
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-33225



Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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

20-5336063

(I.R.S. Employer Identification No.)

60523
(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

As of July 29, 2020, 64,946,952 shares of the Registrant's Common Stock, par value \$.0001 per share, were outstanding.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period ended June 30, 2020

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PART I — Financial Information

Item 1. Financial Statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

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

	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 233,527	\$ 186,995
Accounts receivable—net	33,894	19,785
Contract revenues in excess of billings	20,436	22,560
Inventories	30,377	30,189
Prepaid expenses and other current assets	29,602	41,183
Total current assets	<u>347,836</u>	<u>300,712</u>
PROPERTY AND EQUIPMENT—Net	374,327	374,596
OPERATING LEASE ASSETS	71,316	72,612
GOODWILL	76,576	76,576
INVENTORIES—Noncurrent	65,671	61,126
ASSETS HELD FOR SALE— Noncurrent	3,970	3,970
OTHER	8,372	7,960
TOTAL	<u>\$ 948,068</u>	<u>\$ 897,552</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 76,376	\$ 76,091
Accrued expenses	44,938	51,225
Operating lease liabilities	20,069	21,351
Billings in excess of contract revenues	55,087	55,266
Total current liabilities	<u>196,470</u>	<u>203,933</u>
LONG-TERM DEBT	323,289	322,843
OPERATING LEASE LIABILITIES—Noncurrent	51,390	51,131
DEFERRED INCOME TAXES	48,926	35,740
OTHER	6,991	4,506
Total liabilities	<u>627,066</u>	<u>618,153</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
EQUITY:		
Common stock—\$.0001 par value; 90,000 authorized, 64,947 and 64,283 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively.	6	6
Additional paid-in capital	304,531	302,189
Retained earnings (accumulated deficit)	19,856	(23,091)
Accumulated other comprehensive income (loss)	(3,391)	295
Total equity	<u>321,002</u>	<u>279,399</u>
TOTAL	<u>\$ 948,068</u>	<u>\$ 897,552</u>

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Contract revenues	\$ 167,920	\$ 184,811	\$ 385,615	\$ 377,448
Costs of contract revenues	134,904	147,325	284,125	290,085
Gross profit	33,016	37,486	101,490	87,363
General and administrative expenses	14,804	14,613	30,375	29,438
(Gain) loss on sale of assets—net	(39)	81	(184)	360
Operating income	18,251	22,792	71,299	57,565
Interest expense—net	(6,725)	(7,188)	(13,355)	(14,739)
Other income (expense)	565	123	(556)	295
Income from continuing operations before income taxes	12,091	15,727	57,388	43,121
Income tax provision	(3,131)	(4,230)	(14,441)	(11,076)
Income from continuing operations	8,960	11,497	42,947	32,045
Loss from discontinued operations, net of income taxes	—	(3,251)	—	(6,631)
Net income	<u>\$ 8,960</u>	<u>\$ 8,246</u>	<u>\$ 42,947</u>	<u>\$ 25,414</u>
Basic earnings per share attributable to continuing operations	\$ 0.14	\$ 0.18	\$ 0.66	\$ 0.51
Basic loss per share attributable to discontinued operations, net of tax	—	(0.05)	—	(0.10)
Basic earnings per share	\$ 0.14	\$ 0.13	\$ 0.66	\$ 0.41
Basic weighted average shares	64,864	63,605	64,659	63,243
Diluted earnings per share attributable to continuing operations	\$ 0.14	\$ 0.18	\$ 0.65	\$ 0.50
Diluted loss per share attributable to discontinued operations, net of tax	—	(0.05)	—	(0.10)
Diluted earnings per share	\$ 0.14	\$ 0.13	\$ 0.65	\$ 0.40
Diluted weighted average shares	65,758	64,990	65,802	64,654

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	\$ 8,960	\$ 8,246	\$ 42,947	\$ 25,414
Net unrealized (gain) loss on derivatives—net of tax (1)	3,440	237	(3,686)	2,977
Comprehensive income	<u>\$ 12,400</u>	<u>\$ 8,483</u>	<u>\$ 39,261</u>	<u>\$ 28,391</u>

- (1) Net of income tax benefit of \$1,162 and \$84 for the three months ended June 30, 2020 and 2019, respectively. Net of income tax (provision) benefit of \$(1,255) and \$1,055 for the six months ended June 30, 2020 and 2019, respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—January 1, 2020	64,283	\$ 6	—	\$ —	\$ 302,189	\$ (23,091)	\$ 295	\$ 279,399
Share-based compensation	61	—	—	—	3,130	—	—	3,130
Vesting of restricted stock units and impact of shares withheld for taxes	412	—	—	—	(2,106)	—	—	(2,106)
Exercise of options and purchases from employee stock plans	191	—	—	—	1,318	—	—	1,318
Net income	—	—	—	—	—	42,947	—	42,947
Other comprehensive loss—net of tax	—	—	—	—	—	—	(3,686)	(3,686)
BALANCE—June 30, 2020	<u>64,947</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 304,531</u>	<u>\$ 19,856</u>	<u>\$ (3,391)</u>	<u>\$ 321,002</u>
BALANCE—January 1, 2019	62,830	\$ 6	(278)	\$ (1,433)	\$ 295,135	\$ (74,971)	\$ (3,809)	\$ 214,928
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	45	—	—	—	4,530	—	—	4,530
Vesting of restricted stock units and impact of shares withheld for taxes	554	—	—	—	(2,929)	—	—	(2,929)
Exercise of options and purchases from employee stock plans	618	—	—	—	3,756	—	—	3,756
Cancellation of treasury stock	(278)	—	278	1,433	(1,173)	(261)	—	—
Net income	—	—	—	—	—	25,414	—	25,414
Other comprehensive income—net of tax	—	—	—	—	—	—	2,977	2,977
BALANCE—June 30, 2019	<u>63,769</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 299,320</u>	<u>\$ (47,016)</u>	<u>\$ (832)</u>	<u>\$ 251,478</u>
	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE—March 31, 2020	64,795	\$ 6	—	\$ —	\$ 302,558	\$ 10,896	\$ (6,831)	\$ 306,629
Share-based compensation	22	—	—	—	1,455	—	—	1,455
Vesting of restricted stock units and impact of shares withheld for taxes	24	—	—	—	(178)	—	—	(178)
Exercise of options and purchases from employee stock plans	106	—	—	—	696	—	—	696
Net income	—	—	—	—	—	8,960	—	8,960
Other comprehensive income—net of tax	—	—	—	—	—	—	3,440	3,440
BALANCE—June 30, 2020	<u>64,947</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 304,531</u>	<u>\$ 19,856</u>	<u>\$ (3,391)</u>	<u>\$ 321,002</u>
BALANCE—March 31, 2019	63,600	\$ 6	(278)	\$ (1,433)	\$ 296,774	\$ (55,001)	\$ (1,069)	\$ 239,277
Share-based compensation	14	—	—	—	2,329	—	—	2,329
Vesting of restricted stock units and impact of shares withheld for taxes	101	—	—	—	(741)	—	—	(741)
Exercise of options and purchases from employee stock plans	332	—	—	—	2,130	—	—	2,130
Cancellation of treasury stock	(278)	—	278	1,433	(1,173)	(261)	—	—
Net income	—	—	—	—	—	8,246	—	8,246
Other comprehensive income—net of tax	—	—	—	—	—	—	237	237
BALANCE—June 30, 2019	<u>63,769</u>	<u>\$ 6</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 299,320</u>	<u>\$ (47,016)</u>	<u>\$ (832)</u>	<u>\$ 251,478</u>

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Six Months Ended	
	2020	2019
OPERATING ACTIVITIES:		
Net income	\$ 42,947	\$ 25,414
Loss from discontinued operations, net of income taxes	—	(6,631)
Income from continuing operations	\$ 42,947	\$ 32,045
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	18,707	18,001
Deferred income taxes	14,441	11,179
(Gain) loss on sale of assets	(184)	360
Amortization of deferred financing fees	805	1,941
Share-based compensation expense	3,130	3,619
Changes in assets and liabilities:		
Accounts receivable	(14,109)	14,012
Contract revenues in excess of billings	2,123	(13,207)
Inventories	(4,733)	(1,300)
Prepaid expenses and other current assets	10,733	870
Accounts payable and accrued expenses	(8,229)	10,044
Billings in excess of contract revenues	(179)	32,817
Other noncurrent assets and liabilities	2,008	1,404
Net cash flows provided by operating activities from continuing operations	67,460	111,785
Net cash flows used in operating activities of discontinued operations	—	(5,814)
Cash provided by operating activities	67,460	105,971
INVESTING ACTIVITIES:		
Purchases of property and equipment	(21,076)	(24,316)
Proceeds from dispositions of property and equipment	936	5,516
Net cash flows used in investing activities of continuing operations	(20,140)	(18,800)
Net cash flows provided by investing activities of discontinued operations	—	17,198
Cash used in investing activities	(20,140)	(1,602)

	Six Months Ended June 30,	
	2020	2019
FINANCING ACTIVITIES:		
Deferred financing fees	—	(2,388)
Taxes paid on settlement of vested share awards	(2,106)	(2,929)
Exercise of options and purchases from employee stock plans	1,318	3,756
Repayments of revolving loans	—	(11,500)
Net cash flows used in financing activities of continuing operations	(788)	(13,061)
Net cash flows used in financing activities of discontinued operations	—	(191)
Cash used in financing activities	(788)	(13,252)
Net increase in cash, cash equivalents and restricted cash	46,532	91,117
Cash, cash equivalents and restricted cash at beginning of period	186,995	34,458
Cash, cash equivalents and restricted cash at end of period	\$ 233,527	\$ 125,575
Supplemental Cash Flow Information		
Cash paid for interest	\$ 12,548	\$ 12,963
Cash paid for income taxes	\$ 175	\$ 168
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	\$ 4,608	\$ 7,760

See notes to unaudited condensed consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

(dollar amounts in thousands, except per share amounts or as otherwise noted)

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the “Company” or “Great Lakes”) and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of June 30, 2020 and December 31, 2019, and its results of operations for the three and six months ended June 30, 2020 and 2019 and cash flows for the six months ended June 30, 2020 and 2019 have been included.

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The CARES Act is an emergency economic stimulus package in response to the coronavirus (COVID-19) pandemic which, among other things, includes various tax provisions relating to refundable payroll tax credits, deferment of the employer side of certain payroll taxes and social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company has elected to defer the employer side of certain payroll taxes and is continually assessing the financial impact of these tax-related changes. As of June 30, 2020, the Company has not been significantly impacted by COVID-19 but the uncertainty that surrounds this virus means that the Company must continue to monitor and assess any potential future impact on the Company’s business, financial condition and results of operations.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor is generally hired on a project-by-project basis. Costs of contract revenues vary significantly depending on the type and location of work performed and assets utilized.

The Company has one operating segment which is also the Company’s reportable segment and reporting unit of which the Company tests goodwill for impairment. The Company performed its most recent annual test of impairment as of July 1, 2019 with no indication of impairment as of the test date. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2020.

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

2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

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

(shares in thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Income from continuing operations	\$ 8,960	\$ 11,497	\$ 42,947	\$ 32,045
Loss from discontinued operations, net of income taxes	—	(3,251)	—	(6,631)
Net income	8,960	8,246	42,947	25,414
Weighted-average common shares outstanding — basic	64,864	63,605	64,659	63,243
Effect of stock options and restricted stock units	894	1,385	1,143	1,411
Weighted-average common shares outstanding — diluted	65,758	64,990	65,802	64,654
Earnings per share from continuing operations — basic	\$ 0.14	\$ 0.18	\$ 0.66	\$ 0.51
Earnings per share from continuing operations — diluted	\$ 0.14	\$ 0.18	\$ 0.65	\$ 0.50

For the six months ended June 30, 2019, 33 stock options (“NQSOs”) and restricted stock units (“RSUs”) were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive.

3. Accrued expenses

Accrued expenses at June 30, 2020 and December 31, 2019 were as follows:

	June 30, 2020	December 31, 2019
Insurance	\$ 14,508	\$ 15,702
Payroll and employee benefits	9,055	16,859
Contract reserves	4,161	6,248
Fuel hedge contracts	4,093	—
Interest	3,285	3,284
Income and other taxes	1,674	1,597
Other	8,162	7,535
Total accrued expenses	\$ 44,938	\$ 51,225

4. Long-term debt

Credit agreement

As of June 30, 2020 and December 31, 2019, the Company had no borrowings outstanding under our \$200,000 amended and restated revolving credit and security agreement (as amended, the “Amended Credit Agreement”). There were \$30,767 and \$35,779 of letters of credit outstanding and \$168,870 and \$163,729 of availability under the Amended Credit Agreement as of June 30, 2020 and December 31, 2019, respectively. The availability under the Amended Credit Agreement is suppressed by \$362 and \$492 as of June 30, 2020 and December 31, 2019, respectively, as a result of certain limitations set forth in the Amended Credit Agreement.

