based on historical volatility of Great Lakes and comparable publicly-traded companies, primarily more mature and well-established companies in the engineering and construction sector.

For grants issued in 2009 and 2008, the volatility assumptions were based upon historical volatilities of comparable companies whose shares are traded using daily stock price returns equivalent to the expected term of the option. Due to a lack of sufficient historical information at the time these NQSOs were issued (since the Company's shares were not publicly traded until December of 2006) the historical volatility data for the Company was not considered in determining expected volatility. The Company also considered implied volatility data for comparable companies, using current exchange traded options.

There is not an active market for options on the Company's common stock and, as such, implied volatility for the Company's stock was not considered. Additionally, the Company's general policy is to issue new shares of registered common stock to satisfy stock option exercises or grants of restricted stock.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2010, 2009 and 2008 was $2.52, $1.86 and $2.24 respectively. The fair value of each option was estimated using the following assumptions:

	2010	2009	2008
Expected volatility	50.0%	60.0%	45.0%
Expected dividends	1.2%	1.8%	1.3%
Expected term (in years)	5.5 - 6.5	5.0 - 6.0	5.5 - 6.5
Risk free rate	2.2% - 2.8%	2.2%	3.0%

6. SHARE-BASED COMPENSATION (Continued)

A summary of stock option activity under the Incentive Plan as of December 31, 2010 and 2009, and changes during the years ended December 31, 2010 and 2009 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contract Term (yrs)	Aggregate Intrinsic Value ($000's)
Outstanding as of January 1, 2010	727,843	$ 4.60	8.4	$ 505
Granted	347,485	5.70	9.4	987
Exercised	(135,962)	—	—	—
Forfeited or Expired	(98,922)	—	—	—
Outstanding as of December 31, 2010	840,444	$ 4.99	8.6	$ 692
Vested at December 31, 2010	400,510	$ 4.84	7.9	$ 677
Vested or expected to vest at December 31, 2010	802,013	$ 5.82	9.9	$ 804

Restricted stock units

RSUs generally vest in one installment on the third anniversary of the grant date. The fair value of RSUs was based upon the Company's stock price on the date of grant. A summary of the status of the Company's non-vested RSUs as of December 31, 2010 and 2009, and changes during the years ended December 31, 2010 and 2009 is presented below:

Nonvested Restricted Stock Units	Shares	Grant Date Price	Weighted-Average Grant-Date Fair Value
Outstanding as of January 1, 2010	285,600	$ 4.63	$ 4.63
Granted	122,716	5.70	5.70
Vested	(13,302)	—	—
Forfeited	(39,716)	—	—
Outstanding as of December 31, 2010	355,298	$ 4.97	$ 5.69
Vested at December 31, 2010	13,302	$ 5.41	$ 5.41
Vested or expected to vest at December 31, 2010	319,035	$ 5.01	$ 5.01

As of December 31, 2010, there was $1.1 million of total unrecognized compensation cost related to non-vested NQSOs and RSUs granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.1 years.

Director Compensation

Beginning in May 2008, the Company used a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on our Board of Directors. Compensation is paid to non-employee directors. Directors who are not outside directors receive no additional compensation for services as members of the Board or any of its committees. All of our directors are outside directors with the exception of Jonathan W. Berger and Bruce J. Biemeck. Douglas B. Mackie, remains a director but is no longer an employee of the Company. Through December 31, 2010, he has not yet received any compensation as a director. Stock-based compensation is paid pursuant to the Incentive Plan. Each non-employee director of the Company received an annual retainer of $125,000, payable quarterly in arrears, and was paid 50% in cash and 50% in common stock of the Company.

In the years ended December 31, 2010 and 2009, 60,651 and 57,796 shares, respectively, of the Company's common stock were issued to non-employee directors under the Incentive Plan.

In September 2010, Messrs Berger and Biemeck each received 9,208 shares of the Company's common stock per the terms of their respective employment agreements.

7. INTANGIBLE ASSETS

At December 31, 2010, the net book value of identifiable intangible assets was as follows:

As of December 31, 2010	Cost	Accumulated Amortization	Net
Customer relationships	$1,481	$ 1,223	$ 258
Backlog	2,611	480	2,131
Software and databases	1,209	991	218
Non-compete agreement	744	137	607
Trade names	88	35	53
Other	83	70	13
	$6,216	$ 2,936	$3,280

At December 31, 2009, the net book value of identifiable intangible assets was as follows:

As of December 31, 2009	Cost	Accumulated Amortization	Net
Customer relationships	$1,481	$ 1,047	$ 434
Demolition backlog	480	480	—
Software and databases	1,209	849	360
Non-compete agreement	205	68	137
Trade names	88	18	70
Other	83	47	36
	$3,546	$ 2,509	$1,037

On January 1, 2009 the Company acquired a 65% interest in Yankee Environmental Services, Inc. (“Yankee”) resulting in the recognition of additional intangible assets (See Note 20). The weighted average amortization period for intangible assets acquired in 2009 is 3.2 years.

On December 31, 2010 the Company acquired the assets of L.W. Matteson, Inc. (“Matteson”) resulting in the recognition of additional intangible assets (See Note 19). The weighted average amortization period for intangible assets acquired in 2010 is 1.8 years.

Amortization expense was $427, $773 and $440, for the years ended December 31, 2010, 2009 and 2008, respectively. Prior to 2010, amortization expense was shown separately in the consolidated statements of operations, but is now included as a component of general and administrative expenses. Amortization expense related to these intangible assets is estimated to be $2,466 in 2011, $254 in 2012, $254 in 2013, $163 2014 and $143 in 2015.

8. OTHER NONCURRENT ASSETS

At December 31, 2010 and 2009, other noncurrent assets include $1,500 of cash held in escrow as security for the Company’s lease rental obligation under a long-term equipment operating lease.

9. ACCRUED EXPENSES

Accrued expenses at December 31, 2010 and 2009 are as follows:

	2010	2009
Payroll and employee benefits	$13,573	$11,233
Insurance	11,039	8,521
Income and other taxes	2,977	4,094
Percentage of completion adjustment	3,232	5,901
Interest	604	726
Other	1,384	790
Total accrued expenses	$32,809	$31,265

10. RELATED-PARTY TRANSACTIONS

The demolition business is operated out of a building owned by Christopher A. Berardi, who has a 35% profits interest in NASDI. In 2010, 2009 and 2008, NASDI paid Mr. Berardi $312, $312 and $359, respectively, for rent and property taxes.

Matteson operates out of a facility owned by Lawrence W. Matteson, former owner of Matteson. The Company will pay $95 in rent to Mr. Matteson during 2011. As the purchase of Matteson occurred on December 31, 2010, no rents were paid in 2010.

11. LONG-TERM DEBT

Long-term debt at December 31, 2010 and 2009 is as follows:

	2010	2009
Equipment notes payable	$ 366	$ 1,450
Note payable	7,500	—
Revolving credit facility	—	11,000
7.75% senior subordinated notes	175,000	175,000
Subtotal	182,866	187,450
Current portion of note payable	(2,500)	—
Current portion of equipment debt	(303)	(1,200)
Total	$180,063	$186,250

On June 12, 2007, the Company entered into a credit agreement (the “Credit Agreement”) with Bank of America N.A. as Administrative Agent and Issuing Lender, various other financial institutions as lenders and certain subsidiaries of the Company as Loan Parties. The Credit Agreement, provides for a revolving credit facility of up to $145,000 in borrowings and includes sublimits for the issuance of letters of credit and swingline loans. The revolving credit facility matures on June 12, 2012. The revolving credit facility bears interest at rates selected at the option of Great Lakes, currently equal to either LIBOR plus an applicable margin or the Base Rate plus an applicable margin. The applicable margins for LIBOR loans and Base Rate loans, as well as any non-use fee, are subject to adjustment based upon the Company’s ratio of Total Funded Debt to Adjusted Consolidated Earnings before interest, taxes, depreciation and amortization (“EBITDA”) (each as defined in the Credit Agreement).

The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed by its direct and indirect domestic subsidiaries. Additionally, the obligations are secured by a perfected first priority lien on certain equipment of Great Lakes’ subsidiary, Great Lakes Dredge & Dock Company, LLC (“GLDD Company”); a perfected second priority lien on certain other equipment of GLDD Company, subject to a perfected first priority lien in favor of Great Lakes’ bonding company; a perfected first priority lien on the intercompany receivables of Great Lakes and its direct and indirect domestic subsidiaries and having an equal priority to the liens of Great Lakes’ bonding company; and a perfected second priority lien on the accounts receivable of Great Lakes and its direct and indirect subsidiaries that relate to bonded projects. The Credit Agreement contains various covenants and restrictions, including (i) limitations on dividends to $5 million per year, (ii) limitations on redemptions and repurchases of capital stock, (iii) limitations on the incurrence of indebtedness, liens, leases, and investments, and (iv) maintenance of certain financial covenants.

As of December 31, 2010, the Company had no borrowings and $11,923 of letters of credit outstanding, resulting in $133,077 of availability under the Credit Agreement.

During a year, the Company frequently borrows and repays amounts under its revolving credit facility. The net activity in 2010 and 2009 resulted in a decrease in debt balances of $11,000 and $30,500, respectively.

11. LONG-TERM DEBT (Continued)

The Company incurred amortization of deferred financing fees related to the Credit Agreement of $590 and $593 for the years ended December 31, 2010 and 2009, respectively.

At December 31, 2010, the Company was in compliance with its various covenants under its Credit Agreement.

Great Lakes has a $24,000 International Letter of Credit Facility with Wells Fargo HSBC Trade Bank. This facility is used for performance and advance payment guarantees on foreign contracts, including our long-term land reclamation project in Bahrain ("Diyar"). The Company's obligations under the agreement are guaranteed by the Company's foreign accounts receivable. In addition, the Export-Import Bank of the United States ("Ex-Im") has issued a guarantee under the Ex-Im Bank's Working Capital Guarantee Program, which covers 90% of the obligations owing under the facility. At December 31, 2010, there were $15,703 letters of credit outstanding on this facility.

The Company has $175,000 of 7.75% senior subordinated notes ("Notes") outstanding that mature on December 15, 2013. The Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future senior debt, including borrowings under the Credit Agreement. The Company's obligations under the Notes are guaranteed on a senior subordinated basis by all of the Company's domestic subsidiaries.

In accordance with the purchase of Matteson (See Note 19), the Company issued a secured promissory note in the amount of $7,500 to the former owners of Matteson. Principal payments of $2,500 are due on December 31, 2011, 2012 and 2013. Interest payments at the rate of 6% are due quarterly.

The scheduled principal payments through the maturity date of the Company's long-term debt, excluding equipment notes, at December 31, 2010, are as follows:

Years Ending December 31	
2011	$ 2,500
2012	2,500
2013	177,500
2014	—
2015	—
Total	$182,500

In January 2011, the Company redeemed all of the Notes for $180,014, which included a premium, a redemption fee and accrued and unpaid interest. Also in January 2011 the Company issued $250,000 of 7.375% senior unsecured notes due February 1, 2019. The notes were priced at 100% of face value and the proceeds were used to redeem the Company's Notes. Proceeds received from the issuance of these notes, net of expenses were $244,899. These new notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the Notes. Each of the Company's existing and future wholly owned domestic subsidiaries are guarantors of the Notes.

The Company sometimes enters into equipment note arrangements to finance the acquisition of dozers and excavators. In 2010 and 2009, the Company entered into equipment notes totaling $109 and $615, respectively. The current portion of equipment notes payable is $303 and $1,200, at December 31, 2010 and 2009, respectively. The long-term portion of these equipment notes is included in other long-term liabilities and totaled $63 and $250 at December 31, 2010 and 2009, respectively. The terms of these equipment notes extend through 2012. The net book value of the related assets was $1,335 and $3,499 at December 31, 2010 and 2009, respectively. Payments on these equipment notes will be $303, $39, and $24 in 2011, 2012, and 2013.

12. RISK MANAGEMENT ACTIVITIES

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 December 31, 2010 and 2009, the Company held certain derivative contracts that it uses to manage commodity price risk and interest rate risk. Such instruments are not used for trading purposes. The fair value of these derivative contracts is summarized as follows:

		Fair Value Measurements at Reporting Date Using		
Description	**At December 31, 2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fuel hedge contracts	$ 595	$ —	$ 595	$ —
Interest rate swap contracts-assets	1,264	—	—	1,264
Total assets measured at fair value	$ 1,859	$ —	$ 595	$ 1,264

		Fair Value Measurements at Reporting Date Using		
Description	**At December 31, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Fuel hedge contracts	$ 897	$ —	$ 897	$ —
Interest rate swap contracts-assets	1,529	—	—	1,529
Interest rate swap contracts-liabilities	(1,549)	—	—	(1,549)
Total assets measured at fair value	$ 877	$ —	$ 897	$ (20)

Interest Rate Swaps

In May 2009, the Company entered into two interest rate swap arrangements, which are effective through December 15, 2012, to swap a notional amount of $50 million from a fixed rate of 7.75% to a floating LIBOR-based rate in order to manage the interest rate paid with respect to the Company's 7.75% senior subordinated notes. The current portion of the fair value asset of the swaps at December 31, 2010 is $816 and is recorded in other current assets. The long-term portion of the fair value asset of the swaps at December 31, 2010 was $448 and is recorded in other assets. The current portion of the fair value asset of the swap at December 31, 2009 is $1,529 and is recorded in current assets. The long-term portion of the fair value liability of the swaps at December 31, 2009 was $1,549 and is recorded in other long-term liabilities. The swap is not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

12. RISK MANAGEMENT ACTIVITIES (Continued)

The Company verifies the fair value of the interest rate swaps using a quantitative model that contains both observable and unobservable inputs. The unobservable inputs relate primarily to the LIBOR rate and long-term nature of the contracts. The Company believes that these unobservable inputs are significant and accordingly the Company determines the fair value of these interest rate swap contracts using Level 3 inputs.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps
Balance at January 1, 2009	$ —
Transfers to Level 3	—
Total unrealized gains or (losses) included in earnings	(485)
Total gains or (losses) included in other comprehensive income	—
Purchases and settlements	465
Balance at December 31, 2009	$ (20)
Transfers to Level 3	—
Total unrealized gains or (losses) included in earnings	419
Total gains or (losses) included in other comprehensive income	—
Purchases and settlements	865
Balance at December 31, 2010	$ 1,264

Fuel Hedge Contracts

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements that occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with its domestic dredging contracts. The Company does not hold or issue derivatives for speculative or trading purposes. The Company's goal is to hedge approximately 80% of the fuel requirements for work in backlog.

As of December 31, 2010, 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 October 2011. As of December 31, 2010, there were 5.3 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted fuel purchases through October 2011. Under these swap agreements, the Company will pay fixed prices ranging from $2.13 to $2.55 per gallon.

The Company designates the commodity swap contracts as a cash flow hedge as defined by GAAP. Accordingly, the Company formally documents, at the inception of each hedge, all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to highly-probable forecasted transactions.

The Company formally assesses, at inception and on an ongoing basis, the effectiveness of hedges in offsetting changes in the cash flows of hedged items. Hedge accounting treatment is discontinued when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items for forecasted fuel purchases), (2) the derivative expires or is sold, terminated or exercised, (3) it is no longer probable that the forecasted transaction will occur or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate. If management elects to stop hedge accounting for its fuel hedges, it would be on a prospective basis and any hedges in place would be recognized in Accumulated Other Comprehensive Income (Loss) ("AOCI") until all the related forecasted fuel purchases are utilized.

The Company is exposed to counterparty credit risk associated with non-performance of its hedging 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.

12. RISK MANAGEMENT ACTIVITIES (Continued)

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

At December 31, 2010 and 2009, the fair value asset on the fuel hedge contracts was estimated to be $595 and $897, respectively, and is recorded in other current assets. The gain reclassified to earnings from changes in fair value of derivatives, net of taxes, in 2010 was $321. The remaining gains included in accumulated other comprehensive income at December 31, 2010 will be reclassified into earnings over the next ten months, corresponding to the period during which the hedged fuel is expected to be utilized. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

The fair value of interest rate and fuel hedge contracts outstanding as of December 31, 2010 and 2009, respectively, is as follows:

	Fair Value of Derivatives At December 31, 2010			
	Balance Sheet Location	**Fair Value Asset**	**Balance Sheet Location**	**Fair Value Liability**
Interest rate swaps	Other current assets	$ 816	Accrued expenses	$ —
Interest rate swaps	Other assets	448	Other Liabilities	—
Fuel hedge contracts	Other current assets	595	Accrued expenses	—
Total Derivatives		$ 1,859		$ —

	Fair Value of Derivatives At December 31, 2009			
	Balance Sheet Location	**Fair Value Asset**	**Balance Sheet Location**	**Fair Value Liability**
Interest rate swaps	Other current assets	$ 1,529	Other Liabilities	$ (1,549)
Fuel hedge contracts	Other current assets	897	Accrued expenses	—
Total Derivatives		$ 2,426		$ (1,549)

13. INCOME TAXES

The provision for income taxes as of December 31, 2010, 2009 and 2008 is as follows:

	2010	**2009**	**2008**
Federal:			
Current	$11,602	$ 7,632	$1,057
Deferred	6,772	1,737	1,896
State:			
Current	2,431	1,967	1,186
Deferred	(602)	(521)	(300)
Foreign—current	351	168	—
Total	$20,554	$10,983	$3,839

13. INCOME TAXES (Continued)

The Company's income tax provision reconciles to the provision at the statutory U.S. federal income tax rate as of December 31, 2010, 2009 and 2008 as follows:

	2010	2009	2008
Tax provision at statutory U.S. federal income tax rate	$18,996	$ 9,001	$3,189
State income tax—net of federal income tax benefit	1,497	729	519
Foreign income tax benefit	440	—	—
Secondary offering expenses	—	207	—
Tax on (income) loss attributable to noncontrolling interests	268	957	(103)
Changes in unrecognized tax benefits	(1,215)	—	—
Changes in valuation allowance	59		
Other	509	89	234
Income tax provision	$20,554	$10,983	$3,839

At December 31, 2010 and 2009, the Company had net operating loss carryforwards for state income tax purposes totaling $17,481 and $7,778, respectively. The outstanding carryforwards will expire between 2017 and 2024. At December 31, 2010, a valuation allowance has been established for a portion of the deferred tax asset related to these state net operating loss carryforwards in the amount of $271.

The Company also has foreign net operating loss carryforwards of approximately $7,463 and $5,445 as of December 31, 2010 and 2009, respectively. The net operating losses expire between 2010 and 2030. At December 31, 2010 and 2009, a full valuation allowance has been established for the deferred tax asset of $1,265 and $1,477 respectively, related to foreign net operating loss carryforwards, as the Company believes it is more likely than not that the net operating loss carryforwards will not be realized.

As of December 31, 2010 and 2009, the Company had $630 and $2,038, respectively, in unrecognized tax benefits, the recognition of which would have an impact of $345 and $1,078 on the effective tax rate.

The Company does not expect that total unrecognized tax benefits will significantly increase or decrease within the next 12 months. Below is a tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period.

	2010	2009	2008
Unrecognized tax benefits—January 1	$ 2,038	$2,220	$1,867
Gross increases—tax positions in prior period	—	142	169
Gross increases—current period tax positions	—	69	184
Gross decreases—expirations in prior period	(113)	(231)	
Gross decreases—tax positions in prior period	(1,015)	(42)	
Settlements	(280)	(120)	—
Unrecognized tax benefits—December 31,	$ 630	$2,038	$2,220

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2010 and 2009, the Company had approximately $175 and $765, respectively, of interest and penalties recorded.

The Company files income tax returns at the U.S. federal level and in various state and foreign jurisdictions. U.S. federal income tax years prior to 2007 are closed and no longer subject to examination. With few exceptions, the statute of limitations in state taxing jurisdictions in which the Company operates has expired for all years prior to 2006. In foreign jurisdictions in which the Company operates all significant years are closed and are no longer subject to examination.

13. INCOME TAXES (Continued)

The Company's deferred tax assets (liabilities) at December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets:		
Accrued liabilities	$ 10,387	$ 7,075
Foreign NOLs	1,265	1,477
State NOLs	777	625
Valuation allowance	(1,536)	(1,477)
Total deferred tax assets	10,893	7,700
Deferred tax liabilities:		
Depreciation and amortization	(94,713)	(83,694)
Investment in NASDI, LLC and Yankee Environmental Services	(155)	(576)
Fuel hedges	(237)	(358)
Total deferred tax liabilities	(95,105)	(84,628)
Net deferred tax liabilities	$(84,212)	$(76,928)
As reported in the balance sheet:		
Net current deferred tax assets (included in other current assets)	$ 8,254	$ 4,714
Net noncurrent deferred tax liabilities	(92,466)	(81,642)
Net deferred tax liabilities	$(84,212)	$(76,928)

Deferred tax assets relate primarily to reserves and other liabilities for costs and expenses not currently deductible for tax purposes. Deferred tax liabilities relate primarily to the cumulative difference between book depreciation and amounts deducted for tax purposes. With the exception of certain state and foreign net operating loss carryforwards, a valuation allowance has not been recorded to reduce the balance of deferred tax assets at either December 31, 2010, or December 31, 2009, because the Company believes that it is more likely than not that the deferred income tax assets will ultimately be realized.

14. LEASE COMMITMENTS

The Company leases certain operating equipment and office facilities under long-term operating leases expiring at various dates through 2020. The equipment leases contain renewal or purchase options that specify prices at the then fair value upon the expiration of the lease terms. The leases also contain default provisions that are triggered by an acceleration of debt maturity under the terms of the Company's Credit Agreement, or, in certain instances, cross default to other equipment leases and certain lease arrangements require that the Company maintain certain financial ratios comparable to those required by its Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

In 2008 the Company entered into a sale-leaseback transaction for the vessel GL177. The Company sold the vessel for $16,665, and an immaterial loss was recorded on the sale. Proceeds of the sale were used for general corporate purposes. The Company will lease the vessel through November 2017 under a long-term operating lease.