Senior Notes and subsidiary guarantors

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

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

5. Fair value measurements

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

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

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

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

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

Description	At June 30, 2020	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 4,093	\$ —	\$ 4,093	\$ —

Description	At December 31, 2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 849	\$ —	\$ 849	\$ —

Fuel hedge contracts

The Company is exposed to certain market risks, primarily commodity price risk as it relates to diesel fuel purchase requirements, which occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices could have an adverse impact on cash flows associated with its domestic dredging contracts. The Company's typical goal is to hedge approximately 80% of the fuel requirements for work in domestic backlog. Due to the current economic environment, fuel prices are at record lows. As a result, the Company has currently adjusted hedging to 100% of the fuel requirements for work in the domestic backlog.

As of June 30, 2020, the Company was party to various swap arrangements to hedge the price of its diesel fuel purchase requirements for work in its backlog to be performed through March 2021. As of June 30, 2020, there were 7.4 million gallons remaining on these contracts which represent approximately 100% of the Company's forecasted domestic fuel purchases through March 2021. Under these swap agreements, the Company will pay fixed prices ranging from \$1.12 to \$2.01 per gallon.

At June 30, 2020, the fair value liability of the fuel hedge contracts was estimated to be \$4,093, and is recorded in accrued expenses. At December 31, 2019, the fair value asset of the fuel hedge contracts was estimated to be \$849, and is recorded in prepaid expenses and other current assets. For fuel hedge contracts considered to be highly effective, the losses reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the six months ended June 30, 2020 were \$3,828. The remaining gains and losses included in accumulated other comprehensive loss at June 30, 2020 will be reclassified into earnings over the next nine months, corresponding to the period during which the hedged fuel is expected to be utilized. Changes in the fair value of fuel hedge contracts not considered highly effective are recorded as cost of contract revenues in the Statement of Operations. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

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

The fair value of the fuel hedge contracts outstanding as of June 30, 2020 and December 31, 2019 is as follows:

	Balance Sheet Location	Fair Value at	
		June 30, 2020	December 31, 2019
Asset derivatives:			
Derivatives designated as hedging instruments			
Fuel hedge contracts	Prepaid expenses and other current assets	\$ —	\$ 849
Liability derivatives:			
Derivatives designated as hedging instruments			
Fuel hedge contracts	Accrued expenses	\$ 4,093	\$ —

Accumulated other comprehensive income (loss)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Derivatives:				
Reclassification of derivative losses to earnings—net of tax	2,490	295	3,828	1,186
Change in fair value of derivatives—net of tax	950	(58)	(7,514)	1,791
Total other comprehensive income (loss)	\$ 3,440	\$ 237	\$ (3,686)	\$ 2,977

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

	Statement of Operations Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Derivatives:					
Fuel hedge contracts	Costs of contract revenues	\$ 3,340	\$ 399	\$ 5,132	\$ 1,606
	Income tax benefit	850	104	1,304	420
		\$ 2,490	\$ 295	\$ 3,828	\$ 1,186

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of our revolving credit agreement approximates fair value. In May 2017, the Company issued a total of \$325,000 of 8% senior notes due May 15, 2022, which were outstanding at June 30, 2020 (see Note 4, Long-term debt). The 8% Senior Notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the 8% Senior Notes. The fair value of the senior notes was \$333,125 at June 30, 2020, which is a Level 1 fair value measurement as the senior notes' value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

6. Share-based compensation

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

During the six months ended June 30, 2020, the Company granted 790 thousand restricted stock units to certain employees. In addition, all non-employee directors on the Company's board of directors are paid a portion of their board-related compensation in stock grants or restricted stock units. Compensation cost charged to expense related to share-based compensation arrangements was \$1,455 and \$1,619 for the three months ended June 30, 2020 and 2019, respectively. Compensation cost charged to expense related to share-based compensation arrangements was \$3,130 and \$3,619 for the six months ended June 30, 2020 and 2019, respectively.

7. Revenue

At June 30, 2020, the Company had \$423,403 of remaining performance obligations, which the Company refers to as total backlog. Approximately 72% of the Company's backlog will be completed in 2020 with the remaining balance expected to be completed in 2021.

Revenue by category

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

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

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

Revenues	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Dredging:				
Capital—U.S.	\$ 63,440	\$ 59,406	\$ 146,989	\$ 152,150
Capital—foreign	3,981	18,640	10,843	26,969
Coastal protection	56,038	58,195	135,888	91,938
Maintenance	41,968	30,188	84,353	59,837
Rivers & lakes	2,493	18,382	7,542	46,554
Total revenues	<u>\$ 167,920</u>	<u>\$ 184,811</u>	<u>\$ 385,615</u>	<u>\$ 377,448</u>

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

Revenues	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Dredging:				
Federal government	\$ 133,496	\$ 126,804	\$ 299,263	\$ 296,959
State and local government	29,693	36,469	72,025	50,572
Private	750	2,898	3,484	2,948
Foreign	3,981	18,640	10,843	26,969
Total revenues	<u>\$ 167,920</u>	<u>\$ 184,811</u>	<u>\$ 385,615</u>	<u>\$ 377,448</u>

Contract balances

Accounts receivable at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Completed contracts	\$ 10,933	\$ 3,444
Contracts in progress	17,616	9,490
Retainage	5,909	7,415
	<u>34,458</u>	<u>20,349</u>
Allowance for doubtful accounts	(564)	(564)
Total accounts receivable—net	<u>\$ 33,894</u>	<u>\$ 19,785</u>

The components of contracts in progress at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 159,952	\$ 104,620
Amounts billed	(143,369)	(86,074)
Costs and earnings in excess of billings for contracts in progress	16,583	18,546
Costs and earnings in excess of billings for completed contracts	5,965	6,126
Total contract revenues in excess of billings	<u>\$ 22,548</u>	<u>\$ 24,672</u>
Current portion of contract revenues in excess of billings		
Current portion of contract revenues in excess of billings	\$ 20,436	\$ 22,560
Long-term contract revenues in excess of billings	2,112	2,112
Total contract revenues in excess of billings	<u>\$ 22,548</u>	<u>\$ 24,672</u>
Billings in excess of costs and earnings:		
Amounts billed	\$ (640,705)	\$ (628,491)
Costs and earnings for contracts in progress	585,618	573,225
Total billings in excess of contract revenues	<u>\$ (55,087)</u>	<u>\$ (55,266)</u>

At June 30, 2020 and December 31, 2019, costs to fulfill a contract with a customer recognized as an asset were \$6,048 and \$10,300, respectively, and are recorded in other current assets and other noncurrent assets. These costs relate to pre-contract and pre-construction activities. During the three and six months ended June 30, 2020 and 2019, the Company amortized \$3,612 and \$8,804 and \$2,998 and \$5,749, respectively, of pre-construction costs.

8. Commitments and contingencies

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & infrastructure projects. The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company, under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty, Surety Company of America and Zurich American Insurance Company (“Zurich”). Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At June 30, 2020, the Company had outstanding performance bonds with a notional amount of approximately \$1,046,175 of which \$17,401 relates to projects from the Company’s historical environmental & infrastructure businesses. The revenue value remaining in backlog related to these projects totaled approximately \$345,584.

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

Pursuant to the terms of sale of its historical demolition business, the Company received an indemnification commitment from the buyer for losses resulting from the bonding arrangement. In April 2020, the Court granted the Company's motion for entry of final judgment in the amount of \$21,934 based upon the buyer's default of its obligations to indemnify the Company for losses resulting from the bonding arrangement. In May 2020, the Court entered that final judgment, and in June 2020, Defendants filed a notice of appeal from that judgment. The Company cannot estimate the amount or range of collectible recoveries related to the indemnification. It does, however, intend to oppose the appeal and aggressively pursue collection from the buyer for such payment.

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

Legal proceedings and other contingencies

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

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

On April 23, 2014, the Company completed the sale of NASDI, LLC ("NASDI") and Yankee Environmental Services, LLC ("Yankee"), which together comprised the Company's historical demolition business, to a privately owned demolition company. On January 14, 2015, the Company and its subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company's agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of the buyer's obligation to collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants' allegations.

In June 2019, the U.S. Attorney's Office for the Eastern District of Louisiana informed the Company that it intends to file criminal charges against the Company in connection with a September 2016 oil spill. The oil spill occurred during the Company's Cheniere Ronquille project, allegedly resulting in the discharge of around 160 barrels of crude oil in Bay Long, Louisiana. The Company has cooperated with the U.S. Attorney's Office in its investigation of the oil spill and believes that criminal charges are not warranted.

On September 27, 2019, the EPA Region 4 filed an administrative complaint against the Company relating to a project the Company performed at PortMiami from 2013-2015. The EPA is alleging violations of Section 103 of the Marine Protection, Research, and Sanctuaries Act ("MPRSA") and failure to report violations of the MPRSA. The EPA seeks the statutory maximum penalty of \$75 per violation of the MPRSA. The Company disagrees with the EPA on whether violations occurred and, if any violation did occur, the appropriate penalty calculation.

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

Lease obligations

The Company leases certain operating equipment and office facilities under long-term operating leases expiring at various dates through 2026. 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 Amended 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 Amended 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.

9. Business dispositions

Discontinued operations

During the second quarter of 2019, the Company entered into an agreement and completed the sale of the historical environmental & infrastructure business. Under the terms of the agreement, the Company received cash of \$18,357.

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

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

10. Subsequent Events

On August 4, 2020, the Company announced a share repurchase program approved by the board of directors of the Company, authorizing, but not obligating, the repurchase of up to an aggregate amount of \$75,000,000 of its common stock.

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

Cautionary note regarding forward-looking statements

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

These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Item 1A. “Risk Factors” of Great Lakes’ Annual Report on Form 10-K for the year ended December 31, 2019, in Item 1A. “Risk Factors” of Great Lakes Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, in Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q and in other securities filings by Great Lakes with the SEC.

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

General

The Company is the largest provider of dredging services in the United States. In addition, the Company has a long history of performing significant international projects. The mobility of the Company’s fleet enables the Company to move equipment in response to changes in demand for dredging services.

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s bid market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints (“bid market”). The Company experienced an average combined bid market share in the U.S. of 39% over the prior three years, including 56%, 53%, 16% and 45% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In the first six months of 2020, the Company’s dredging revenues earned from contracts with federal government agencies, including the Corps as well as other federal entities such as the U.S. Coast Guard and the U.S. Navy were approximately 78% of dredging revenues, above the Company’s prior three year average of 74%.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread worldwide and to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic and on March 13, 2020 the United States declared a national emergency in response to the coronavirus outbreak. This outbreak has severely impacted global economic activity and many countries and states in the United States have reacted by instituting quarantines, mandating school and business closures and limiting travel.

On March 28, 2020, dredging was specifically listed in the U.S. Department of Homeland Security’s “Advisory Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response” which federally designates the Company as an essential business or “critical infrastructure” company that can maintain operations during the ongoing pandemic. As mentioned above, the Company’s largest domestic dredging customer is the Corps; the Corps oversees the majority of these critical infrastructure projects and, in this capacity, has continued to follow their bid schedule and prioritize all types of dredging including port maintenance and expansion and coastal protection projects that are necessary to avoid potential storm damage during the upcoming hurricane season. Despite the current uncertainty surrounding COVID-19, to date, the Corps is continuing to advertise new projects and the Company’s project work is largely uninterrupted.

Senior management regularly meets to update contingency plans and address the challenges related to maintaining operations in this evolving economic environment. The Company’s primary focus has been the health and safety of its employees. The Company has implemented new paid leave policies and additional sanitary and safety measures to mitigate the risk of infection to employees. On vessels and job sites, the Company has instituted fewer employee shift changes and increased sanitary and social distancing measures. Although we have had crew members on certain of our vessels contract COVID-19, such instances have not to date had a material impact on our business. Since March, the Company’s corporate employees have effectively transitioned to a remote working environment and have discontinued non-essential travel to follow recommended physical and social distancing guidelines in order to reduce the risk of infection. The Company is following the protocols published by the U.S. Centers for Disease Control and Prevention, the World Health Organization and state and local governments. As the Company’s employees, customers and communities are facing significant challenges, the Company cannot predict how COVID-19 will evolve or the impact it, or actions taken to contain it, will have on future results. As of June 30, 2020, the Company’s business has not been significantly impacted by COVID-19, but the Company will be continually evaluating safety and operational contingency plans and the impact that this evolving environment has on the Company’s business and operations. For more information, see “Item 1A. Risk Factors – *A pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities or suppliers could adversely impact our business.*”

During the second quarter of 2019, the Company entered into an agreement and completed the sale of its historical environmental & infrastructure business. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations. Refer to Note 9, Business dispositions, to our condensed consolidated financial statements.