14. LEASE COMMITMENTS (Continued)

Future minimum operating lease payments at December 31, 2010, are as follows:

2011	$ 17,372
2012	15,887
2013	14,270
2014	13,811
2015	13,832
Thereafter	33,838
Total minimum operating lease payments	$109,010

Total rent expense under long-term operating lease arrangements for the years ended December 31, 2010, 2009 and 2008 was $17,397, $17,718, and $17,480, respectively. This excludes expenses for equipment and facilities rented on a short-term, as-needed basis.

15. RETIREMENT PLANS

The Company sponsors three 401(k) savings plans, one covering substantially all non-union salaried employees ("Salaried Plan"), a second covering its non-union hourly employees ("Hourly Plan") and a third plan specifically for its employees that are members of a tugboat union. Under the Salaried Plan and Hourly Plan, individual employees may contribute a percentage of compensation and the Company will match a portion of the employees' contributions. Additionally, the Salaried Plan includes a profit-sharing component, permitting the Company to make discretionary employer contributions to all eligible employees of the Salaried Plan. The Company's expense for matching and discretionary contributions for 2010, 2009 and 2008, was $4,726, $4,086, and $3,853, respectively. Participation in and contributions to the plan for the tugboat union employees are not significant.

The Company also contributes to various multi-employer pension plans pursuant to collective bargaining agreements. In the event of a plan's termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefits. However, information from the plans' administrators is not available to permit the Company to determine its share, if any, of unfunded vested benefits. Total contributions to multi-employer pension plans for the years ended December 31, 2010, 2009 and 2008, were $8,058, $6,662, and $6,013, respectively.

16. SEGMENT INFORMATION

The Company and its subsidiaries currently operate in two reportable segments: dredging and demolition. The Company's financial reporting systems present various data for management to run the business, including profit and loss statements prepared according to the segments presented. Management uses operating income to evaluate performance between the two segments. Segment information for 2010, 2009 and 2008, is provided as follows:

	2010	2009	2008
Dredging:			
Contract revenues	$608,969	$574,311	$484,659
Operating income	70,504	49,844	22,209
Depreciation and amortization	31,532	29,853	27,751
Total assets	646,158	626,746	591,179
Property and equipment—net	315,140	281,520	287,614
Goodwill	76,575	76,575	76,575
Investment in joint ventures	7,329	7,943	8,949
Capital expenditures	28,838	23,924	43,224
Demolition:			
Contract revenues	77,953	47,933	102,220
Operating income (loss)	(2,074)	(7,593)	3,888
Depreciation and amortization	2,769	3,170	2,373
Total assets	47,667	38,680	74,976
Property and equipment—net	8,091	9,637	9,271
Goodwill	21,474	21,474	21,224
Capital expenditures	1,025	3,375	3,678
Total:			
Contract revenues	686,922	622,244	586,879
Operating income	68,430	42,251	26,097
Depreciation and amortization	34,301	33,023	30,124
Total assets	693,825	665,426	666,155
Property and equipment—net	323,231	291,157	296,885
Goodwill	98,049	98,049	97,799
Investment in joint ventures	7,329	7,943	8,949
Capital expenditures	29,863	27,299	46,902

The Company classifies the revenue related to its dredging projects into the following types of work:

	2010	2009	2008
Capital dredging—U.S.	$300,873	$203,147	$153,414
Capital dredging—foreign	82,898	134,123	172,345
Beach nourishment dredging	106,163	62,133	63,550
Maintenance dredging	119,035	174,908	95,350
Total Dredging	$608,969	$574,311	$484,659

The Company derived revenues and gross profit from foreign project operations for the years ended December 31, 2010, 2009 and 2008, as follows:

	2010	2009	2008
Contract revenues	$ 82,898	$ 134,123	$ 172,345
Costs of contract revenues	(76,708)	(124,355)	(143,333)
Gross profit	$ 6,190	$ 9,768	$ 29,012

16. SEGMENT INFORMATION (Continued)

In 2010, 2009 and 2008, the majority of the Company's foreign revenue came from projects in the Middle East, primarily Bahrain. The majority of the Company's long-lived assets are marine vessels and related equipment. At any point in time, the Company may employ certain assets outside of the U.S., as needed, to perform work on the Company's foreign projects. As of December 31, 2010 and 2009, long-lived assets with a net book value of $110,586 and $102,285, respectively, were located outside of the U.S.

The Company's pre- tax income from domestic and foreign operations for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Pre-tax income from domestic operations	$56,333	$28,745	$ (1,827)
Pre-tax income from foreign operations	(2,059)	(3,028)	10,938
Total pre-tax income	$54,274	$25,717	$ 9,111

17. CONCENTRATIONS OF RISK

The Company's primary dredging customer is the U.S. Army Corps of Engineers (the "Corps"), which has responsibility for federally funded projects related to waterway navigation and flood control. In 2010, 2009 and 2008, 53.5%, 56.0%, and 48.6%, respectively, of contract revenues were earned from dredging contracts with federal government agencies, including the Corps, as well as other federal entities such as the U.S. Coast Guard and U.S. Navy. At December 31, 2010 and 2009, approximately 32.9% and 47.4%, respectively, of accounts receivable, including contract revenues in excess of billings, were due on dredging contracts with federal government agencies. The Company depends on its ability to continue to obtain federal government dredging contracts, and indirectly, on the amount of federal funding for new and current government dredging projects. Therefore, the Company's dredging operations can be influenced by the level and timing of federal funding.

In addition, the Company's work overseas is primarily with the government of Bahrain which accounted for 8.1%, 20.3%, and 27.5% of total revenue in 2010, 2009 and 2008, respectively. At December 31, 2010 and 2009, approximately 20.7% and 35.5%, respectively, of accounts receivable, including contract revenues in excess of billings, were due on dredging contracts with the government of Bahrain. There is a dependence on future projects in the Bahrain region, as vessels are currently located there. However, certain of the vessels located in Bahrain can be moved back to the US or all can be moved to other international markets as opportunities arise.

18. COMMITMENTS AND CONTINGENCIES

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some demolition projects. The Company obtains its performance and bid bonds through a bonding agreement with a surety company that has been granted a security interest in a substantial portion of the Company's operating equipment with a net book value of $70,662 at December 31, 2010. The bonding agreement contains provisions requiring the Company to maintain certain financial ratios and restricting the Company's ability to pay dividends, incur indebtedness, create liens and take certain other actions. At December 31, 2010, the Company was in compliance with its various covenants under the bonding agreement. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from $1 million to $10 million. At December 31, 2010, the Company had outstanding performance bonds valued at approximately $368,964; however, the revenue value remaining in backlog related to these projects totaled approximately $176,487.

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.

18. COMMITMENTS AND CONTINGENCIES (Continued)

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely. 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 or its former subsidiary, NATCO Limited Partnership, is named as a defendant in approximately 251 asbestos-related personal injury lawsuits, the majority of which were filed between 1989 and 2000. All of the cases, filed against the Company prior to 1996, were administratively dismissed in May 1996 and any cases filed since that time have similarly been administratively transferred to the inactive docket. Over the last year, hundreds of lawsuits have been reactivated in an effort to clean out the administrative docket. Prior to the commencement of discovery in any of the reactivated cases, counsel for plaintiffs agreed to name a group of cases that they intended to pursue and to dismiss the remaining cases without prejudice. Plaintiffs have now named 33 cases against the Company that they intend to pursue, each of which involves one plaintiff. The remaining cases against the Company, either have been or will be dismissed. Plaintiffs in the dismissed cases could file a new lawsuit if they develop a new disease allegedly caused by exposure to asbestos on board our vessels. Management does not believe that any of the 33 lawsuits will have a material adverse impact on our consolidated financial statements. We are presently unable to quantify the amounts of damages being sought in these lawsuits because none of the complaints specify a damage amount; therefore, we have not accrued any amounts in respect of these lawsuits. We do not believe that it is probable that losses from these claims could be material, and an estimate of a range of losses relating to these claims cannot reasonably be made.

On August 26, 2009, NASDI received a letter stating that the Attorney General for the Commonwealth of Massachusetts is investigating alleged violations of the Massachusetts Solid Waste Act. NASDI believes that the Attorney General is investigating illegal dumping activities at a dump site NASDI contracted with to have waste materials disposed of between September 2007 and July 2008. Although the matter remains open, no lawsuit has been filed. Per the Attorney General's request, NASDI executed a tolling agreement regarding the matter. Should charges be brought, NASDI intends to defend itself vigorously on this matter. Based on consideration of all of the facts and circumstances now known, the Company does not believe this claim will have a material adverse impact on its financial position or results of operations and cash flows.

19. MATTESON ACQUISITION

On December 31, 2010, the Company acquired the assets of L.W. Matteson, Inc., a maintenance dredging, environmental dredging and levee construction company located in Burlington, IA, for a base purchase price of $45 million. The Matteson acquisition expands the Company's service offering into inland river, lakes and environmental dredging and levee construction using dredge material. The purchase price was subject to an adjustment based upon the closing working capital balance, which resulted in the recognition of additional purchase price of $369. Furthermore, the seller may receive cash payments for any of the calendar years ended 2011, 2012 and 2013 if certain earnings based criteria are met. Per the purchase agreement, if Business EBITDA for any of these calendar years exceeds $9.0 million but is equal to or less than $12.0 million, the earnout payment shall be an amount equal to the product of (i) the amount by which Business EBITDA for such earnout period exceeds $9.0 million multiplied by (ii) 15%, and if Business EBITDA for such earnout period is greater than $12.0 million, the earnout payment shall be in an amount equal to the sum of (i) $450 plus (ii) the product of (x) the amount by which Business EBITDA for such earnout period exceeds $12.0 million multiplied by (y) 25%. There is no limit to the amount of earnout the seller may receive. The fair value of the recorded earnout liability is $1,640 of which $547 is recorded in accrued liabilities and $1,093 is recorded in other liabilities.

Matteson operates within the dredging segment.

The acquisition was funded with $37.5 million in cash and a seller note of $7.5 million. The following table summarizes the allocation of purchase price:

Property, plant and equipment	$36,173
Inventories	4,637
Accounts receivable	4,173
Intangible assets	2,670
Other assets and liabilities - net	(644)
Total	$47,009

The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed using estimated fair values as of the acquisition date.

Amortization expense related to these intangible assets is estimated to be $2,239 in 2011, and $108 in 2012, 2013, 2014 and 2015. See Note 7 for more details on intangible assets.

As the acquisition took place on December 31, 2010, no income or earnings of Matteson were included in the consolidated statement of operations of the Company for the period ended December 31, 2010.

The following unaudited pro forma consolidated financial information present the consolidated results of operations of the Company as they may have appeared had the acquisition described above occurred as of January 1, 2009 for purposes of the unaudited pro forma consolidated statements of operations.