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

The Company’s vessels are subject to periodic dry dock inspections to verify that the vessels have been maintained in accordance with the rules of the U.S. Coast Guard and the American Bureau of Shipping (“ABS”) and that recommended repairs have been satisfactorily completed. Dry dock frequency is a statutory requirement mandated by the U.S. Coast Guard and the ABS. The Company’s vessels dry-dock every two to three years or every five years, depending on the vessel type and also on an as-needed basis for occasional unscheduled repairs. As expected, the Company experienced significant dry dock inspections in the second quarter of 2020 which will continue into the third quarter.

Results of operations

The following tables set forth the components of net income and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(80.3)	(79.7)	(73.7)	(76.9)
Gross profit	19.7	20.3	26.3	23.1
General and administrative expenses	8.8	7.9	7.9	7.8
(Gain) loss on sale of assets—net	—	—	—	0.1
Operating income	10.9	12.4	18.4	15.2
Interest expense—net	(4.0)	(3.9)	(3.5)	(3.9)
Other income (expense)	0.3	0.1	(0.1)	0.1
Income from continuing operations before income taxes	7.2	8.6	14.8	11.4
Income tax provision	(1.9)	(2.3)	(3.7)	(2.9)
Income from continuing operations	5.3	6.3	11.1	8.5
Loss from discontinued operations, net of income taxes	—	(1.8)	—	(1.8)
Net income	5.3	4.5	11.1	6.7
Adjusted EBITDA from continuing operations	16.7%	17.3%	23.2%	20.1%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(in thousands)				
Income from continuing operations	8,960	11,497	42,947	32,045
Adjusted for:				
Interest expense—net	6,725	7,188	13,355	14,739
Income tax provision	3,131	4,230	14,441	11,076
Depreciation and amortization	9,256	9,096	18,707	18,001
Adjusted EBITDA from continuing operations	\$ 28,072	\$ 32,011	\$ 89,450	\$ 75,861

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

Revenues (in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Dredging:						
Capital—U.S.	\$ 63,440	\$ 59,406	6.8%	\$ 146,989	\$ 152,150	(3.4)%
Capital—foreign	3,981	18,640	(78.6)%	10,843	26,969	(59.8)%
Coastal protection	56,038	58,195	(3.7)%	135,888	91,938	47.8%
Maintenance	41,968	30,188	39.0%	84,353	59,837	41.0%
Rivers & lakes	2,493	18,382	(86.4)%	7,542	46,554	(83.8)%
Total revenues	\$ 167,920	\$ 184,811	(9.1)%	\$ 385,615	\$ 377,448	2.2%

Total revenue was \$167.9 million for the three months ended June 30, 2020, down \$16.9 million, or 9%, from \$184.8 million for the same period in the prior year. For the three months ended June 30, 2020, the Company experienced a decrease in coastal protection, rivers & lakes and foreign capital revenues as compared to the same period in the prior year. This decrease was partially offset by an increase in domestic capital and maintenance revenues during the current period as compared to the same period in the prior year. For the six months ended June 30, 2020, total revenue was \$385.6 million, up from revenue of \$377.4 million for the same period in the prior year, representing an increase of \$8.2 million or 2%. For the six months ended June 30, 2020, the Company experienced an increase in coastal protection and maintenance revenues as compared to the same period in the prior year. This increase was partially offset by a decrease in domestic capital, rivers & lakes and foreign capital revenues during the current period as compared to the same period in the prior year.

Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal restoration and land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. For the quarter ended June 30, 2020, domestic capital dredging revenue was \$63.4 million, up \$4.0 million, or 7%, compared to \$59.4 million for the same period in 2019. For the three months ended June 30, 2020, the increase in domestic capital dredging revenue was primarily driven by a greater amount of revenue earned on the deepening project in Charleston and a coastal restoration project in Mississippi in the current year when compared to the prior year period. This increase was partially offset by a greater amount of revenue earned on a deepening project in Jacksonville during the prior year period as compared to the current year. For the six months ended June 30, 2020, domestic capital dredging revenue was \$147.0 million compared to \$152.2 million for the same period in 2019, representing a decrease of \$5.2 million, or 3%. For the six months ended June 30, 2020, the lower domestic capital dredging revenue was primarily driven by lower revenue earned from deepening projects in Tampa and Jacksonville as well as a greater amount of revenue earned on a deepening project on the Delaware River during the prior year as compared to the same period in the current year. This decrease was partially offset by a greater amount of revenue earned on coastal restoration projects and the deepening projects in Charleston and Corpus Christi during the six months ended June 30, 2020.

Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. In the second quarter of 2020, foreign capital revenue was \$4.0 million, down \$14.6 million, as compared to \$18.6 million in the same quarter in the prior year. Foreign capital revenue for the first half of 2020 was \$16.2 million which is \$16.2 million, or 60%, lower than revenue of \$27.0 million for the same period of the prior year. The decrease in revenue for the three and six months ended June 30, 2020 was driven by a decrease in revenue earned on a project in Bahrain that commenced during the first quarter of 2019.

Coastal protection projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Coastal protection revenue for the quarter ended June 30, 2020 was \$56.0 million, a decrease of \$2.2 million, or 4%, compared to \$58.2 million in the prior year period. The decrease in coastal protection revenues for the three months ended June 30, 2020 was mostly attributable to a greater amount of revenue earned on projects in North and South Carolina in the prior year period when compared to the current year. This decrease was partially offset by revenue earned on projects in Florida and Virginia in the current year. Coastal protection revenue for the six months ended June 30, 2020 was \$135.9 million, representing an increase of \$44.0 million or 48%, from \$91.9 million for the six months ended June 30, 2019. The increase in coastal protection revenue for the six months ended June 30, 2020 was mostly attributable to a greater amount of revenue earned on projects in Florida and Virginia in the current year as compared to the same period in the prior year. This increase was partially offset by a greater amount of revenue earned on projects in New York, New Jersey and North Carolina during the same period in the prior year when compared to the current year.

Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years,

thus creating a recurring source of dredging work that is typically non-deferrable if optimal navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging. Maintenance revenue for the second quarter of 2020 was \$42.0 million, up \$11.8 million, or 39%, from \$30.2 million in the second quarter of 2019. The increase in maintenance revenues for the three months ended June 30, 2020 was mostly attributable to a greater amount of revenue earned on projects in Maryland, Texas and Virginia. This increase was partially offset by revenue earned on a project in Florida in the prior year and revenue on a project in South Carolina that did not repeat during the current year. Maintenance revenue for the six months ended June 30, 2020 was \$84.4 million, an increase of \$24.6 million, or 41%, compared to \$59.8 million for the comparable period in the prior year. The increase in maintenance dredging revenue for the six months ended June 30, 2020 was mostly attributable to revenue earned on projects in Maryland and Virginia. This increase was partially offset by greater revenue earned on projects in North Carolina and Florida in the prior year when compared to the current year.

Rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. During the second quarter of 2020, rivers & lakes revenue was \$2.5 million, a decrease of \$15.9 million, or 86%, from \$18.4 million during the same period of 2019. Rivers & lakes revenue for the six months ended June 30, 2020 was \$7.5 million, down \$39.1 million, or 84%, from \$46.6 million for the same period in the prior year. The decrease in rivers & lakes revenue for the three and six months ended June 30, 2020 was mostly attributable to a greater amount of revenue earned during the prior year periods on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as a project in Louisiana, when compared to the current year.

Consolidated gross profit for the quarter ended June 30, 2020 was \$33.0 million, down \$4.5 million, or 12% compared to \$37.5 million in the same quarter of 2019. Gross profit margin for the three months ended June 30, 2020 was 19.7% compared to 20.3% in the second quarter of 2019. The lower gross profit experienced for the three months ended June 30, 2020 was driven by an increase in vessel dry dockings in the current period, higher profitability from maintenance projects in the prior year period and a lower number of rivers and lakes dredging projects in the current year period as compared to the prior year. This was offset by higher profitability from coastal protection and domestic capital dredging projects in the current year. Consolidated gross profit for the six months ended June 30, 2020 was \$101.5 million, up \$14.1 million, or 16%, compared to \$87.4 million in the same period of the prior year. Gross profit margin for the six months ended June 30, 2020 was up to 26.3% from 23.2% in the six months ended June 30, 2019. The higher gross profit experienced for the six months ended June 30, 2020 was driven by an increase in the profitability of the Company's coastal protection dredging projects in the first quarter of 2020. In addition, in the first quarter of 2020, most of the Company's dredges worked a busier than usual schedule, which contributed to the higher gross profit margin for the first half of 2020.

During the three and six months ended June 30, 2020, general and administrative expenses were \$14.8 million and \$30.4 million, respectively, compared to the same periods in prior year in which the three and six months totaled \$14.6 million and \$29.4 million, respectively. General and administrative expenses increased by \$0.2 million and \$1.0 million for the three and six months ended June 30, 2020, respectively, compared to the same periods of the prior year. The increase in general and administrative expenses for the quarter was due to increased relocation and legal and office expenses, partially offset by decreased incentive pay. The increase in general and administrative expenses for the six months ended June 30, 2020 over the same period in the prior year was driven by an increase in relocation and legal and office expenses, partially offset by a decrease in employee benefits.

Operating income for the second quarter of 2020 was \$18.3 million, down \$4.5 million compared to operating income of \$22.8 million for the same quarter in 2019. The decrease in operating income for the second quarter of 2020 was a result of higher gross profit in the prior period, primarily due to fewer dry dockings in the prior period as discussed above, as compared to the same period in the current year. Operating income for the six months ended June 30, 2020 was \$71.3 million, up \$13.7 million from operating income of \$57.6 million in the same prior year period. The change in operating income for the first half of 2020 was a result of higher gross profit partially offset by higher general and administrative expense compared to the same period in the prior year, as described above. Additionally, an increase of \$0.5 million in gain on sale of assets contributed to the increase in operating income in the current year.

For the three months ended June 30, 2020, net interest expense was \$6.7 million, down \$0.5 million, or 7%, from \$7.2 million for the same period in the prior year. The decrease in interest expense for the three months ended June 30, 2020 was attributable to a decrease of \$0.5 million in extinguishment of debt and \$0.2 million of amortization of deferred financing fees when compared to the prior year period. Additionally, \$0.2 million of capitalized interest contributed to the decrease in the current year period when compared to the prior year period. These decreases were offset by a \$0.4 million decrease in interest income when comparing the current year to the same period in the prior year. Net interest expense for the six months ended June 30, 2020 was \$13.4 million, down \$1.3 million, or 9%, from interest expense of \$14.7 million for the same period in the prior year. The decrease in interest expense for the three months ended June 30, 2020 was attributable to a decrease of \$0.5 million in extinguishment of debt and \$0.6 million of amortization of deferred financing fees when compared to the prior year period. Additionally, \$0.2 million of capitalized interest contributed to the decrease in the current year when compared to the prior year. These decreases were offset by a \$0.1 million decrease in interest income when comparing the current year to the same period in the prior year.

Income tax provision for the three months ended June 30, 2020 was \$3.1 million compared to an income tax provision of \$4.2 million for the same period in the prior year. For the six months ended June 30, 2020 and 2019, the Company had an income tax provision of \$14.4 million and an income tax provision of \$11.1 million, respectively. The effective tax rate for the six months ended June 30, 2020 was 25.2%, mostly in line with the effective tax rate of 25.7% for the same period of 2019.

Net income from continuing operations for the quarter ended June 30, 2020 was \$9.0 million, down \$2.5 million, or 22%, from \$11.5 million in the same quarter in the prior year. Diluted earnings per share attributable to continuing operations was \$0.14 for the three months ended June 30, 2020, compared to \$0.18 for the three months ended June 30, 2019. The decrease in net income from continuing operations for the three months ended June 30, 2020 was driven by the decrease in gross profit as described above. This decrease was partially offset by a \$0.4 million increase in other income, a decrease of \$0.5 million in interest expense, as described above, and a \$1.1 million decrease in income tax provision during the current year when compared to the same period in the prior year. Net income from continuing operations for the six months ended June 30, 2020 was \$42.9 million, up \$10.9 million, or 34%, from \$32.0 million for the same period in the prior year. Diluted earnings per share attributable to continuing operations were \$0.65 and \$0.50 for the six months ended June 30, 2020 and 2019, respectively. The increase in net income from continuing operations for the six months ended June 30, 2020 was driven by the increase to gross profit, a decrease in interest expense and an increase of \$0.5 million in gain on sale of assets, as described above. This increase was partially offset by a \$0.9 million increase to general and administrative expense, \$0.9 million increase in operating expense and a \$3.3 million increase in income tax provision during the current year when compared to the same period in the prior year.

Adjusted EBITDA from continuing operations (as defined on page 19) for the quarter ended June 30, 2020 was \$28.1 million, down \$3.9 million, or 12%, from \$32.0 million in the same quarter in the prior year. The change in Adjusted EBITDA from continuing operations during the second quarter of 2020 was driven by the change in gross profit, excluding depreciation. This decrease was offset by an increase of \$0.4 million of other income when comparing the current year to the same period in the prior year. For the six months ended June 30, 2020, Adjusted EBITDA from continuing operations was \$89.5 million, up \$13.6 million, or 18%, from Adjusted EBITDA from continuing operations of \$75.9 million for the same prior year period. The change in Adjusted EBITDA from continuing operations during the first six months of 2020 was attributable to higher gross profit, excluding depreciation, as described above, when compared to the prior year. These positive factors were partially offset by higher general & administrative expenses, as described above, and \$0.9 million of other expense incurred during the first half of 2020.

Bidding activity and backlog

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

Backlog (in thousands)	June 30, 2020	December 31, 2019	June 30, 2019
Dredging:			
Capital - U.S.	\$ 345,901	\$ 347,377	\$ 311,380
Capital - foreign	19,717	30,571	49,014
Coastal protection	21,967	141,039	67,368
Maintenance	25,782	60,891	39,224
Rivers & lakes	10,036	9,528	31,103
Total Backlog	<u>\$ 423,403</u>	<u>\$ 589,406</u>	<u>\$ 498,089</u>

The Company's contract backlog represents its estimate of the revenues that will be realized under the portion of the contracts remaining to be performed. These estimates are based primarily upon the time and costs required to mobilize the necessary assets to and from the project site, the amount and type of material to be dredged and the expected production capabilities of the equipment performing the work. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 64% of the Company's June 30, 2020 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer. 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. As expected, the Company experienced significant dry dock inspections in the second quarter of 2020 which will continue into the third quarter. Dry dock inspections in the second quarter significantly impacted the ability for vessels under inspection to earn revenue.

The domestic dredging bid market for the quarter ended June 30, 2020 was \$428.6 million, a \$193.5 million increase compared to the same period in the prior year. Total domestic dredging bid market for the current year period included awards for two coastal restoration projects in Louisiana, maintenance work on the Ohio and Mississippi River, hopper maintenance work on the West Coast and a capital liquefied natural gas (“LNG”) project in Louisiana. The bid market for the six months ended June 30, 2020 increased compared to the prior year due to a greater amount of domestic capital projects let to bid in the current year. This was partially offset by higher coastal protection, maintenance and rivers and lakes projects awarded in the first half of the prior year. For the contracts awarded in the current year, the Company won 39%, or \$115.5 million, of domestic capital projects, 20%, or \$10.7 million, of the coastal protection projects, 9%, or \$24.9 million, of maintenance projects and 100%, or \$13.5 million, of rivers & lakes projects through June 30, 2020. The Company won 26% of the overall domestic bid market for the six months ended June 30, 2020, which is below the Company’s prior three year average of 39%. Variability in contract wins from quarter to quarter is not unusual and one quarter’s win rate is generally not indicative of the win rate the Company is likely to achieve for a full year.

The Company’s contracted dredging backlog was \$423.4 million at June 30, 2020 compared to \$589.4 million of backlog at December 31, 2019. These amounts do not reflect approximately \$144.8 million of domestic low bids pending formal award and additional phases (“options”) pending on projects currently in backlog at June 30, 2020. At December 31, 2019 the amount of domestic low bids and options pending award was \$201.3 million.

Domestic capital dredging backlog at June 30, 2020 was \$1.5 million lower than at December 31, 2019. In the six months ended June 30, 2020, the Company was awarded three projects in Louisiana which consisted of two coastal restoration projects of \$30 million and \$28 million, respectively, and an LNG project for a private client. During the six months ended June 30, 2020, the Company continued to earn revenue on deepening projects in Charleston, Jacksonville and Corpus Christi as well as on a deepening project on the Delaware River and a coastal restoration project in Mississippi. At the end of last year, several LNG petro chemical and crude oil export projects were being developed in the Gulf of Mexico creating the need for port development and navigational channel deepening and widening to accommodate the larger vessels involved in this trade. With the current economic environment in the oil and gas markets, some of these privately funded projects are expected to be impacted and delayed. Government funded projects coming into the pipeline include additional phases of the Charleston, Jacksonville and Corpus Christi deepenings, as well as new deepenings for ports in Mobile, Alabama and the Everglades in Florida. These deepenings continue the trend of ensuring all East Coast and Gulf of Mexico ports will be able to accommodate the deeper draft vessels currently used on several trade routes. The nation’s governors continue to show commitment to their respective ports through engagement and funding. Finally, Congress has also shown a commitment to ports and waterways, providing record annual budgets for the Corps for port deepening and channel maintenance. In addition to this port work, a greater amount of coastal restoration and rehabilitation projects are being funded in the Gulf Coast region as the states utilize available monies for ecosystem priorities, a portion of which is allocated to dredging.

Foreign capital dredging backlog at June 30, 2020 was \$10.9 million lower than at December 31, 2019. During the six months ended June 30, 2020, the Company continued to earn revenue on a project in the Middle East which was in backlog at December 31, 2019.

Coastal protection dredging backlog decreased \$119.1 million from December 31, 2019. In the six months ended June 30, 2020, the Company was awarded a coastal protection project in New York. During the six months ended June 30, 2020, the Company continued to earn revenue on coastal protection projects in New York, North Carolina, South Carolina and Florida which were in backlog at December 31, 2019. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Congress passed supplemental appropriations for disaster relief and recovery which includes \$17.4 billion for the Corps to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is beginning to provide visibility on its plans for this money, and it is expected that approximately \$1.8 billion will be allocated to dredging-related work. Most of this work is anticipated to be coastal protection related, but some funding may be provided for channel maintenance. During 2019, an additional \$3.3 billion of supplemental appropriations was approved for disaster relief funding as a result of Hurricane Florence and Hurricane Michael.

Maintenance dredging backlog decreased \$35.1 million from December 31, 2019. The Company was awarded an \$18 million maintenance project in Maryland and Virginia during the six months ended June 30, 2020. During the six months ended June 30, 2020, the Company continued to earn revenue on projects in Maryland, North Carolina and Florida which were in backlog at December 31, 2019. During the fourth quarter of 2018, the President signed America’s Water Infrastructure Act of 2018/Water Resources Development Act (“WRDA 2018”) into law. Similar to past versions of the bill, WRDA 2018 language calls for full use of the Harbor Maintenance Trust Fund (“HMTF”) for its intended purpose of maintaining future access to the waterways and ports that support our nation’s economy. Additionally, on March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) which includes a provision that lifts caps on the HMTF, thereby allowing full access to future annual revenues. Through the increased appropriation of HMTF monies, the Company anticipates increased funding for harbor maintenance projects to be let for bid throughout 2020 and beyond.

Rivers & lakes backlog at June 30, 2020 was up \$0.5 million compared to backlog at December 31, 2019. During the six months ended June 30, 2020, the Company was awarded new work in Texas and Mississippi. For the six months ended June 30, 2020, the Company continued to earn revenue on a large project which was in backlog at December 31, 2019. Additionally, the Company earned revenue on a project in Mississippi during the current year period.

Liquidity and capital resources

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

The Company's cash provided by operating activities of continuing operations for the six months ended June 30, 2020 and 2019 totaled \$67.5 million and \$111.8 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. The decrease in cash provided by operating activities of continuing operations during the six months ended June 30, 2020 compared to the same period in the prior year was driven by billings and collections on large projects during the prior period as well as an increase in working capital due to an increase in receivables during the current year when compared to the same period in the prior year. Further, this decrease was offset by an increase of \$10.9 million in net income from continuing operations in the current period compared to the same period in the prior year.

The Company's cash flows used in investing activities for the six months ended June 30, 2020 and 2019 totaled \$20.1 million and \$18.8 million, respectively. Investing activities primarily relate to normal course upgrades and capital maintenance of the Company's dredging fleet. In the second quarter of 2020, the Company announced and made a down payment for a contract to build a 6,500 cubic yard trailing suction hopper dredge with expected delivery in the first quarter of 2023. Proceeds from dispositions of property and equipment in the prior year period was \$5.5 million compared to \$0.9 million in the current year.

The Company's cash flows used in financing activities for the six months ended June 30, 2020 and 2019 totaled \$0.8 million and \$13.1 million, respectively. The decrease in cash used in financing activities primarily relates to changes in the net repayments on Company's revolving credit facility in the prior period of \$11.5 million compared to none in the current year. On July 31, 2020, the Company's board of directors approved a share repurchase program, authorizing, but not obligating, the repurchase of up to an aggregate amount of \$75.0 million of common stock.

The Company maintains a favorable cash on hand position and revolver availability and as a result is well positioned for changes in the current economic environment. To date, the Company has had no significant operational or financial impact as a result of the ongoing coronavirus (COVID-19) pandemic but will continue to assess the potential economic impact that the virus and pandemic could have on the Company's operations and liquidity.

Senior notes

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

Commitments, contingencies and liquidity matters

Refer to Note 4, Long-term debt, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's Amended Credit Agreement. Additionally, refer to Note 8, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements for discussion of the Company's surety agreements.

The Company intends to upgrade its existing domestic fleet by acquiring new vessels, equipment and technology to increase productivity and efficiency. Existing cash on hand, future net cash flows, debt financing and new leases are all available funding resources from which the Company will evaluate its options when considering these upgrades.

The Company believes its cash and cash equivalents, its anticipated cash flows from operations and availability under its revolving credit facility will be sufficient to fund the Company's operations, capital expenditures and the scheduled debt service requirements for the next twelve months. Beyond the next twelve months, the Company's ability to fund its working capital needs, planned capital expenditures, scheduled debt payments and dividends, if any, and to comply with all the financial covenants under the Amended

Credit Agreement and bonding agreements, depends on its future operating performance and cash flows, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Critical accounting policies and estimates

In preparing its consolidated financial statements, the Company follows GAAP, which is described in Note 1, Basis of presentation, to the Company's December 31, 2019 Consolidated Financial Statements included on Form 10-K. The application of these principles requires significant judgments or an estimation process that can affect the results of operations, financial position and cash flows of the Company, as well as the related footnote disclosures. The Company continually reviews its accounting policies and financial information disclosures. Except as noted in Note 1, Basis of presentation, of the Company's financial statements, there have been no material changes in the Company's critical accounting policies or estimates since December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The market risk of the Company's financial instruments as of June 30, 2020 has not materially changed since December 31, 2019. The market risk profile of the Company on December 31, 2019 is disclosed in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

Item 4. Controls and Procedures.

a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of June 30, 2020. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and b) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020 in providing such a reasonable assurance.

b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings.

See Note 8, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes, except for the following, during the six months ended June 30, 2020 to the risk factors previously disclosed in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the risk factor previously disclosed in Item 1A. “Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

A pandemic, epidemic or outbreak of an infectious disease in the markets in which we operate or that otherwise impacts our facilities or suppliers could adversely impact our business.

If a pandemic, epidemic, or outbreak of an infectious disease, including the recent outbreak of respiratory illness caused by a novel coronavirus (COVID-19) first identified in Wuhan, Hubei Province, China, or other public health crisis were to affect our markets or facilities or those of our suppliers, our business could be adversely affected. The COVID-19 pandemic has involved disruptions in and restrictions on our ability to travel, and in the future these disruptions and restrictions could restrict our ability to perform work for future projects in different locations. While to date the COVID-19 pandemic has not had a material impact on our operations, we cannot be certain how our operations may be affected in the short or long term. This uncertainty is partially because the eventual duration of the COVID-19 pandemic is unknown, and may rely on the creation, production and distribution of a vaccine. In the meantime, our ability to respond to COVID-19-related outbreaks is complicated by availability of testing for the presence of COVID-19 (or its related antibodies), delays in receiving test results and false negative or positive test results. Although we have had crew members on certain of our vessels contract COVID-19, such instances have not to date had a material impact on our business. If COVID-19 or a different infectious disease were to have a more widespread outbreak at one or more of our vessels or facilities, our operations may be affected significantly, our productivity may be affected, key personnel necessary to conduct our operations or replacement crew may be unavailable, our ability to complete projects in accordance with our contractual obligations may be affected, and we may incur increased labor and materials costs. If the shipyards with which we contract were affected by an outbreak of infectious disease, repairs of our vessels as well as new construction may be delayed and we may incur increased labor and materials costs. In addition, we may experience difficulties with certain suppliers or with vendors in their supply chains, and our business could be affected if we become unable to procure essential supplies or services in adequate quantities and at acceptable prices.

Our clients, such as the Corps, private clients and other federal or state agencies, have been impacted by the COVID-19 pandemic, and if prolonged, these impacts may lead to cancelations or delays in projects. Funds for dredging projects may also be diverted for public health, economic, or other priorities. Overall, the potential impact of a pandemic, epidemic or outbreak of an infectious disease with respect to our markets or our facilities is difficult to predict and could adversely impact our business. Even after the COVID-19 pandemic has subsided, we may experience materially adverse impacts to our business as a result of its effect on global economies and financial markets, including any recession or economic downturn that has occurred or may occur in the future.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

<u>Number</u>	<u>Document Description</u>
<u>10.1</u>	<u>Vessel Construction Agreement, dated June 5, 2020 by and between Conrad Shipyard, L.L.C. and Great Lakes Dredge & Dock Company, LLC. (1)*</u>
<u>31.1</u>	<u>Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</u>
<u>31.2</u>	<u>Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</u>
<u>32.1</u>	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **</u>
<u>32.2</u>	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **</u>
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language ("Inline XBRL")*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) *

(1) Portions of this exhibit have been omitted pursuant to Rule 601(b)(10) of Regulation S-K.