The unaudited pro forma consolidated financial information are provided for illustrative purposes only and do not purport to present what the actual results of operations would have been had the transaction actually occurred on the date indicated, nor does it purport to represent results of operations for any future period. The information does not reflect any cost savings or other benefits that may be obtained through synergies among the operations of the Company.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
	(Unaudited)	
Revenue as reported	$686,922	$622,244
Revenue of purchased businesses for the period prior to acquisition	37,183	41,003
Pro forma revenue	$724,105	$663,247
Net income attributable to common stockholders of Great Lakes Dredge & Dock Corporation	$ 34,609	$ 17,468
Net income of Matteson including pro forma acquisition accounting adjustments	3,257	4,134
Pro forma net income attributable to common stockholders of Great Lakes Dredge & Dock Corporation	$ 37,866	$ 21,602

20. YANKEE ACQUISITION

On January 1, 2009, the Company acquired Yankee. The acquisition of this business was accomplished as an asset purchase through a new subsidiary, Yankee Environmental Services, LLC. The total purchase price was $1,891 of which NASDI Holdings, contributed 65% of the purchase price, $1,229, with the remaining 35% of the purchase price paid by other investors, one of which is Christopher A. Berardi. Yankee provides environmental remediation services including asbestos abatement and removal of other hazardous materials to private and government entities including schools, universities, hospitals and other businesses throughout the New England area. Yankee has previously been a subcontractor on many NASDI projects, and continues to serve as a subcontractor on many NASDI projects subsequent to the acquisition. The acquisition of Yankee provides an avenue to diversify the Company's demolition business to include abatement capabilities and make NASDI more competitive on jobs requiring these services. Yankee operates within the demolition segment.

The assets and liabilities associated with this 65% interest were adjusted to their estimated fair values. A summary of the allocation of purchase price to the assets acquired is as follows:

Property, plant and equipment	$ 725
Intangible assets	879
Goodwill	250
Other assets and liabilities	37
Total	$1,891
Noncontrolling interests	662
Company's interest in Yankee	$1,229

Amortization expense related to these intangible assets is estimated to be $125 in 2011, $43 in 2012 and 2013 and $26 in 2014 and 2015. See Note 7 for more details on intangible assets.

21. SENIOR MANAGEMENT REORGANIZATION

In April 2010, the Board of Directors of the Company eliminated the position of Chief Operating Officer and created a new position, President of Dredging Operations. In connection with this operational restructuring, Richard M. Lowry, Chief Operating Officer, left the Company and is receiving severance in accordance with his Employment Agreement.

On September 7, 2010, the Company announced the resignation of Douglas B. Mackie as President and Chief Executive Officer and the appointment of Jonathan W. Berger as Chief Executive Officer. Mr. Mackie will serve as Chairman Emeritus and Senior Advisor and continue as a director through his current term which expires at the 2011 Annual Meeting of Stockholders. Also, on September 7, 2010, the Company announced the resignation of Deborah A. Wensel as Senior Vice President, Chief Financial Officer, Treasurer and Secretary and the appointment of Bruce J. Biemeck as the President and Chief Financial Officer.

The Company recorded expense of $6,428, in connection with these arrangements during 2010. These payments are being made over a one to three year period per the terms of each former executive's arrangement and, as of December 31, 2010, $4,474 remained unpaid and was included in accrued expense and other liabilities.

Effective September 7, 2010, Messrs. Berger and Biemeck continue as directors but are no longer appointed to Board Committees and Mr. Biemeck no longer serves as Lead Director.

22. SUBSIDIARY GUARANTORS

The Company's long-term debt at December 31, 2010 includes $175,000 of 7.75% senior subordinated notes which mature on December 15, 2013. The Company's obligations under the senior subordinated notes are guaranteed by the Company's domestic subsidiaries. Such guarantees are full, unconditional and joint and several. In January 2011, the Company redeemed these Notes (See Note 11).

Also in January 2011 the Company issued $250,000 of 7.375% senior unsecured notes due February 1, 2019 ("New Notes"). In connection with the private placement of the New Notes, the Company entered into an agreement giving registration rights to initial purchasers of the New Notes (the "Registration Rights Agreement"). The terms of the Registration Rights Agreement require, among other things, that the Company will use its commercially reasonable efforts to consummate an offer to exchange the New Notes for registered, publicly tradable notes that have substantially identical terms as the New Notes (the "Exchange Notes"). The Exchange Notes will be guaranteed by the Company's wholly-owned domestic subsidiaries (the "Exchange Notes Guarantors"). Such guarantees are full, unconditional and joint and several. The Exchange Note Guarantors are presented in this supplemental financial information as "Subsidiary Guarantors." The New Notes and the Exchange Notes are not included in this supplemental financial information as they were issued subsequent to December 31, 2010.

In April 2011 and effective as of January 2011, the Company acquired the remaining non-controlling equity interest in NASDI that the Company did not previously own. As a result, NASDI became a wholly-owned domestic subsidiary and a Subsidiary Guarantor. The entity has been presented as such in this supplemental financial information.

In conjunction with the redemption of the Notes, Yankee ceased to guarantee any public indebtedness of the Company. As a result, Yankee became a non-guarantor subsidiary. The entity has been presented as such in this supplemental financial information.

The following supplemental financial information sets forth for the Company's 100%-Owned Subsidiary Guarantors (on a combined basis), the Company's non-guarantor subsidiaries (on a combined basis) and Great Lakes Dredge & Dock Corporation, exclusive of its subsidiaries ("GLDD Corporation"):

(i) balance sheets as of December 31, 2010 and 2009;

(ii) statements of operations for the years ended December 31, 2010, 2009 and 2008; and

(iii) statements of cash flows for the year ended December 31, 2010, 2009 and 2008.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2010

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 48,416	$ 62	$ —	$ —	$ 48,478
Accounts receivable—net	93,983	1,565	—	—	95,548
Receivables from affiliates	5,338	5,798	6,745	(17,881)	—
Contract revenues in excess of billings	24,777	94	—	(29)	24,842
Inventories	31,734	—	—	—	31,734
Prepaid expenses	3,246	—	202	—	3,448
Other current assets	9,853	8	9,058	—	18,919
Total current assets	217,347	7,527	16,005	(17,910)	222,969
PROPERTY AND EQUIPMENT—Net	322,958	273	—	—	323,231
GOODWILL	97,799	250	—	—	98,049
OTHER INTANGIBLE ASSETS—Net	3,017	263	—	—	3,280
INVESTMENTS IN SUBSIDIARIES	2,311	—	528,425	(530,736)	—
INVENTORIES—Noncurrent	27,128	—	—	—	27,128
INVESTMENTS IN JOINT VENTURES	7,329	—	—	—	7,329
OTHER ASSETS	7,704	—	4,350	(215)	11,839
TOTAL	$685,593	$ 8,313	$ 548,780	$(548,861)	$ 693,825
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 81,534	$ 1,187	$ —	$ —	$ 82,721
Payables to affiliates	14,151	3,655	—	(17,806)	—
Accrued expenses	30,511	693	1,605	—	32,809
Billings in excess of contract revenues	14,121	467	—	(104)	14,484
Current portion of note payable	2,500	—	—	—	2,500
Current portion of equipment debt	303	—	—	—	303
Total current liabilities	143,120	6,002	1,605	(17,910)	132,817
LONG TERM NOTE PAYABLE	5,000	—	—	—	5,000
7 3/4% SENIOR SUBORDINATED NOTES	—	—	175,000	—	175,000
DEFERRED INCOME TAXES	—	—	92,681	(215)	92,466
OTHER	9,048	—	2,669	—	11,717
Total liabilities	157,168	6,002	271,955	(18,125)	417,000
Total Great Lakes Dredge & Dock Corporation Equity	528,425	2,311	278,953	(530,736)	278,953
NONCONTROLLING INTERESTS	—	—	(2,128)	—	(2,128)
TOTAL EQUITY	528,425	2,311	276,825	(530,736)	276,825
TOTAL	$685,593	$ 8,313	$ 548,780	$(548,861)	$ 693,825

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2009

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,028	$ 222	$ —	$ —	$ 3,250
Accounts receivable—net	152,274	1,627	—	—	153,901
Receivables from affiliates	4,558	4,661	17,881	(27,100)	—
Contract revenues in excess of billings	28,004	42	—	(42)	28,004
Inventories	29,192	—	—	—	29,192
Prepaid expenses	2,443	—	201	—	2,644
Other current assets	9,172	38	6,235	—	15,445
Total current assets	228,671	6,590	24,317	(27,142)	232,436
PROPERTY AND EQUIPMENT—Net	290,707	450	—	—	291,157
GOODWILL	97,799	250	—	—	98,049
OTHER INTANGIBLE ASSETS—Net	639	398	—	—	1,037
INVESTMENTS IN SUBSIDIARIES	4,029	—	490,191	(494,220)	—
INVENTORIES—Noncurrent	27,662	—	—	—	27,662
INVESTMENTS IN JOINT VENTURES	7,943	—	—	—	7,943
OTHER ASSETS	2,074	—	5,509	(441)	7,142
TOTAL	$659,524	$ 7,688	$ 520,017	$(521,803)	$ 665,426
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 83,388	$ 395	$ —	$ —	$ 83,783
Payables to affiliates	24,384	2,758	—	(27,142)	—
Accrued expenses	28,054	306	2,905	—	31,265
Billings in excess of contract revenues	24,701	200	—	—	24,901
Current portion of equipment debt	1,200	—	—	—	1,200
Total current liabilities	161,727	3,659	2,905	(27,142)	141,149
REVOLVING CREDIT FACILITY	—	—	11,000	—	11,000
7 3/4% SENIOR SUBORDINATED NOTES	—	—	175,000	—	175,000
DEFERRED INCOME TAXES	2	—	82,081	(441)	81,642
OTHER	7,604	—	4,482	—	12,086
Total liabilities	169,333	3,659	275,468	(27,583)	420,877
Total Great Lakes Dredge & Dock Corporation Equity	490,191	4,029	245,788	(494,220)	245,788
NONCONTROLLING INTERESTS	—	—	(1,239)	—	(1,239)
TOTAL EQUITY	490,191	4,029	244,549	(494,220)	244,549
TOTAL	$659,524	$ 7,688	$ 520,017	$(521,803)	$ 665,426

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CONTRACT REVENUES	$ 683,460	$ 8,538	$ —	$ (5,076)	$ 686,922
COSTS OF CONTRACT REVENUES	(559,754)	(9,462)	—	5,076	(564,140)
GROSS PROFIT (LOSS)	123,706	(924)	—	—	122,782
GENERAL AND ADMINISTRATIVE EXPENSES	(50,084)	(702)	(3,566)	—	(54,352)
Total operating income (loss)	73,622	(1,626)	(3,566)	—	68,430
INTEREST EXPENSE (Net)	26	(95)	(13,473)	—	(13,542)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(1,721)	—	72,886	(71,165)	—
EQUITY IN LOSS OF JOINT VENTURE	(614)	—	—	—	(614)
INCOME (LOSS) BEFORE INCOME TAXES	71,313	(1,721)	55,847	(71,165)	54,274
INCOME TAX (PROVISION) BENEFIT	1,573	—	(22,127)	—	(20,554)
NET INCOME (LOSS)	72,886	(1,721)	33,720	(71,165)	33,720
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	889	—	889
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	$ 72,886	$ (1,721)	$ 34,609	$ (71,165)	$ 34,609