* Filed herewith

** Furnished herewith

EXHIBIT 10.1

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED. [*] INDICATES THAT INFORMATION HAS BEEN REDACTED.**

Confidential Commercial Information

Execution Version

VESSEL CONSTRUCTION AGREEMENT

BY AND BETWEEN

**CONRAD SHIPYARD, L.L.C.
(Builder)**

AND

**GREAT LAKES DREDGE & DOCK COMPANY, LLC
(Owner)**

ONE (1) TRAILING SUCTION HOPPER DREDGE

And Option Vessel

Dated June 5, 2020

*GLDD – Conrad Vessel Construction Agreement
For Trailing Suction Hopper Dredge*

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Exhibit G-2	Form of Subcontractors' and Suppliers' Lien Release
Exhibit H	Form of Certificate of Completion and Delivery
Exhibit I	Form of Change Order
Exhibit J	Form of Owner's Warranty Notification to Builder
Exhibit K	Builder's Preliminary Schedule
Exhibit L-1	Form of Payment Bond
Exhibit L-2	Form of Performance Bond
Exhibit M	Form of Protocol of Delivery and Acceptance
Exhibit N	Form of Builder's Corporate Parent Guarantee
Exhibit O	Time and Material Rates
Exhibit P	Form of Shipyard Contract Deficiency Report
Exhibit Q	Interim Installment and Stage of Completion Schedule
Exhibit R	Alternate Scope Proposals

VESSEL CONSTRUCTION AGREEMENT

THIS VESSEL CONSTRUCTION AGREEMENT is made as of the **5th day of June, 2020** (hereinafter, this “*Agreement*”), between Conrad Shipyard, L.L.C. (hereinafter, “*Builder*”), a Louisiana limited liability company whose principal place of business address is 1501 Front Street, Morgan City, Louisiana 70380 and Great Lakes Dredge & Dock Company, LLC (hereinafter, “*Owner*”), a Delaware limited liability company whose principal place of business address is 2122 York Road, Oak Brook, Illinois 60523, for the design and construction of the Vessel (as defined below).

Builder and Owner agree as set forth below.

W I T N E S S E T H:

Article 1 UNDERTAKING AND PRICE

1.1 **Initial Undertaking.** Builder agrees to build at its own risk and expense and to sell, and Owner agrees to purchase, the Initial Vessel (as defined below) on the terms and conditions as set forth herein. The Initial Vessel shall be a trailing suction hopper dredge vessel, constructed to the Design, for the Contract Price, all in accordance with the Contract Documents.

1.2 **U.S. Build.** Without limitation to the foregoing, Builder is to ensure that the Initial Vessel is built in the United States as required by United States law to be eligible for documentation under the United States flag with a coastwise trade endorsement; including ensuring that all major components used in the construction of the Initial Vessel are fabricated in the United States, and that all construction and all assembly for the construction of the Initial Vessel is done in the United States.

1.3 **Contract Price.** The Contract Price to be paid by Owner for the Work for the Initial Vessel shall be as set forth in Exhibit A and may only be adjusted as provided in accordance with the terms of this Agreement.

1.4 **Delivery.** Builder shall deliver the Initial Vessel to Owner at the Delivery Point, safely afloat, in all respects fully seaworthy, fully constructed, fully outfitted, and fully tested in accordance with the Design as set forth in the Contract Documents. Delivery shall be made by the Delivery Date shown on Exhibit A, subject to any Permissible Delays permitted in accordance with Article 14.

1.5 Option Vessel. Owner shall have the option to purchase an additional Vessel (the "Option Vessel") on the terms and conditions set forth below:

- (a) The Contract Price for the Option Vessel shall be the Option Vessel Price set forth in Exhibit A, which may only be adjusted as provided in accordance with the terms of this Agreement.
- (b) As long as Owner is not in default under this Agreement pursuant to Section 16.2, notwithstanding any cure period that may be applicable, at the time Owner exercises the following right, Owner may exercise its right to purchase the Option Vessel by written notification delivered to Builder not later than twelve (12) months from the Effective Date of this Agreement, or such later date as may be mutually agreed by the Parties.
- (c) If Owner's option is exercised within the foregoing period, the initial Scheduled Delivery Date for the Option Vessel will be determined by a schedule mutually agreed between the Parties at the time that Owner exercises its option, provided, however, that the duration of the construction period shall not exceed that used for the Initial Vessel unless otherwise mutually agreed in writing.
- (d) All other provisions of this Agreement shall apply in connection with the construction of the Option Vessel, *mutatis mutandis*.
- (e) For convenience, all subsequent references below shall be to a single Vessel, but without limitation of Owner's right to order an Option Vessel; where this Agreement refers to "the Vessel," such reference shall be deemed to refer to either the Initial Vessel or the Option Vessel, as applicable.

1.6 Specifications. The Parties have agreed that the Vessel shall be built to the specifications set forth in the attached Exhibit B (the "Specifications"). The Specifications may be changed from time to time during the construction of the Vessel in accordance with the procedures stated below, and such changes will be set forth in one or more sequentially numbered Change Orders (as defined below).

Article 2 **DEFINITIONS**

"**Affiliates**" means for purposes of this Agreement any entity that controls, is controlled by, or is under common control with another entity. An entity is deemed to control another if it owns directly or indirectly at least fifty percent (50%) of (i) the shares entitled to vote at a general election of directors of such other entity, or (ii) the voting interest in such other entity if such other entity does not have either shares or directors.

“**Agreement**” has the meaning defined in the Preamble.

“**Alternate Scope Proposals**” has the meaning defined in Section 7.11.

“**Announced Regulatory Amendment**” shall mean an announcement by a Regulatory Authority of an upcoming Change in Law applicable to the Vessel that has an established effective date and has been publicly promulgated by means of a Circular issued by the IMO or an IMO Committee, or similar announcement from the Classification Society, or a Final Rule issued by a Regulatory Authority.

“**Approval Disputes**” has the meaning defined in Section 24.2.

“**Bond**” means a surety bond to be provided by Builder pursuant to Section 13.1 that shall be substantially in the form of American Institute of Architects standard form document A312-2010, forms of which are attached hereto as Exhibit L-1 and Exhibit L-2, or as otherwise reasonably acceptable to Owner.

“**Builder**” has the meaning defined in the Preamble.

“**Builder Group**” has the meaning defined in Section 23.3.

“**Builder Personnel**” means all employees of Builder and the employees of any Subcontractor of Builder, at any tier.

“**Builder’s Corporate Parent Guarantee**” means a corporate parent guarantee to be provided by Builder’s corporate parent to Owner pursuant to Section 13.3, substantially in the form of Exhibit N, or as otherwise reasonably acceptable to Owner.

“**Builder’s Representative**” means those Persons designated in writing by Builder to act as Builder’s representative and act on behalf of Builder as its primary point of contact in connection with this Agreement and the Work.

“**Builder’s Process**” means the detailed construction documentation of the Vessel, including construction modeling, lofting, numerical control code and/or tapes, detail construction documentation including but not limited to material lists, all of which have been developed by Builder for the work contemplated by this Agreement.

“**Certificate of Completion and Delivery**” has the meaning defined in Section 4.9.

“**Change Order**” means a written instrument prepared by Builder and signed by Owner and Builder, stating their agreement upon: (1) a change in the Work; (2) the amount of the

adjustment in the Contract Price if any; and (3) the extent of the adjustment in the Delivery Date, if any.

“**Classification Society**” means the American Bureau of Shipping.

“**Coast Guard**” means the United States Coast Guard.

“**Contract Documents**” has the meaning defined in Section 27.1.

“**Contract Drawings**” means the contract drawings listed in an addendum to the Specifications showing the design and construction of the Vessel as further described in the Specifications.

“**Contract Price**” means the price for the Vessel to be constructed pursuant to this Agreement as shown on Exhibit A including any Modifications thereto and any price adjustments allowed by this Agreement.

“**Days**” means Gregorian Calendar days, unless otherwise defined. Each Day shall be a single twenty-four hour period commencing at 12:00 a.m., local time at the Shipyard at Amelia, Louisiana.

“**Delivery**” means Builder’s transfer of possession and Owner's acceptance of the Vessel completed in accordance with the Contract Documents, subject to the warranties set forth in Article 11, as evidenced by Builder's and Owner's execution of a Protocol of Delivery and Acceptance in the form of Exhibit M.

“**Delivery Documents**” has the meaning defined in Section 4.9(f).

“**Delivery Date**” means the date on which Builder is required to deliver the Vessel to Owner as shown on Exhibit A, subject to extensions through Permissible Delays pursuant to Article 14.

“**Delivery Payment**” means the final payment to be made by Owner to Builder in connection with the construction of the Vessel.

“**Delivery Point**” means the location at which the Delivery of the Vessel is to be made in accordance with Section 10.18, which shall be Builder's Shipyard located in Amelia, Louisiana, or such other location as may be mutually agreed.

“**Design**” means the design of a trailing suction hopper barge, as described and specified in the Specifications and other Contract Documents, and shall also include all documents embodying such design and all Intellectual Property embodied in such design documents, as specified in the Contract Documents.

“**Detailed Construction Documentation**” means all construction documentation of the Vessel created by Builder or its Subcontractors, as specified in Exhibit B.

“**Dock Trials**” means the testing of any portion of the Work by Builder or Owner prior to, and as a condition of, Delivery as described in Section 10.3 and in the Specifications.

“**Dredging System**” has the meaning defined in Section 10.6.

“**Effective Date**” shall be the date on which the later of the following events have occurred: (i) this Agreement has been signed by both Parties, and (ii) Owner has made payment of the initial Interim Installment Payment to Builder in accordance with Exhibit Q.

“**EPA**” means the United States Environmental Protection Agency.

“**Force Majeure**” has the meaning defined in Section 14.2.

“**Good Shipbuilding Practice**” as used herein, means the construction of a ship or vessel in accordance with all applicable flag state regulations and classification society rules using those vessel construction practices and work management systems employed by competent and well-qualified commercial vessel builders, with due consideration to good quality, incorporating the specified components to meet Specification requirements, utilizing construction and testing methods to ensure that the completed Vessel will conform to the Contract Documents.

“**IMO**” means the International Maritime Organization.

“**Initial Vessel**” means the first Vessel to be constructed under this Agreement, in the event that Owner exercises its option for the construction of an Option Vessel under the terms and conditions of this Agreement.

“**Intellectual Property**” means all trade names, trademarks, service marks, and other identifying names or source indicia associated with the Work, whether registered or unregistered, and including all goodwill relating to any of the foregoing, and all applications for any of the foregoing; all patents, copyrights, including any design copyrights protected pursuant to 17 U.S.C. § 1301, et seq., copyright registrations and patent applications for the foregoing, together with all divisions, renewals, and continuations of any of the foregoing, and all know-how, unpatented inventions, trade secrets, and other intellectual property embodied in or pertaining to the Work or the Design.

“**Interim Installment Payment**” means a payment due upon completion of a Stage of Completion in accordance with Section 4.2 and Exhibit Q.

“**IP Claims**” has the meaning defined in Section 20.1.

“**Joint Surveyor**” has the meaning defined in Section 24.3.

“**Letter of Credit**” has the meaning defined in Section 13.2.

“**Lien**” means any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any option, trust, or other preferential arrangement having the practical effect of any of the foregoing.

“**Lien Release**” means a lien release in favor of the Vessel and Owner, executed by Builder and each Material Subcontractor or Supplier, in the form of Exhibits G-1 and G-2.

“**Maker’s List**” has the meaning defined in Section 3.21.

“**Major Equipment**” means all items with a purchase cost of [***] or greater, and also includes without regard to cost all engines, gearboxes, and the Dredging System”.

“**Materials**” means everything, other than Owner Furnished Items, that is required for the construction and Delivery of the Vessel in compliance with the Specifications, including, without limitation, all materials, supplies, machinery, machinery parts, equipment, electronics, hardware, piping, timber, ferrous and non-ferrous plate, shapes, and other tangible items that are incorporated or used in, or that are identified to or intended to be incorporated or used in, the construction of the Vessel.

“**Material Non-Conformities**” has the meaning defined in Section 10.15.

“**Material Subcontract**” means any contract of Builder with a Subcontractor, Supplier, or other vendor in connection with the Work with a value in excess of [***].

“**Material Subcontractor or Supplier**” means Subcontractor or Supplier of Builder providing goods and/or services in excess of [***] in respect of the Work.

“**Minor Non-Conformities**” has the meaning defined in Section 10.13.