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CONTRACT REVENUES	$ 618,556	$ 7,776	$ —	$ (4,088)	$ 622,244
COSTS OF CONTRACT REVENUES	(530,803)	(7,240)	(45)	4,088	(534,000)
GROSS PROFIT (LOSS)	87,753	536	(45)	—	88,244
GENERAL AND ADMINISTRATIVE EXPENSES	(41,809)	(1,034)	(3,150)	—	(45,993)
Total operating income (loss)	45,944	(498)	(3,195)	—	42,251
INTEREST EXPENSE (Net)	(41)	(115)	(15,994)	—	(16,150)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(613)	—	47,308	(46,695)	—
EQUITY IN LOSS OF JOINT VENTURE	(384)	—	—	—	(384)
INCOME (LOSS) BEFORE INCOME TAXES	44,906	(613)	28,119	(46,695)	25,717
INCOME TAX (PROVISION) BENEFIT	2,402	—	(13,385)	—	(10,983)
NET INCOME (LOSS)	47,308	(613)	14,734	(46,695)	14,734
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	2,734	—	2,734
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	$ 47,308	$ (613)	$ 17,468	$ (46,695)	$ 17,468

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CONTRACT REVENUES	$ 586,879	$ —	$ —	$ —	$ 586,879
COSTS OF CONTRACT REVENUES	(517,379)	—	(197)	—	(517,576)
GROSS PROFIT (LOSS)	69,500	—	(197)	—	69,303
GENERAL AND ADMINISTRATIVE EXPENSES	(41,486)	(64)	(1,656)	—	(43,206)
Total operating income (loss)	28,014	(64)	(1,853)	—	26,097
INTEREST EXPENSE—Net	(1,027)	—	(15,944)	—	(16,971)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(42)	—	25,946	(25,904)	—
EQUITY IN LOSS OF JOINT VENTURE	(15)	—	—	—	(15)
INCOME (LOSS) BEFORE INCOME TAXES	26,930	(64)	8,149	(25,904)	9,111
INCOME TAX (PROVISION) BENEFIT	(984)	22	(2,877)	—	(3,839)
NET INCOME (LOSS)	25,946	(42)	5,272	(25,904)	5,272
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	—	—	(293)	—	(293)
NET INCOME (LOSS) LOSS ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	$ 25,946	$ (42)	$ 4,979	$ (25,904)	$ 4,979

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES—					
Net cash flows provided by (used in) operating activities	$157,248	$ (1,026)	$ (32,691)	$ —	$ 123,531
INVESTING ACTIVITIES:					
Purchases of property and equipment	(25,204)	(54)	—	—	(25,258)
Dispositions of property and equipment	414	17	—	—	431
Acquisition of L.W. Matteson	(37,869)	—	—	—	(37,869)
Net cash flows used in investing activities	(62,659)	(37)	—	—	(62,696)
FINANCING ACTIVITIES:					
Borrowings under revolving loans	—	—	14,968	—	14,968
Repayments of revolving loans	—	—	(25,968)	—	(25,968)
Exercise of stock options	656	—	—	—	656
Dividends paid	—	—	(4,012)	—	(4,012)
Net change in accounts with affiliates	(48,606)	903	47,703	—	—
Repayments of long-term debt	(1,186)	—	—	—	(1,186)
Repayment of capital lease debt	(65)	—	—	—	(65)
Net cash flows provided by (used in) financing activities	(49,201)	903	32,691	—	(15,607)
NET CHANGE IN CASH AND EQUIVALENTS	45,388	(160)	—	—	45,228
CASH AND CASH EQUIVALENTS—Beginning of year	3,028	222	—	—	3,250
CASH AND CASH EQUIVALENTS—End of year	$ 48,416	$ 62	$ —	$ —	$ 48,478

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2009

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES—					
Net cash flows provided by (used in) operating activities	$ 82,946	$ (2,545)	$ (26,403)	$ —	$ 53,998
INVESTING ACTIVITIES:					
Purchases of property and equipment	(24,666)	—	—	—	(24,666)
Dispositions of property and equipment	1,028	—	—	—	1,028
Acquisition of controlling interest in Yankee Environmental Services	(1,229)	(1,891)	—	1,891	(1,229)
Net cash flows used in investing activities	(24,867)	(1,891)	—	1,891	(24,867)
FINANCING ACTIVITIES:					
Borrowings under revolving loans	—	—	158,877	—	158,877
Repayments of revolving loans	—	—	(189,377)	—	(189,377)
Dividends paid	—	—	(3,992)	—	(3,992)
Members’ capital contribution to acquire assets of Yankee	—	1,891	—	(1,891)	—
Net change in accounts with affiliates	(63,657)	2,762	60,895	—	—
Repayments of long-term debt	(1,774)	—	—	—	(1,774)
Repayment of capital lease debt	(93)	—	—	—	(93)
Distributions from subsidiaries	—	—	—	—	—
Net cash flows provided by (used in) financing activities	(65,524)	4,653	26,403	(1,891)	(36,359)
NET CHANGE IN CASH AND EQUIVALENTS	(7,445)	217	—	—	(7,228)
CASH AND CASH EQUIVALENTS—Beginning of year	10,473	5	—	—	10,478
CASH AND CASH EQUIVALENTS—End of year	$ 3,028	$ 222	$ —	$ —	$ 3,250

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES—					
Net cash flows provided by (used in) operating activities	$ 38,820	$ (42)	$ (23,973)	$ —	$ 14,805
INVESTING ACTIVITIES:					
Purchases of property and equipment	(44,484)	—	—	—	(44,484)
Dispositions of property and equipment	17,445	—	—	—	17,445
Changes in restricted cash	787	—	—	—	787
Purchase NASDI minority interest shares	(5)	—	—	—	(5)
Net cash flows used in investing activities	(26,257)	—	—	—	(26,257)
FINANCING ACTIVITIES:					
Borrowings under revolving loans	—	—	222,443	—	222,443
Repayments of revolving loans	—	—	(202,443)	—	(202,443)
Dividends paid	(3,981)	—	—	—	(3,981)
Net change in accounts with affiliates	(4,020)	41	3,979	—	—
Repayments of long-term debt	(2,148)	—	—	—	(2,148)
Repayment of capital lease debt	(174)	—	—	—	(174)
Repurchase of preferred and common shares	—	—	(6)	—	(6)
Net cash flows provided by (used in) financing activities	(10,323)	41	23,973	—	13,691
NET CHANGE IN CASH AND EQUIVALENTS	2,240	(1)	—	—	2,239
CASH AND CASH EQUIVALENTS—Beginning of year	8,233	6	—	—	8,239
CASH AND CASH EQUIVALENTS—End of year	$ 10,473	$ 5	$ —	$ —	$ 10,478

GREAT LAKES DREDGE & DOCK CORPORATION

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008

(In thousands)

		Additions			
Description	**Beginning Balance**	**Charged to costs and expenses**	**Charged to other accounts**	**Deductions**	**Ending balance**
Year ended December 31, 2008					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 1,489	$ —	$ —	$ (239)	$1,250
Year ended December 31, 2009					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 1,250	$ 69	$ —	$ (69)	$1,250
Year ended December 31, 2010					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	$ 1,250	$ 447	$ —	$ (42)	$1,655

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period ended March 31, 2011

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(Unaudited)
(in thousands, except share and per share amounts)

	March 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$104,529	$ 48,478
Accounts receivable—net	113,743	95,548
Contract revenues in excess of billings	20,897	24,842
Inventories	30,767	31,734
Prepaid expenses	3,433	3,448
Other current assets	23,592	18,919
Total current assets	296,961	222,969
PROPERTY AND EQUIPMENT—Net	316,376	323,231
GOODWILL	98,049	98,049
OTHER INTANGIBLE ASSETS—Net	2,633	3,280
INVENTORIES—Noncurrent	28,091	27,128
INVESTMENTS IN JOINT VENTURES	6,738	7,329
OTHER	16,963	11,839
TOTAL	$765,811	$ 693,825
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 79,412	$ 82,721
Accrued expenses	29,685	32,809
Billings in excess of contract revenues	16,071	14,484
Current portion of note payable	2,500	2,500
Current portion of equipment debt	179	303
Total current liabilities	127,847	132,817
LONG TERM NOTE PAYABLE	5,000	5,000
7 3/8% SENIOR NOTES	250,000	—
7 3/4% SENIOR SUBORDINATED NOTES	—	175,000
DEFERRED INCOME TAXES	91,957	92,466
OTHER	9,770	11,717
Total liabilities	484,574	417,000
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock—$.0001 par value; 90,000,000 authorized, 58,813,584 and 58,770,369 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively.	6	6
Additional paid-in capital	266,809	266,329
Accumulated earnings	13,648	12,261
Accumulated other comprehensive income	923	357
Total Great Lakes Dredge & Dock Corporation Equity	281,386	278,953
NONCONTROLLING INTERESTS	(149)	(2,128)
Total equity	281,237	276,825
TOTAL	$765,811	$ 693,825

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 data)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Contract revenues	$155,338	$161,400
Costs of contract revenues	127,638	130,916
Gross profit	27,700	30,484
General and administrative expenses	12,089	11,070
Operating income	15,611	19,414
Interest expense, net	(5,950)	(3,220)
Equity in loss of joint ventures	(591)	(722)
Loss on extinguishment of debt	(5,145)	—
Income before income taxes	3,925	15,472
Income tax provision	(1,527)	(6,239)
Net income	2,398	9,233
Net (income) loss attributable to noncontrolling interests	(6)	93
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 2,392	$ 9,326
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.04	$ 0.16
Basic weighted average shares	58,785	58,548
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.04	$ 0.16
Diluted weighted average shares	59,237	58,703
Dividends declared per share	$ 0.02	$ 0.02

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
BALANCE—January 1, 2011	58,770,369	$ 6	$266,329	$ 12,261	$ 357	$ (2,128)	$276,825
Share-based compensation	43,215	—	520	—	—	—	520
Acquisition of noncontrolling interest in NASDI	—	—	(40)	—	—	1,973	1,933
Dividends declared and paid	—	—	—	(1,005)	—	—	(1,005)
Comprehensive income (loss):							
Net income	—	—	—	2,392	—	6	2,398
Reclassification of derivative gains to earnings (net of tax of $414)	—	—	—	—	(623)	—	(623)
Change in fair value of derivatives (net of tax of $790)	—	—	—	—	1,189	—	1,189
Total comprehensive income						6	2,964
BALANCE—March 31, 2011	58,813,584	$ 6	$266,809	$ 13,648	$ 923	$ (149)	$281,237

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated (Deficit)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
BALANCE—January 1, 2010	58,542,038	$ 6	$263,579	$ (18,336)	$ 539	$ (1,239)	$244,549
Share-based compensation	17,856	—	300	—	—	—	300
Dividends declared and paid	—	—	—	(1,000)	—	—	(1,000)
Comprehensive income (loss):							
Net income (loss)	—	—	—	9,326	—	(93)	9,233
Reclassification of derivative gains to earnings (net of tax of $98)	—	—	—	—	(148)	—	(148)
Change in fair value of derivatives (net of tax of $20)	—	—	—	—	30	—	30
Total comprehensive income (loss)						(93)	9,115
BALANCE—March 31, 2010	58,559,894	$ 6	$263,879	$ (10,010)	$ 421	$ (1,332)	$252,964

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
OPERATING ACTIVITIES:		
Net income	$ 2,398	$ 9,233
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	9,566	9,439
Equity in loss of joint ventures	591	722
Loss on extinguishment of 7 3/4% senior subordinated notes	5,145	—
Deferred income taxes	21	(1,031)
Gain on dispositions of property and equipment	(267)	(183)
Amortization of deferred financing fees	389	402
Share-based compensation expense	520	300
Changes in assets and liabilities:		
Accounts receivable	(18,365)	27,549
Contract revenues in excess of billings	3,945	9,573
Inventories	4	458
Prepaid expenses and other current assets	(4,535)	2,280
Accounts payable and accrued expenses	(4,160)	(19,724)
Billings in excess of contract revenues	1,587	(155)
Other noncurrent assets and liabilities	(2,390)	(1,664)
Net cash flows provided by (used in) operating activities	(5,551)	37,199
INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,420)	(7,230)
Proceeds from dispositions of property and equipment	258	158
Net cash flows used in investing activities	(4,162)	(7,072)
FINANCING ACTIVITIES:		
Proceeds from issuance of 7 3/8% senior notes	250,000	—
Redemption of 7 3/4% senior subordinated notes	(175,000)	—
Senior subordinated notes redemption premium	(2,264)	—
Deferred financing fees	(5,829)	—
Dividends paid	(1,005)	(1,000)
Repayments of long-term debt	(135)	(451)
Repayment of capital lease debt	(3)	(1)
Borrowings under revolving loans	—	14,968
Repayments of revolving loans	—	(25,968)
Net cash flows provided by (used in) financing activities	65,764	(12,452)
Net change in cash and cash equivalents	56,051	17,675
Cash and cash equivalents at beginning of period	48,478	3,250
Cash and cash equivalents at end of period	$ 104,529	$ 20,925
Supplemental Cash Flow Information		
Cash paid for interest	$ 2,972	$ 265
Cash paid for income taxes	$ 1,084	$ 2,203
Non-cash Investing Activity		
Property and equipment purchased but not yet paid	$ 6,766	$ 520
Property and equipment purchased on equipment notes	$ —	$ 32
Non-cash Financing Activity		
Acquisition of noncontrolling interest in NASDI, LLC	$ 40	$ —

See notes to unaudited condensed consolidated financial statements.

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 filed on Form 10-K for the year ended December 31, 2010. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company's financial position as of March 31, 2011 and its results of operations and cash flows for the three months ended March 31, 2011 and 2010 have been included.

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

The Company's cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. These costs have averaged approximately 21% to 22% of total costs of contract revenues over the last three years. During the year, both equipment utilization and the timing of fixed cost expenditures fluctuate significantly. Accordingly, the Company allocates these fixed equipment costs to interim periods in proportion to revenues recognized over the year to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on its dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over- and- under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year.

The Company operates in two reportable segments: dredging and demolition. These reportable segments are the Company's operating segments and the reporting units at which the Company tests goodwill for impairment. The Company performed its most recent annual test of impairment as of July 1, 2010 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. As of the test date, the fair value of both the dredging segment and the demolition segment were in excess of their carrying values by approximately 25%. No test was performed in the 2011 first quarter because, based on each segment's current forecast, no triggering event occurred that would require a test to be performed. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2011 unless a triggering event occurs that requires a test prior to the next annual test.

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

2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to Great Lakes Dredge & Dock Corporation 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. At March 31, 2011 and 2010, the impact of options to purchase shares of common stock was dilutive and, accordingly, no options are excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. In addition, the impact of restricted stock units was dilutive. The computations for basic and diluted earnings per share from continuing operations are as follows:

	Three Months Ended March 31,	
	2011	**2010**
Numerator:		
Net income attributable to Great Lakes Dredge & Dock Corporation - numerator for basic and diluted earnings per share	$ 2,392	$ 9,326
Denominator:		
Denominator for basic earnings per share - weighted average shares outstanding	58,785	58,548
Dilutive impact of outstanding restricted stock units issued	238	127
Dilutive impact of outstanding stock options issued	214	28
Denominator for diluted earnings per share adjusted weighted average shares	59,237	58,703
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.04	$ 0.16
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.04	$ 0.16

3. Fair value measurements

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

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

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

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

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. At March 31, 2011, the Company held certain derivative contracts that it uses to manage commodity price risk and interest rate risk. Such instruments are not used for trading purposes. The fair value of these derivative contracts is summarized as follows:

		Fair Value Measurements at Reporting Date Using		
Description	At March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ 1,536	$ —	$ 1,536	$ —
Interest rate swap contracts-assets	1,299	—	—	1,299
Total assets measured at fair value	$ 2,835	$ —	$ 1,536	$ 1,299

		Fair Value Measurements at Reporting Date Using		
Description	At December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ 595	$ —	$ 595	$ —
Interest rate swap contracts-assets	1,264	—	—	1,264
Total assets measured at fair value	$ 1,859	$ —	$ 595	$ 1,264

In May 2009, the Company entered into two interest rate swap arrangements, which are effective through December 15, 2012, to swap a notional amount of $50 million from a fixed rate of 7.75% to a floating LIBOR-based rate in order to manage the interest rate paid with respect to the Company's 7.75% senior subordinated notes. Although the senior subordinated notes were redeemed in January 2011, the swaps remained in place. The current portion of the fair value asset of the swaps at March 31, 2011 is $1,206 and is recorded in other current assets. The long-term portion of the fair value asset of the swaps at March 31, 2011 is $93 and is recorded in other assets. The current portion of the fair value asset of the swaps at December 31, 2010 was $816 and was recorded in other current assets. The long-term portion of the fair value asset of the swaps at December 31, 2010 was $448 and was recorded in other assets. The swap is not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

The Company verifies the fair value of the interest rate swaps using a quantitative model that contains both observable and unobservable inputs. The unobservable inputs relate primarily to the LIBOR rate and long-term nature of the contracts. The Company believes that these unobservable inputs are significant and accordingly the Company determines the fair value of these interest rate swap contracts using Level 3 inputs.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2011	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2010
Balance at January 1,	$ 1,264	$ (20)
Total unrealized gains included in earnings	35	794
Total gains included in other comprehensive income	—	—
Purchases	—	—
Settlements	—	—
Balance at March 31,	$ 1,299	$ 774

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements that occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with its domestic dredging contracts. The Company does not hold or issue derivatives for speculative or trading purposes. The Company's goal is to hedge approximately 80% of the fuel requirements for work in backlog.

As of March 31, 2011, 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 December 2011. As of March 31, 2011, there were 4.2 million gallons remaining on these contracts which represent approximately 66% of the Company's forecasted fuel purchases through December 2011. Under these swap agreements, the Company will pay fixed prices ranging from $2.14 to $3.10 per gallon.

At March 31, 2011 and December 31, 2010, the fair value asset on the fuel hedge contracts was estimated to be $1,536 and $595, respectively, and is recorded in other current assets. The gain reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the period ended March 31, 2011 was $1,189. The remaining gains included in accumulated other comprehensive income at December 31, 2010 will be reclassified into earnings over the next nine months, corresponding to the period during which the hedged fuel is expected to be utilized. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

The fair value of interest rate and fuel hedge contracts outstanding as of March 31, 2011 and December 31, 2010 is as follows:

	Fair Value of Derivatives At March 31, 2011			
	Balance Sheet Location	Fair Value Asset	Balance Sheet Location	Fair Value Liability
Fuel hedge contracts	Other current assets	$ 1,536	Accrued expenses	$ —
Interest rate swaps	Other current assets	1,206	Accrued expenses	—
Interest rate swaps	Other noncurrent assets	93	Other Liabilities	—
Total Derivatives		$ 2,835		$ —

	Fair Value of Derivatives At December 31, 2010			
	Balance Sheet Location	Fair Value Asset	Balance Sheet Location	Fair Value Liability
Interest rate swaps	Other current assets	$ 816	Other Liabilities	$ —
Interest rate swaps	Other noncurrent assets	448	Other Liabilities	—
Fuel hedge contracts	Other current assets	595	Accrued expenses	—
Total Derivatives		$ 1,859		$ —

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. At December 31, 2010, the Company had long-term senior subordinated notes outstanding with a recorded book value of $175,000. The fair value of the senior subordinated notes was $177,188 at December 31, 2010, based on indicative market prices. In January 2011, the Company redeemed all of the senior subordinated notes for $180,014, which included a redemption premium and accrued and unpaid interest. Also in January 2011, the Company issued $250,000 of 7.375% senior notes due February 1, 2019. The senior notes were issued at 100% of face value resulting in net proceeds of $244,171. The senior notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the senior notes. Each of the Company's existing and future wholly owned domestic subsidiaries are required to guarantee the senior notes. At March 31, 2011, the Company had long-term senior notes outstanding with a recorded book value of $250,000. The fair value of the senior notes was $253,125 at March 31, 2011, based on indicative market prices.

4. Accounts receivable

Accounts receivable at March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Completed contracts	$ 21,586	$ 20,093
Contracts in progress	79,710	64,399
Retainage	14,086	12,711
	115,382	97,203
Allowance for doubtful accounts	(1,639)	(1,655)
Total accounts receivable	$113,743	$ 95,548

At March 31, 2011 and December 31, 2010, $6,093 and $5,923, respectively, of retainage was not expected to be collected within the next twelve months and is classified as other non-current assets.

5. Contracts in progress

The components of contracts in progress at March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	$ 140,408	$ 287,291
Amounts billed	(120,919)	(263,665)
Costs and earnings in excess of billings for contracts in progress	19,489	23,626
Costs and earnings in excess of billings for completed contracts	1,408	1,216
Total contract revenues in excess of billings	$ 20,897	$ 24,842
Billings in excess of costs and earnings:		
Amounts billed	$(519,513)	$ (429,688)
Costs and earnings for contracts in progress	503,442	415,204
Total billings in excess of contract revenues	$ (16,071)	$ (14,484)

6. Accrued expenses

Accrued expenses at March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Insurance	$ 11,328	$ 11,039
Payroll and employee benefits	7,081	13,573
Percentage of completion adjustment	3,289	3,232
Interest	3,228	604
Income and other taxes	2,911	2,977
Other	1,848	1,384
Total accrued expenses	$ 29,685	$ 32,809

7. Segment information

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

	Three Months Ended March 31,	
	2011	2010
Dredging		
Contract revenues	$ 136,597	$ 149,041
Operating income	17,821	19,569
Demolition		
Contract revenues	$ 18,741	$ 12,359
Operating loss	(2,210)	(155)
Total		
Contract revenues	$ 155,338	$ 161,400
Operating income	15,611	19,414

In addition, foreign dredging revenue of $21,871 and $25,572 for the three months ended March 31, 2011 and March 31, 2010, respectively, was primarily attributable to work done in Bahrain.