“**Modification**” means: (1) a written amendment to this Agreement signed by both Parties, or (2) a Change Order.

“**Notice of Arbitration**” has the meaning defined in Section 25.6.

“**Option Vessel**” means the second Vessel to be constructed under this Agreement, in the event

that Owner exercises its option for the construction of a second Vessel under the terms and conditions of this Agreement.

“**Owner**” has the meaning defined in the Preamble.

“**Owner Furnished Items**” means those items furnished by Owner to be installed in the Vessel by Builder as part of the Work as defined in Exhibit E.

“**Owner Group**” has the meaning defined in Section 23.1.

“**Owner Personnel**” means all employees of Owner, Owner's Representative, and the employees of any subcontractor of Owner (excluding Builder Personnel), at any tier.

“**Owner's Representative**” means those Persons designated in writing by Owner to represent and act on behalf of Owner as described more fully in Section 8.1. as Owner's primary point of contact in connection with this Agreement and the Work.

“**Parties**” refers to Owner and Builder collectively, and “**Party**” means either of them individually.

“**Permissible Delay**” has the meaning defined in Section 14.1.

“**Person**” means an individual, or any corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or agency or political subdivision thereof (including any subdivision or ongoing business of any such entity).

“**Project Schedule**” has the meaning defined in Section 6.7 and more fully described in Article 6.

“**Protocol of Delivery and Acceptance**” means a document in the form of Exhibit M to be executed by Builder and Owner upon Delivery of the Vessel.

“**Rain Day**” has the meaning defined in Section 14.5.

“**Regulatory Authorities**” as used herein means the Coast Guard, the Classification Society, the U.S. Public Health Service, the International Maritime Organization, United States Customs and Border Protection, the EPA, and any other applicable governmental body or agency responsible for ensuring the Vessel's compliance with all requirements imposed by United States law and regulations, international conventions, the Classification Society, or any other requirement applicable to the Vessel (each a “**Regulatory Authority**”).

“**Retained Amount**” has the meaning defined in Section 10.6.

“**Sea Trials**” means those trials as described in Section 10.4 and in the Specifications.

“**Shipyard**” means collectively those shipyards and ancillary facilities owned, leased, or used by Builder in connection with the Work under this Agreement.

“**Shipyard Contract Deficiency Report**” means a report in the form set out in Exhibit P.

“**SMA Rules**” has the meaning defined in Section 25.4.

“**SOLAS**” means the International Convention for the Safety of Life at Sea.

“**Specifications**” means the specifications attached hereto as Exhibit B.

“**Stage Completion Certificate**” means a certificate, in the form set forth in Exhibit F-1, attesting to the completion of each stage of the Work as referred to in Section 4.4 and corresponding to the Interim Installment Schedule set forth in Exhibit Q.

“**Subcontractor**” means any Person other than an employee of Builder, engaged by Builder to execute any part of the Work under this Agreement on behalf of Builder.

“**Supplier**” means any Person responsible for the supply, manufacture, construction, installation, or delivery to Builder of any of the Materials.

“**System Tests**” has the meaning defined in Section 10.6.

“**Technical Disputes**” has the meaning defined in Section 24.3.

“**Vessel**” means the vessel to be designed and constructed in accordance with the Contract Documents.

“**Warranty Period**” as used herein means a three hundred and sixty-five (365) Day period following Delivery of the Vessel, or in the case of a warranty given by a third party, such period specified in such warranty, but not less than a three hundred and sixty-five (365) Day period following Delivery of the Vessel.

“**Work**” as used herein, means the work required to be performed by Builder in accordance with the Contract Documents, whether performed by Builder or any Subcontractor and whether completed or partially completed, and includes all labor, Materials, equipment and services provided or to be provided by or on behalf of Builder to fulfill Builder's obligations hereunder. The Work shall also include Builder's obligation to pay in due course for all such labor,

Materials, equipment, and services provided or to be provided on behalf of Builder to fulfill Builder's obligations hereunder.

“**Working Days**” means “business days,” Monday through Friday, excluding weekends and national or state recognized holidays applicable to the local jurisdiction in which the Work is performed.

Terms defined in this Agreement, either in Article 2 or elsewhere in this Agreement, which are used in the other Contract Documents or Change Orders but not otherwise defined therein, shall have the meanings assigned to them in this Agreement. References to Articles, Sections and Exhibits shall constitute references to Articles and Sections of this Agreement and Exhibits attached to this Agreement, unless otherwise indicated.

Article 3 SCOPE OF WORK

3.1 The Vessel shall be constructed in accordance with the Contract Documents as well as all applicable rules and regulations of the Regulatory Authorities, including, without limitation, Coast Guard regulations, EPA regulations, SOLAS, the International Convention on Load Lines (as amended), and all applicable Rules of the Classification Society. Without limitation to the Specifications, the Vessel shall have the following principal characteristics:

Length overall (max)	[***] feet
Length between perpendiculars	[***] feet
Breadth, moulded	[***] feet
Depth, moulded	[***] feet
Draft, max dredge	[***] feet
Displacement at [***] foot draft	[***] long tons*
Deadweight “all told” at [***] foot draft	[***] long tons*
Gross Tonnage (ITC)	[***] gross tons (ITC)*
Net Tonnage (ITC)	[***] net tons (ITC)*
Hopper capacity at highest overflow level, net	[***] cubic yards
Inside diameter of trailing suction pipes	[***] inches
Maximum Dredging depth below waterline (approximate)	[***] feet

(* tonnage figures are approximates pending vessel admeasurement)

3.2 Owner and Builder each expressly acknowledge and agree that Owner has provided to Builder the Design as reviewed by the Classification Society. Upon execution of this Agreement, Builder shall have the sole and exclusive responsibility to finalize all Design drawings for the performance of the Work, and to submit all Design drawings, plans, and documentation as may be required for final review and approval of the Regulatory Authorities having jurisdiction

over the Vessel, and the creation of any design models or similar products required for the performance of the Work.

3.3 Builder shall have sole and exclusive responsibility to obtain timely any approval required by any Regulatory Authority for any Builder Process derived by Builder from the Specifications, Contract Documents, Design drawings, or Builder furnished equipment that requires approval by any Regulatory Authority. Without limitation to the foregoing, Builder shall be solely responsible to obtain all necessary approvals from the Regulatory Authorities for the construction, classification, and issuance of the Coast Guard Certificate of Inspection for the Vessel, including the final approval of all plans, arrangements, and drawings.

3.4 Builder shall provide copies to Owner of each and all stamped plans, approval letters, equipment documentation approvals, Class survey reports, and all other approvals issued by Regulatory Authorities as Builder receives same from the Regulatory Authorities.

3.5 Builder agrees to furnish a suitable location at its Shipyard for the full and timely construction of the Vessel together with all labor, management, tools, equipment, Materials, services, and fees necessary for the construction, completion, inspection, and certification of the Vessel. Without limitation to the foregoing or to the provisions of Section 3.12, Builder also agrees to furnish a suitable location for the storage of Owner Furnished Items in accordance with Good Shipbuilding Practice, including without limitation the protection of Owner Furnished Items from the elements, theft, and damage as may be required by the nature of specific Owner Furnished Items.

3.6 Subject to Article 19, Builder will comply with, and construct the Vessel to comply with, all applicable requirements of governing Regulatory Authorities in effect at the Effective Date. All fees and charges of a Regulatory Authority, including fees and charges for inspection of the Work shall be for the account of and paid by Builder, except those fees and charges of the Classification Society for the review of Owner Furnished Items, which shall be for the account of and paid for by Owner.

3.7 If after the Effective Date Builder becomes aware that any portion of the Contract Documents do not comply with any rules, regulations, or requirements of the Regulatory Authorities, Builder shall promptly notify Owner of such non-compliance. Any alterations in the Work required to correct such non-compliance shall be addressed through a Change Order in accordance with Section 7.8.

3.8 Builder will provide and/or install and commission all Materials shown in the Specifications, including the installation of Owner Furnished Items, except those items which the Specifications state are to be installed by Owner or its separate contractors.

3.9 With respect to such items to be installed by Owner or its separate contractors, Builder shall provide reasonable assistance with respect to such installation in accordance with the Contract Documents and the Project Schedule. Without limitation to the foregoing, Builder shall receive, store, protect, and insure all Owner Furnished Items to be incorporated into the Vessel delivered to the Shipyard. Upon receipt of such Owner Furnished Items at the Shipyard, Builder shall inspect for, and note on the carrier's receipt, any shipping damage that is reasonably ascertainable upon a reasonable examination of the item, material, and packaging, and check that the item or material conforms to the applicable Bills of Lading with regard to item description and quantity.

3.10 Upon delivery of each Owner Furnished Item to the Shipyard, as soon as possible, but not later than the following Working Day, Builder shall notify Owner's Representative of such delivery. Upon such notification, Owner's Representative shall, at Owner's expense and risk, inspect such Owner Furnished Item.

3.11 Provided that Builder has complied with the obligations of this Article, Builder shall not be liable for any damage to an Owner Furnished Item for loss or damage arising prior to delivery to the Shipyard.

3.12 Builder shall have the duties of a bailee with respect to all Owner Furnished Items in Builder's custody, and Builder shall be liable to Owner to the extent of available insurance coverage for any damage to, or loss of, any Owner Furnished Item while in Builder's custody howsoever occurring. Owner shall be responsible for providing Builder accurate values of all Owner Furnished Items upon Builder's request.

3.13 Builder shall schedule the commissioning of Owner Furnished Items in cooperation with Owner. The cost of technical support required to commission Owner Furnished Items after installation by Builder shall be the responsibility of Owner.

3.14 Builder shall allow sufficient time and working area to allow the timely and safe installation and commissioning of all equipment and the loading of supplies prior to the Vessel's departure voyage.

3.15 Exhibit E attached hereto identifies all Owner Furnished Items and vendor furnished information for Owner Furnished Items together with the fair market value of such equipment and appurtenances for use in determining the policy value of Builder's Risk Insurance under Article 10.1(c). The cost of Builder's Risk Insurance for Owner Furnished Items (for values shown in Exhibit E) shall be for the account of and paid by Builder. If Owner requests Builder to place additional insurance, the cost to Owner will be Builder's incremental cost for such additional

insurance. Owner Furnished Items and vendor furnished information shall be delivered free of cost to Builder at Builder's Shipyard by the dates set forth in Exhibit E.

3.16 Builder will allow Owner's Representative to examine the Vessel and the Work during construction at the Shipyard and all other facilities used in the Work, at all reasonable times.

3.17 The Parties understand and accept the relationship of trust and confidence established between them by this Agreement.

3.18 The Parties agree and understand that Builder is an independent contractor in the performance of the Work, maintaining complete control of its workers, the worksite, and its operations. Neither Builder nor anyone employed, engaged, or subcontracted by Builder shall become an agent, representative, servant, or employee of Owner in the performance of the Work or any part of it. Subject to Owner's rights in the event of a default under Article 16, Owner shall have no right or authority to supervise, direct, or instruct Builder's personnel or to bind Builder in any way to any third party.

3.19 This Agreement does not convey any agency authority on Builder, and Builder shall have no authority whatsoever to act on behalf of Owner or to bind Owner in any way, except as may be provided expressly elsewhere in this Agreement or in separate documents for specified purposes. Builder expressly agrees that it shall not attempt or purport to act on behalf of Owner without Owner's prior express written authorization.

3.20 Builder shall be responsible for completion of the Work as a whole. Builder may allocate certain portions of the Work to be performed under subcontracts or similar agreements between Builder and Subcontractor, and Owner shall have no liability for such subcontracts. Nothing contained in the Contract Documents shall create any contractual relationship between Owner and any Subcontractor.

3.21 Without limitation to the provisions of Section 3.20, the Specifications shall include a list of mutually acceptable subcontractors and suppliers in connection with the Vessel (such list, the "*Maker's List*"). Builder shall have the right to designate specific Persons from the list for specific work or supplies. Builder may not use a subcontractor or supplier not on the Maker's List without the prior written approval of Owner.

3.22 Owner shall have the right to designate other specific Persons, from the Maker's List or otherwise, to serve as subcontractors or suppliers in connection with the Work; provided, however, that: (i) Builder shall have the right to reasonably object to any Owner-recommended sub-contractors or suppliers not chosen from the Maker's List; and (ii) any increase in cost, delay

in delivery, or other change to the speed, weight, or other characteristic of the Vessel resulting from such designation by Owner shall be for Owner's account.

3.23 Builder shall furnish to Owner at its request a copy of each Material Subcontract it enters into in connection with the Work.

Article 4 **PAYMENT**

4.1 The Work shall be performed by Builder in consideration of Owner's payment of the Contract Price for Vessel set forth in Exhibit A of this Agreement, as may be modified by Change Orders.

4.2 Owner agrees to pay the Contract Price of Vessel to Builder in Interim Installment Payments correlating to the Stage of Completion schedule as set forth in Exhibit Q. In the event that Owner fails to pay the first Interim Installment Payment on the date of execution of the Agreement, Builder shall have the right to (i) cancel this Agreement, in which event Builder shall have no further obligation to Owner hereunder, or (ii) suspend performance of the Agreement until Owner pays the first Interim Installment Payment. In the event of such suspension, the Effective Date of this Agreement shall be deemed to be the date on which Owner pays the first Interim Installment Payment and the Project Schedule, including the Delivery Date, shall be adjusted commensurate with the period of suspension. In no event shall Owner be required to make an Interim Installment Payment to Builder until Builder has accomplished the progress of Work required for that Interim Installment Payment.

4.3 Notwithstanding any other provision of this Agreement, Owner shall have the right, in its sole discretion, to pay supplier's invoices for Major Equipment directly upon written request to Builder. Builder shall credit the amount of any such direct payment to the next Interim Installment Payment due from Owner.

4.4 Builder shall give Owner written notice of the intended date of issuance of a relevant Stage Completion Certificate not more than fifteen (15) or less than ten (10) Working Days before issuance. The form of Stage Completion Certificate is attached as Exhibit F-1 to this Agreement. Builder shall tender to Owner each Stage Completion Certificate along with a Builder's Invoice in the form attached as Exhibit F-2 and with the appropriate Lien Release(s) as described in Section 4.7.

4.5 Except for the first Interim Installment Payment, the Delivery Payment, and any Interim Installment Payment that is disputed and subject to resolution pursuant to Section 4.8, Owner shall make each Interim Installment Payment within ten (10) Days of receipt of the relevant Stage Completion Certificate, Lien Release(s), and Builder's Invoice, each properly completed and

executed. With respect to Interim Installment Payments disputed and resolved pursuant to Section 4.8, payment shall be due within ten (10) Days of resolution of such dispute. With respect to the Delivery Payment, payment shall be due upon Delivery of the Vessel and prior to the Vessel leaving Builder's Delivery Point.

4.6 Except for the first Stage of Completion, Builder shall furnish a Stage Completion Certificate for each Stage of Completion for Vessel which shall state: (i) the stage of Work achieved; (ii) that the Work completed complies with the Contract Documents; and (iii) that, subject to payment by Owner therefor, there are no Liens upon the Vessel for labor, Materials or equipment, except for those created by Owner or Owner's subcontractors, vendors, or employees. Each required Stage Completion Certificate shall be executed and certified by the President of Builder.

4.7 If Builder has created or suffered any outstanding Lien on the Vessel, Owner shall not be obligated to make payment until such Lien is resolved, unless such Lien is held by Owner, its employees, subcontractors, vendors, inspectors, assigns or Affiliates. Confirmation of the absence of Liens against the Vessel shall be certified through the tender of Lien Release(s) in the forms of Exhibit G-1 and G-2 in favor of the Vessel and Owner executed by Builder and each Material Subcontractor or Supplier.

4.8 Except for disputes arising during the final Stage of Completion, if Owner objects upon receipt of the Stage Completion Certificate on grounds that the pertinent stage has not been reached, the dispute will be submitted to a Senior Surveyor of the Classification Society whose decision as to achievement of the relevant stage will be final and binding.

4.9 Not later than the time of Delivery of Vessel, Builder shall execute and deliver to Owner the following certifications:

- (a) a Certificate of Completion and Delivery in the form of Exhibit H (including all documents listed therein) stating:
 - (i) that the Vessel has been completed;
 - (ii) that all trials and tests have been satisfactorily completed; and
 - (iii) that the Vessel complies with the Contract Documents and is free from known defects in Builder's materials and workmanship;
- (b) final Lien Releases from Builder, in the form of Exhibit G-1 and from all Subcontractors and Suppliers in the form attached as Exhibit G-2;

- (c) the Detailed Construction Documentation;
- (d) a Protocol of Delivery and Acceptance in the form set forth in Exhibit M and signed by Builder;
- (e) any other documents set forth in the Specifications; and
- (f) any other documents required by applicable law or by any Regulatory Authority for Owner to have the Vessel documented in Owner's name and to enable the Vessel to commence operations as a trailing suction hopper dredge inspected under 46 C.F.R. Subchapter I with a United States coastwise trade endorsement; or as may otherwise reasonably be required by Owner (the foregoing documents collectively referred to as the "Delivery Documents").

4.10 Upon receipt of all Delivery Documents, Owner shall co-execute the Protocol of Delivery and Acceptance or a counterpart and shall pay Builder the Delivery Payment indicated in Exhibit Q, subject to the following adjustments:

- (a) plus any and all time and material payments that have not been paid to date;
- (b) plus any applicable State or Local Sales and/or Use Taxes, unless Owner has provided to Builder documents or copies of documents as may be required by applicable law to obtain a sales or use tax exemption (s);
- (c) plus or less any changes in the Contract Price resulting from fully executed Change Orders that have not been paid or credited prior to Delivery;
- (d) plus the value of any Builder-furnished stores on board at time of Delivery;
- (e) plus any early delivery bonus that may have accrued in accordance with Section 15.1; and
- (f) less any liquidated damages for delay that may have accrued in accordance with Article 15.

4.11 If the amount of undisputed adjustments set out in Section 4.10 in favor of Owner is greater than the amount owed for the Delivery Payment, then Builder shall pay the difference to Owner at the time of Delivery.

4.12 In the event of any dispute between the Parties at the time of Delivery, the Parties shall reserve their respective rights regarding the dispute and Builder shall make, and Owner shall accept, Delivery of the Vessel subject to such reservations. Furthermore, in the event of such

dispute, Owner shall deposit any disputed amounts in escrow, and Builder shall deliver the Vessel with the disputed amount to be listed as an exception to Delivery on the Protocol of Delivery and Acceptance. Without limitation to the foregoing and for the sake of clarity, Builder shall not withhold or otherwise delay or encumber the Delivery of the Vessel and Owner shall not withhold acceptance of the Vessel or the payment of any undisputed amounts as determined pursuant to Section 4.10.

4.13 All payments due hereunder shall be made by wire transfer unless otherwise specified herein. Builder and Owner shall furnish their respective wire transfer instructions to the other Party.

4.14 Any late payments shall accrue interest at the average prime rate issued by Bank of America N.A. per annum rate of interest plus two percent (2%) per annum from the date that the payment was due until paid.

4.15 Any payments made by Owner shall be without prejudice to, or waiver of, any of Owner's rights, defenses, claims, and remedies arising under or related to the Vessel and this Agreement.

4.16 The Contract Price shall be adjusted by any change or adjustment agreed by the Parties in accordance with Article 7. For any change in the Work giving rise to an increase or decrease in the Contract Price where the value of such change has not been determined or agreed by the Parties as of the time of the next Interim Installment Payment, then for purposes of determining the Interim Installment Payment and subject to a final determination, the value shall be estimated as the midpoint between Builder's and Owner's independent estimates of the increase or decrease in the Contract Price due to such change or adjustment, unless Owner and Builder agree otherwise. When the value of such change or adjustment is finally determined, the Parties shall adjust the Contract Price and the remaining Interim Installment Payments to reflect any variance between the estimate and the final determination.

4.17 In the event that an increase or decrease in the Contract Price due to change or adjustment under Article 7 below is not mutually agreed to prior to Delivery of the Vessel to Owner, appropriate adjustment of any overpayment or underpayment shall be made promptly upon final determination in accordance with Article 25 as to the increase or decrease and any adjustments required to the Contract Price shall be paid or refunded within ten (10) Days of the date of such final determination.

4.18 If a change or adjustment shall result in an agreed increase or decrease in the Contract Price for the Vessel, all remaining Interim Installment Payments shall take account of such increased or decreased Contract Price, as set forth above. Without limitation to the foregoing,

in addition, the first such Interim Installment Payment that becomes due after the subject increase or decrease shall be adjusted by an amount equal to the product of (a) the amount of the increase or decrease in the Contract Price and (b) the aggregate percentage of the Contract Price required to be paid on or before the due date of such Interim Installment Payment.

Article 5 DESIGN OWNERSHIP AND RESPONSIBILITY

5.1 The Design and any Detailed Construction Documentation prepared by or for Owner in connection with the Design or the Work and any Intellectual Property they embody is and shall remain the sole and exclusive property of Owner and may be used by Owner without restriction.

5.2 Owner certifies and warrants that Owner has the right to possess, modify and otherwise use the Design and any Detailed Construction Documentation furnished by Owner or by Owner's engineering, design, marine architect, or other subcontractors during the performance of the Work hereunder.

5.3 Nothing contained herein shall be deemed to transfer any right of title or ownership of any Intellectual Property to Builder and nothing herein contained shall be deemed to limit Owner's right to market, license, sell, use, modify or construct from such Intellectual Property for or to others.

5.4 In no event is Builder permitted or licensed to use the Design or any Intellectual Property to construct or have constructed on its behalf any additional vessel or part thereof except as otherwise expressly agreed to by Owner at its sole option and absolute discretion, in writing.

5.5 In the event any third party presents a design to Builder identical or substantially similar to the Design utilized under this Agreement, Builder will take all reasonable steps necessary to verify that the design is independent and not misappropriated from Owner. Unless Builder can verify that the design is independent and not misappropriated from Owner, Builder agrees not to use Builder's Process for any non-Owner project. Furthermore, unless Builder can verify that the design is independent and not misappropriated from Owner, Builder agrees that Builder shall not construct a vessel similar or identical to the Vessel for any party other than Owner.

5.6 Owner agrees that Builder's Process is and shall remain the property of Builder and may not be disclosed by Owner to any third party or used directly or indirectly by Owner or any third party in the construction of a vessel for Owner by any party other than Builder, except as may be required in the exercise of Owner's rights in the event of a Default under Article 16.

5.7 Builder agrees that the Design is and shall remain the property of Owner and may not be disclosed by Builder to any third party or used directly or indirectly by Builder or any third party in the construction of a vessel by Builder for any party other than Owner, unless otherwise permitted as provided in Section 5.5.

5.8 Builder shall not be liable for any errors, omissions, defects, or failures in the Design, as provided by Owner to Builder, and Builder makes no representations or warranties with respect to the Vessel's speed, tonnage, cargo capacity, displacement, or fuel consumption; provided, however, that nothing herein shall relieve Builder from liability for any errors, omissions, defects, or failures in the performance of the Work, including the workmanlike performance of Builder's obligations under Article 3.

Article 6 PROSECUTION OF THE WORK, PROJECT SCHEDULE

6.1 Builder shall provide at no charge other than the Contract Price all things required for the complete performance of the Work, except for such items as are specifically required by the Contract Documents to be furnished by Owner.

6.2 Builder shall at all times prosecute the Work diligently to ensure its completion in full accordance with the Contract Documents within the time required for delivery of the Vessel by the Delivery Date. Builder shall at all times furnish sufficient numbers or amounts of properly skilled and qualified workers, acceptable materials and equipment and adequate services and tools and equipment necessary for the Work and the delivery of Vessel by the Delivery Date.

6.3 Builder shall perform all of the Work in accordance with the Contract Documents, Good Shipbuilding Practice, and all applicable laws, regulations, rules, codes, and standards of the Regulatory Authorities or otherwise.

6.4 Builder shall provide all engineering and design services required for the performance of the Work utilizing Good Shipbuilding Practice and the generally accepted standard of care, skill, and diligence as would be provided by an engineering or naval architecture firm experienced in supplying engineering or naval architecture services nationally to the United States' maritime industry. Builder shall construct the Vessel in a good and workmanlike manner and in accordance with the Classification Society rules and standards set forth in the Specifications, Contract Documents, and the requirements of the governing Regulatory Authorities. Builder shall ensure that all Work requiring certification shall be duly certified, and that all designs requiring sealing shall be sealed by professional engineers licensed and properly qualified to perform such engineering services in the appropriate jurisdiction.

6.5 Builder expressly understands that time is of the essence for Owner and that an essential basis of consideration for this Agreement and the fundamental reason that Builder's proposal has been selected and that Owner has entered into this Agreement with Builder is the representation by Builder and the commitment made in this Agreement that, except for causes of Force Majeure or other Permissible Delays excused in accordance with the terms of this Agreement, Builder can and will perform the Work and can and will deliver the Vessel by the Delivery Date agreed in Exhibit A.

6.6 Builder shall carry out the Work with full dispatch to complete the Vessel in the most timely manner reasonably achievable by Builder. Builder shall not fail to allocate all necessary and available resources to the timely completion of the Work to prevent or alleviate any actual or potential delay under any circumstances. Builder expressly agrees it will not take, or fail to take, any action based on an assumption that the payment of liquidated damages would be more economically advantageous for Builder than the cost of allocating necessary available resources to the construction of the Vessel that, if so allocated would prevent or lessen any delay in the delivery of the Vessel. Builder acknowledges and agrees that a breach by Builder of its obligations under this Section 6.6 would present irreparable harm to Owner and Owner shall have the right to equitable relief, including an injunction, to prevent or rectify any such breach by Builder. Notwithstanding anything to the contrary in Article 25, Owner may seek such injunction in any court of competent jurisdiction.