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

8. Commitments and contingencies

Commercial commitments

The Company entered into a credit agreement (the "Credit Agreement") with Bank of America N.A. as Administrative Agent and Issuing Lender, various other financial institutions as lenders and certain subsidiaries of the Company as Loan Parties. The Credit Agreement provides for a revolving credit facility of up to $145,000 in borrowings and includes sublimits for the issuance of letters of credit and swingline loans. The revolving credit facility matures on June 12, 2012. The revolving credit facility bears interest at rates selected at the option of Great Lakes, currently equal to either LIBOR plus an applicable margin or the Base Rate plus an applicable margin. The applicable margins for LIBOR loans and Base Rate loans, as well as any non-use fee, are subject to adjustment based upon the Company's ratio of Total Funded Debt to Adjusted Consolidated EBITDA (each as defined in the Credit Agreement). As of March 31, 2011, the Company had no borrowings and $9,468 of letters of credit outstanding, resulting in $135,532 of availability under the Credit Agreement.

The Company obtains its performance, bid and payment bonds through a bonding agreement (the "Bonding Agreement") with Travelers Casualty and Surety Company of America. The bonds issued under the Bonding Agreement are customarily required for dredging and marine construction projects, as well as demolition projects. As of March 31, 2011, Great Lakes had outstanding bonds valued at $296,469; however, the revenue value remaining in backlog related to these projects totaled approximately $139,582.

The Company has a $24,000 international letter of credit facility that it uses for the performance and advance payment guarantees on the Company's foreign contracts. As of March 31, 2011, Great Lakes had $15,703 of letters of credit outstanding under this facility.

The Company also has $250,000 of 7.375% senior notes outstanding, which mature in February 2019.

The Company's obligations under the Credit Agreement and Bonding Agreement are secured by liens on a substantial portion of Great Lakes' assets. As of December 31, 2010, the net book value of the Company's operating equipment securing the Company's obligations under the Credit Agreement and Bonding Agreement was approximately $95,658 and $70,662, respectively. Great Lakes' obligations under its international letter of credit facility are secured by the Company's foreign accounts receivable. Great Lakes' obligations under its senior notes are unsecured.

The Credit Agreement, the Bonding Agreement and the Indenture relating to the senior notes contain various restrictive covenants, including a limitation on dividends, limitations on redemption and repurchases of capital stock, limitations on the incurrence of indebtedness and requirements to maintain certain financial covenants.

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

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely. 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 or its former subsidiary, NATCO Limited Partnership, is named as a defendant in approximately 251 asbestos-related personal injury lawsuits, the majority of which were filed between 1989 and 2000. All of the cases, filed against the Company prior to 1996, were administratively dismissed in May 1996 and any cases filed since that time have similarly been administratively transferred to the inactive docket. Over the last year, hundreds of lawsuits have been reactivated in an effort to clean out the administrative docket. Prior to the commencement of discovery in any of the reactivated cases, counsel for plaintiffs agreed to name a group of cases that they intended to pursue and to dismiss the remaining cases without prejudice. Plaintiffs have currently named 38 cases against the Company that they intend to pursue, each of which involves one plaintiff. The remaining cases against the Company either have been or will be dismissed. Plaintiffs in the dismissed cases could file a new lawsuit if they develop a new disease allegedly caused by exposure to asbestos on board our vessels. The Company is presently unable to quantify the amounts of damages being sought in these lawsuits because none of the complaints specify a damage amount; therefore, the Company has not accrued any amounts in respect of these lawsuits. The Company does not believe that it is probable that losses from these claims could be material, and an estimate of a range of losses relating to these claims cannot reasonably be made. Based on the foregoing, management does not believe that any of the 38 lawsuits will have a material adverse impact on our consolidated financial statements.

On August 26, 2009, the Company's subsidiary NASDI, LLC ("NASDI") received a letter stating that the Attorney General for the Commonwealth of Massachusetts is investigating alleged violations of the Massachusetts Solid Waste Act. The Company believes that the Massachusetts Attorney General is investigating illegal dumping activities at a dump site NASDI contracted with to have waste materials disposed of between September 2007 and July 2008. Per the Massachusetts Attorney General's request, NASDI executed a tolling agreement regarding the matter and has engaged in further discussions with the Massachusetts Attorney General's office. The matter remains open, and, to the Company's knowledge, no proceedings have currently been initiated against NASDI in this matter. Should a claim be brought, NASDI intends to defend itself vigorously. Based on consideration of all of the facts and circumstances now known, the Company does not believe this claim will have a material adverse impact on its business, financial position, results of operations or cash flows.

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

On April 6, 2011, NASDI received a subpoena from the District Attorney for Richmond County, New York in connection with a grand jury investigation. The subpoena directs NASDI to furnish certain documents relating to one project performed by NASDI and one of its subcontractors. The subpoena appears to be related to the activities of NASDI's subcontractor for this project. The Company is conducting an internal investigation into this matter and is fully cooperating with the New York grand jury subpoena.

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

9. Acquisition of noncontrolling interest

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

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

10. Subsidiary Guarantors

The Company's long-term debt at March 31, 2011 includes $250,000 of 7.375% senior notes due February 1, 2019. The Company's obligations under these senior notes are guaranteed by the Company's wholly-owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several.

In connection with the private placement of the senior notes, the Company entered into an agreement giving registration rights to initial purchasers of the senior notes (the "Registration Rights Agreement"). The terms of the Registration Rights Agreement require, among other things, that the Company will use its commercially reasonable efforts to consummate an offer to exchange the senior notes for registered, publicly tradable notes that have substantially identical terms as the senior notes (the "Exchange Notes"). The Exchange Notes will be guaranteed by the Company's wholly-owned domestic subsidiaries (the "Exchange Notes Guarantors"). The Exchange Note Guarantors are presented in this supplemental financial information as "Subsidiary Guarantors." The Exchange Notes are not included in this supplemental financial information as they were issued subsequent to March 31, 2011.

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

(i) balance sheets as of March 31, 2011 and December 31, 2010;

(ii) statements of operations for the three months ended March 31, 2011 and 2010; and

(iii) statements of cash flows for the three months ended March 31, 2011 and 2010.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF MARCH 31, 2011

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$104,155	$ 374	$ —	$ —	$ 104,529
Accounts receivable—net	111,951	1,792	—	—	113,743
Receivables from affiliates	22,664	6,834	68,461	(97,959)	—
Contract revenues in excess of billings	20,897	87	—	(87)	20,897
Inventories	30,767	—	—	—	30,767
Prepaid expenses	3,268	—	165	—	3,433
Other current assets	14,955	10	8,627	—	23,592
Total current assets	308,657	9,097	77,253	(98,046)	296,961
PROPERTY AND EQUIPMENT—Net	316,159	217	—	—	316,376
GOODWILL	97,799	250	—	—	98,049
OTHER INTANGIBLE ASSETS—Net	2,401	232	—	—	2,633
INVESTMENTS IN SUBSIDIARIES	2,365	—	545,914	(548,279)	—
NOTES RECEIVABLE FROM AFFILIATES	—	—	—	—	—
INVENTORIES—Noncurrent	28,091	—	—	—	28,091
INVESTMENTS IN JOINT VENTURES	6,738	—	—	—	6,738
OTHER ASSETS	10,981	—	6,555	(573)	16,963
TOTAL	$773,191	$ 9,796	$ 629,722	$(646,898)	$ 765,811
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 78,087	$ 1,272	$ 53	$ —	79,412
Payables to affiliates	92,445	4,720	420	(97,585)	—
Accrued expenses	24,140	803	4,742	—	29,685
Billings in excess of contract revenues	15,896	636	—	(461)	16,071
Current portion of note payable	2,500	—	—	—	2,500
Current portion of equipment debt	179	—	—	—	179
Total current liabilities	213,247	7,431	5,215	(98,046)	127,847
LONG TERM NOTE PAYABLE	5,000	—	—	—	5,000
7 3/8% SENIOR SUBORDINATED NOTES	—	—	250,000	—	250,000
NOTES PAYABLE TO AFFILIATES	—	—	—	—	—
DEFERRED INCOME TAXES	—	—	92,530	(573)	91,957
OTHER	9,030	—	740	—	9,770
Total liabilities	227,277	7,431	348,485	(98,619)	484,574
Total Great Lakes Dredge & Dock Corporation Equity	545,914	2,365	281,386	(548,279)	281,386
NONCONTROLLING INTERESTS	—	—	(149)	—	(149)
TOTAL EQUITY	545,914	2,365	281,237	(548,279)	281,237
TOTAL	$773,191	$ 9,796	$ 629,722	$(646,898)	$ 765,811

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2010

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 48,416	$ 62	$ —	$ —	$ 48,478
Accounts receivable—net	93,983	1,565	—	—	95,548
Receivables from affiliates	5,338	5,798	6,745	(17,881)	—
Contract revenues in excess of billings	24,777	94	—	(29)	24,842
Inventories	31,734	—	—	—	31,734
Prepaid expenses	3,246	—	202	—	3,448
Other current assets	9,853	8	9,058	—	18,919
Total current assets	217,347	7,527	16,005	(17,910)	222,969
PROPERTY AND EQUIPMENT—Net	322,958	273	—	—	323,231
GOODWILL	97,799	250	—	—	98,049
OTHER INTANGIBLE ASSETS—Net	3,017	263	—	—	3,280
INVESTMENTS IN SUBSIDIARIES	2,311	—	528,425	(530,736)	—
INVENTORIES—Noncurrent	27,128	—	—	—	27,128
INVESTMENTS IN JOINT VENTURES	7,329	—	—	—	7,329
OTHER ASSETS	7,704	—	4,350	(215)	11,839
TOTAL	$685,593	$ 8,313	$ 548,780	$(548,861)	$ 693,825
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ 81,534	$ 1,187	$ —	$ —	$ 82,721
Payables to affiliates	14,151	3,655	—	(17,806)	—
Accrued expenses	30,511	693	1,605	—	32,809
Billings in excess of contract revenues	14,121	467	—	(104)	14,484
Current portion of note payable	2,500	—	—	—	2,500
Current portion of equipment debt	303	—	—	—	303
Total current liabilities	143,120	6,002	1,605	(17,910)	132,817
LONG TERM NOTE PAYABLE	5,000	—	—	—	5,000
7 3/4% SENIOR SUBORDINATED NOTES	—	—	175,000	—	175,000
DEFERRED INCOME TAXES	—	—	92,681	(215)	92,466
OTHER	9,048	—	2,669	—	11,717
Total liabilities	157,168	6,002	271,955	(18,125)	(55,997)
Total Great Lakes Dredge & Dock Corporation Equity	528,425	2,311	278,953	(530,736)	278,953
NONCONTROLLING INTERESTS	—	—	(2,128)	—	(2,128)
TOTAL EQUITY	528,425	2,311	276,825	(530,736)	276,825
TOTAL	$685,593	$ 8,313	$ 548,780	$(548,861)	$ 693,825

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING INCOME STATEMENT

FOR THE PERIOD ENDED MARCH 31, 2011

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CONTRACT REVENUES	$ 154,039	$ 3,317	$ —	$ (2,018)	$ 155,338
COSTS OF CONTRACT REVENUES	(126,651)	(3,005)	—	2,018	(127,638)
GROSS PROFIT (LOSS)	27,388	312	—	—	27,700
OPERATING EXPENSES					
General and administrative expenses	(11,204)	(213)	(672)	—	(12,089)
Total operating income	16,184	99	(672)	—	15,611
INTEREST EXPENSE (Net)	(80)	(45)	(5,825)	—	(5,950)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	54	—	16,551	(16,605)	—
EQUITY IN LOSS OF JOINT VENTURE	(591)	—	—	—	(591)
LOSS ON EXTENGUISHMENT OF DEBT	—	—	(5,145)	—	(5,145)
INCOME (LOSS) BEFORE INCOME TAXES	15,567	54	4,909	(16,605)	3,925
INCOME TAX (PROVISION) BENEFIT	984	—	(2,511)	—	(1,527)
NET INCOME (LOSS)	16,551	54	2,398	(16,605)	2,398
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	(6)	—	(6)
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	$ 16,551	$ 54	$ 2,392	$ (16,605)	$ 2,392

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING INCOME STATEMENT

FOR THE PERIOD ENDED MARCH 31, 2010

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CONTRACT REVENUES	$ 160,829	$ 1,826	$ —	$ (1,255)	$ 161,400
COSTS OF CONTRACT REVENUES	(130,532)	(1,639)	—	1,255	(130,916)
GROSS PROFIT	30,297	187	—	—	30,484
OPERATING EXPENSES					
General and administrative expenses	(10,184)	(195)	(691)	—	(11,070)
Total operating income (loss)	20,113	(8)	(691)	—	19,414
INTEREST EXPENSE (Net)	(7)	(19)	(3,194)	—	(3,220)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(27)	—	19,348	(19,321)	—
EQUITY IN LOSS OF JOINT VENTURE	(722)	—	—	—	(722)
INCOME (LOSS) BEFORE INCOME TAXES	19,357	(27)	15,463	(19,321)	15,472
INCOME TAX PROVISION	(9)	—	(6,230)	—	(6,239)
NET INCOME (LOSS)	19,348	(27)	9,233	(19,321)	9,233
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	93	—	93
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	$ 19,348	$ (27)	$ 9,326	$ 19,321	$ 9,326

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED MARCH 31, 2011

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES—					
Net cash flows provided by (used in) operating activities	$ 942	$ (992)	$ (5,501)	$ —	$ (5,551)
INVESTING ACTIVITIES:					
Purchases of property and equipment	(4,420)	—	—	—	(4,420)
Dispositions of property and equipment	258	—	—	—	258
Net cash flows used in investing activities	(4,162)	—	—	—	(4,162)
FINANCING ACTIVITIES:					
Proceeds from issuance of 7.375% senior notes	—	—	250,000	—	250,000
Redemption of 7.75% senior subordinated notes	—	—	(175,000)	—	(175,000)
Senior subordinated notes redemption premium	—	—	(2,264)	—	(2,264)
Deferred financing fees	—	—	(5,829)	—	(5,829)
Dividends paid	—	—	(1,005)	—	(1,005)
Net change in accounts with affiliates	59,097	1,304	(60,401)	—	—
Repayments of long-term debt	(135)	—	—	—	(135)
Repayments of capital lease debt	(3)	—	—	—	(3)
Net cash flows provided by (used in) financing activities	58,959	1,304	5,501	—	65,764
NET CHANGE IN CASH AND EQUIVALENTS	55,739	312	—	—	56,051
CASH AND CASH EQUIVALENTS—Beginning of year	48,416	62	—	—	48,478
CASH AND CASH EQUIVALENTS—End of year	$104,155	$ 374	$ —	$ —	$ 104,529

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2010
(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES—					
Net cash flows provided by (used in) operating activities	$ 46,671	$ 1,034	$ (10,506)	$ —	$ 37,199
INVESTING ACTIVITIES:					
Purchases of property and equipment	(7,230)	—	—	—	(7,230)
Dispositions of property and equipment	158	—	—	—	158
Net cash flows used in investing activities	(7,072)	—	—	—	(7,072)
FINANCING ACTIVITIES:					
Borrowings under revolving loans	—	—	14,968	—	14,968
Repayments of revolving loans	—	—	(25,968)	—	(25,968)
Dividends paid	—	—	(1,000)	—	(1,000)
Net change in accounts with affiliates	(21,434)	(1,072)	22,506	—	—
Repayments of long-term debt	(451)	—	—	—	(451)
Repayments of equipment debt	—	—	—	—	—
Repayments of capital lease debt	(1)	—	—	—	(1)
Net cash flows provided by (used in) financing activities	(21,886)	(1,072)	10,506	—	(12,452)
NET CHANGE IN CASH AND EQUIVALENTS	17,713	(38)	—	—	17,675
CASH AND CASH EQUIVALENTS—Beginning of year	3,028	222	—	—	3,250
CASH AND CASH EQUIVALENTS—End of year	$ 20,741	$ 184	$ —	$ —	$ 20,925

Exhibit 99.6

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information has been prepared from the historical financial statements of Great Lakes Dredge & Dock Corporation (the “Company”) and L.W. Matteson, Inc. (“Matteson”), to give effect to the Company’s acquisition of the business and substantially all of the assets (the “Acquisition”) of Matteson. See Note 1 for further information. The unaudited pro forma condensed combined financial statements do not purport to represent, and are not necessarily indicative of, what the Company’s results of operations would have been had the Acquisition occurred on the dates indicated.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2010 are presented as if the Acquisition had occurred on January 1, 2010 and include all adjustments that (i) give effect to events that are directly attributable to the Acquisition, (ii) are expected to have a continuing impact, and (iii) are factually supportable. The historical consolidated statement of operations of Matteson for the year ended December 31, 2010 that was used in preparing the unaudited pro forma condensed combined statement of operations for the same period has not been audited.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the Company’s historical consolidated financial statements, related notes, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Exhibits 99.2, 99.3 and 99.4.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010
(in thousands)

	Great Lakes Dredge & Dock Corporation (Historical)	L.W. Matteson, Inc. (Historical)	Pro Forma Adjustments		Pro Forma Combined
Contract revenues	$ 686,922	$ 37,183	$ —		$724,105
Costs of contract revenues	564,140	25,151	(1,929)	(A)	587,362
Gross profit	122,782	12,032	1,929		136,743
General and administrative expenses	54,352	5,998	2,239	(A)	62,589
Operating income	68,430	6,034	(310)		74,154
Interest expense, net	(13,542)	(3)	(450)	(B)	(13,995)
Other non-operating income, net	—	90	—		90
Equity in loss of joint ventures	(614)	—	—		(614)
Income before income taxes	54,274	6,121	(760)	(C)	59,635
Income tax provision	(20,554)	—	(2,032)		(22,586)
Net income	33,720	6,121	(2,792)		37,049
Net loss attributable to noncontrolling interests	889	—	—		889
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 34,609	$ 6,121	$ (2,792)		$ 37,938
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.59				$ 0.65
Basic weighted average shares	58,647				58,647
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.59				$ 0.64
Diluted weighted average shares	58,871				58,871

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(dollar amounts in thousands)

1. Basis of Pro Forma Presentation

On December 31, 2010, Great Lakes Dredge & Dock Company LLC, a Delaware limited liability company and a wholly-owned subsidiary of the Company (the “LLC”), entered into and consummated an Asset Purchase Agreement with L.W. Matteson, Inc., an Iowa corporation, and Lawrence W. Matteson and Larry W. Matteson pursuant to which the LLC purchased for a base purchase price of $45,000 (a) the business and substantially all of the assets of Seller and (b) certain assets owned by Lawrence W. Matteson and used by the Seller in its business. The purchase price totaled $47,009 and included an adjustment based upon the closing working capital balance, which resulted in the recognition of additional purchase price of $369 and is subject to further adjustment in accordance with the Asset Purchase Agreement. Furthermore, the seller may receive cash payments for any of the calendar years ended 2011, 2012, and 2013 if certain earnings-based criteria, defined per the purchase agreement, are met. The fair value of the recorded earnout liability was $1,640. The transaction was accounted for using the acquisition method and as such Matteson’s assets acquired and liabilities assumed have been recorded at their fair value. Great Lakes Dredge & Dock Company, LLC was determined to be the accounting acquirer for purposes of these unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2010 gives effect to the acquisition as if it occurred on January 1, 2010.

The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and do not purport to present what the actual results of operations would have been had the transactions actually occurred on the dates indicated, nor do they purport to represent results of operations for any future period. These statements do not reflect any cost savings or other benefits that may be obtained through synergies among the operations of the Company.

For purposes of these unaudited pro forma condensed combined financial statements, the estimated purchase price paid by the LLC has been allocated to Matteson’s assets and liabilities based on their fair values as of December 31, 2010 as follows (in thousands):

Property, plant and equipment	$36,173
Inventories	4,637
Accounts receivable - net	4,173
Intangible assets	2,670
Other assets and liabilities - net	(644)
Total	$47,009

2. Pro Forma Adjustments

Adjustments included in the column under the heading “Pro Forma Adjustments” in the unaudited pro forma condensed combined financial statements correspond to the following descriptions:

Notes to the Unaudited Pro Forma Condensed Combined Statement of Operations

(A) Reflects the elimination of Matteson depreciation and recognition of depreciation and amortization on the Matteson Assets after the acquisition.

	Pro Forma Depreciation Expense For the Year Ended December 31, 2010
Matteson depreciation pre-sale	$ (3,139)
Expense incurred by Matteson for items capitalized by Great Lakes	(1,189)
Depreciation after sale	2,399
Total Adjustment	$ (1,929)

The inventory and fixed assets purchased had remaining useful lives of 3 years and 5-30 years, respectively.

	Fair Value	Useful life at purchase	Pro Forma Amortization Expense For the Year Ended December 31, 2010
Intangible Assets			
Backlog	$2,131	1 year	$ 2,131
Non-Compete	539	5 years	108
	$2,670		$ 2,239

(B) The seller note accrues interest at a rate of 6% per year. The Company would have recorded $450 of interest expense for the year ended December 31, 2010.

(C) Reflects the tax impact of the pro forma adjustments as well as Matteson’s net income, at the Company’s effective tax rate of 37.9% at December 31, 2010.