6.7 Builder shall establish a baseline project schedule and maintain throughout the performance of the Work a detailed current project schedule and execution plan (the "*Project Schedule*") in electronic form including embedded logic and data for completion of the Work by the Delivery Date. The Project Schedule shall remain a living document and shall include all significant activities in the design, procurement, construction, and testing and commissioning phases of the Vessel, including the work of Material Subcontractors or Suppliers. Unless otherwise agreed, Builder shall maintain the Project Schedule from a Level 4 up.

6.8 The Project Schedule shall be a resource loaded schedule that includes a critical path analysis and reflects resource requirements, and complies with the standards set out in the Project Management Body of Knowledge (6th edition, September 6, 2017) maintained by the Project Management Institute. More specifically, the Project Schedule shall clearly show the critical path and the schedule's calendar shall be set up to include the number of Working Days per week, the number of shifts per Day, and non-Working Days and holidays. The Project Schedule shall show the loading of resources, which shall represent the total work hours required to complete the Work, including all activities. The format of the Project Schedule shall be subject to Owner's approval, such approval not to be unreasonably withheld.

- 6.9 Without limitation to Sections 6.7 and 6.8, the Project Schedule shall include the following elements and features:
- (a) the dates for commencement and completion of the Work, reflecting an overall project execution strategy;
 - (b) description of the Work in sufficient detail to allow weekly progress measurement;
 - (c) all significant activities in the design, procurement, construction, and testing and commissioning phases of the Vessel, including the work of Subcontractors or Suppliers, including requests and deadlines for required vendor-furnished information;
 - (d) sequencing and dependencies of all activities, and all predecessors and successors to each activity, including vendor-furnished scheduling information and constraints;
 - (e) activity durations, including start and finish dates;
 - (f) representative manning levels for each activity;
 - (g) all points of interface between Owner and Builder, including instances where performance of Builder's Work depends upon Owner, such as dates on which Owner information and Owner Furnished Items are required;
 - (h) scheduling float for component activities and total float;
 - (i) due dates for engineering design deliverables;
 - (j) required-in-yard dates for all major and long-lead (exceeding thirty (30) Days from order to delivery) materials and equipment;
 - (k) minimum leads or lags;
 - (l) no constraints of major milestones, including Vessel Delivery;
 - (m) a histogram showing hours by month and the corresponding Full Time Equivalent;
 - (n) the expected surveying and testing schedule for the various components of the Work; and
 - (o) the dates of expected completion of each Stage of Completion task set forth in Exhibit Q.

6.10 Builder shall actively maintain the Project Schedule on an ongoing basis. At a minimum, Builder shall update the Project Schedule weekly in advance of each weekly status meeting held in accordance with Section 6.16, and shall revise the Project Schedule as necessary throughout the duration of the Work.

6.11 Updates to the Project Schedule shall include each activity's actual start date, actual finish date, and the remaining duration of the Work, and shall reflect the effect of Change Orders, if any.

6.12 Following the distribution of the initial Project Schedule as provided in Section 6.14, Builder may, in the exercise of Good Shipbuilding Practice, propose a modification to the build strategy of the Vessel that alters the predicates to milestone payments from those set forth in this Agreement, but such modification shall be permitted only upon prior written approval by Owner.

6.13 Builder shall provide to Owner an as-built Project Schedule for the permanent project record not later than fourteen (14) Days following Delivery of the Vessel.

6.14 Builder has provided to Owner a preliminary schedule attached hereto as Exhibit K. Not later than ninety (90) Days following the Effective Date, Builder shall submit to Owner the initial detailed Project Schedule prepared in accordance with the requirements of Sections 6.7 to 6.9.

6.15 If Builder fails to provide the initial detailed Project Schedule by the date required in Section 6.14, or if Builder thereafter fails to maintain and update the Project Schedule as required by this Article 6, Owner shall notify Builder of such failure in writing. If Builder fails to remedy such failure within twenty-one (21) Days, then Owner shall have the option thereafter, in its sole option and absolute discretion, to terminate this Agreement in its entirety.

6.16 The Parties' representatives shall meet (in person, by conference call, or by other mutually agreed electronic means), not less frequently than weekly to discuss the status of the Work and all issues related thereto, including but not limited to:

- (a) the status and progress of the Work, including a two (2) week "look ahead" with regard to planned activities and expected progress;
- (b) S-Curve charts, including Baseline S-Curve, Target S-Curve, and Actual S-Curve;
- (c) any information needed by Builder, Owner, or the Classification Society to advance the Work;

- (d) pending Change Orders;
- (e) the integration of Owner Furnished Items;
- (f) any Owner concerns with the maintenance of the Project Schedule;
- (g) test and inspection schedules;
- (h) commissioning plans;
- (i) Dock Trials and Sea Trials; and
- (j) any other matters pertinent to construction and Delivery of the Vessel.

6.17 If the actual progress of the Work in comparison to the Project Schedule indicates that the Work is not substantially on schedule as set out in the Project Schedule and that the completion of the Vessel by the Delivery Date is in jeopardy, then Builder shall promptly notify Owner and provide a proposed revision to the Project Schedule with such adjustments to sequencing or allocation of resources as may be necessary to overcome such delays and complete the Vessel on time. If Builder fails to provide such notice and take such action, then Owner shall notify Builder of its concerns (without prejudice to any of Owner's other rights pursuant to this Agreement). In such case, within fifteen (15) Working Days thereafter, Builder shall provide to Owner a revised Project Schedule showing such adjustments as necessary to complete the Vessel on time.

6.18 If the Project Schedule shows that the actual date on which the Vessel will be delivered will be more than one hundred fifty-one (151) Days later than the Delivery Date, such delay shall be an event of default and Owner shall be permitted to terminate this Agreement pursuant to the provisions of Section 16.2, subject to Builder's right to cure such event of Default as provided therein.

Article 7 **CHANGE ORDERS**

7.1 Owner reserves the right to make any deductions from or additions to the Work on giving due notice in writing to Builder.

7.2 The cost of any such changes and the impact of such changes are to be agreed upon in advance by Owner and Builder, and added to, or deducted from the total Contract Price for the Vessel. If any such change will affect the Delivery Date of the Vessel, the Delivery Date shall be adjusted accordingly.

7.3 Builder shall submit a Change Order form to Owner setting out a statement of the amount of increase or reduction to the Contract Price on a firm fixed-bid basis, and any adjustment to the Delivery Date as a consequence of the proposed changes to the Work. The Change Order form to be utilized is attached hereto as Exhibit I. Builder shall provide documentation of the basis of its price for the Change Order and the proposed adjustment to the Delivery Date. Builder shall not implement any proposed changes to the Work until the Change Order form is approved by Owner in writing.

7.4 Owner shall reply to the proposed Change Order within five (5) Working Days, noting its agreement or disagreement. If Owner fails to state its disagreement in writing within five (5) Working Days, then Owner shall be deemed to have approved the Change Order and Builder shall note that deemed approval on the Change Order form.

7.5 Each approved Change Order shall be signed by both Parties, numbered, and made a part of the Agreement. Copies of the executed Change Order form shall be exchanged by the Parties.

7.6 Builder shall document the changes to the Work required by an approved Change Order in the Project Schedule as soon as possible and shall perform the changes to the Work subject to the applicable provisions of the Contract Documents as promptly as possible unless otherwise provided in the Change Order.

7.7 When Owner and Builder agree on adjustments in the Contract Price and/or adjustments of the Delivery Date, or Modifications in the Specifications or any Contract Documents or otherwise reach agreement upon the adjustments, such agreement shall be effective only upon execution of an appropriate Change Order, signed by the authorized signatories identified in Section 21.3.

7.8 Builder may propose a change in any part of the Work, either due to an Announced Regulatory Amendment or other change in the applicable regulations or rules of a Regulatory Authority after the Effective Date that may require changes to the Contract Documents, or for any change in any part of the Work that in Builder's judgment would result in an improvement to the Work. If Builder wishes to make such a proposal, Builder shall give Owner written notice in the form of a proposed Change Order. Builder may not make any changes to the proposed Work until the Parties reach agreement on the Change Order in accordance with Sections 7.3 through 7.7, except in an emergency endangering life or property, in which case Builder may proceed.

7.9 If Owner and Builder cannot agree on the amount of the adjustments in the Contract Price and/or the Delivery Date of a Change Order proposed under Sections 7.3 or 7.8, then Owner

shall have the right to direct in writing that Builder proceed with the Change Order on the following basis:

- (a) the Contract Price will be provisionally adjusted on a time and materials basis in accordance with Section 7.10;
- (b) the Project Schedule will be provisionally adjusted based upon Builder's estimate of the impact of the Change Order on the Delivery Date;
- (c) the dispute concerning the adjustments to the Contract Price and/or the Delivery Date shall be noted on the Change Order form; and
- (d) the Owner shall have the right to dispute the provisional adjustments in the Contract Price and/or the Delivery Date by submitting the dispute to resolution pursuant to Article 25.

7.10 Any Work performed on a time and materials basis under this Agreement shall be subject to Builder's published rate sheet, attached as Exhibit O. Notwithstanding the foregoing, in no event shall Builder be entitled to a markup for materials in excess of Builder's cost plus ten percent (10%).

7.11 Builder has identified certain potential alternate scope proposals ("Alternate Scope Proposals") on a firm fixed-price basis for Owner's review and election, as set out in Exhibit R. Those alternate scope proposals identified as "Accepted" in Table R-1 in Exhibit R have been accepted by Owner, and the costs and credits associated with such Alternate Scope Proposals have been included in the Contract Price. Those Alternate Scope Proposals identified as "Deferred" in Table S-1 may be elected after the Effective Date, in Owner's discretion, in which case such election will be treated as a Change Order pursuant to this Article 7, with the Contract Price adjustment agreed as shown in Exhibit R, and the Delivery Date adjustment, if any, to be determined in accordance with this Article 7.

7.12 Each approved Change Order shall be deemed to include all direct and indirect costs, including delay, local disruption, cumulative disruption, cumulative impact, acceleration, and like costs associated with, resulting from, or incidental to an approved Change Order, including all such costs that may be incurred by Builder, its Subcontractors and its Suppliers. Builder agrees that upon its acceptance of an approved Change Order, Builder shall be deemed to waive and release all claims against Owner for any and all additional costs or delays to the Delivery Date, including without limitation costs and delays based on any legal or equitable theory such as cumulative disruption or cumulative impact theories, resulting from an approved Change Order.

7.13 No change in the Work under this Agreement, whether by way of alteration or addition to or deletion of the Work, shall be the basis of a change to the Contract Price or a change in the Delivery Date unless and until such alteration or addition or deletion has been authorized by a Change Order executed and issued in accordance with and in strict compliance with the requirements of this Article and the Contract Documents. In no event shall Builder be obligated or authorized to perform any changes to the Work upon verbal or written direction of Owner which is not in conformity with the requirements of this Article and this Agreement.

Article 8 **OWNER'S REPRESENTATIVE**

8.1 Owner shall designate in writing a Person to represent and act on behalf of Owner at the Shipyard as Owner's Representative. Such designation shall state any limits on the authority granted by Owner to Owner's Representative. Owner's Representative may be assisted by assistants or consultants notified in writing by Owner to Builder, who shall be subject to the same access rights and restrictions as Owner's Representative in connection with their duties at the Shipyard. Owner's Representative may designate in writing one or more deputies to act on behalf of Owner's Representative during any period that Owner's Representative may be unavailable.

8.2 During the whole of the period of construction until Delivery of the Vessel or termination of this Agreement, whichever comes first, and for a reasonable period of time thereafter to permit the winding up of activities, Builder shall provide to Owner's Representative facilities and access to inspect the Vessel, the Material, workmanship, plans, tests, and movements, wherever located. Builder shall provide a suitable office for up to four (4) of Owner's personnel equipped with customary office fittings, including a meeting table, a drawing table, desks, chairs, locking file cabinets, private telephone with voice messaging, private fax/scanner, printer, computer modem, extra phone line, copy machine, secure business-grade LAN or Wi-Fi internet connection, and heat and air conditioning. During the final six (6) months of the Work, Builder shall provide such suitable office space for up to eight (8) of Owner's personnel. Owner shall pay telephone and internet charges at Builder's cost.

8.3 Owner's Representative or Owner's other agents, contractors, and employees shall observe the rules and regulations prevailing at the Shipyard and Builders' Subcontractors' facilities. Builder may deny access to the Shipyard or its Subcontractor's facilities to Owner's Representative or Owner's other agents, contractors, or employees, only if such Persons fail to comply with Builder's or such Subcontractor's health, safety and environmental policies or security requirements, or otherwise unreasonably interfere with Builder's timely performance of the Work. In such an event, Builder shall promptly advise Owner, stating the specific cause(s), of the denial of access.

8.4 Subject to Section 8.3, at any time during which the Work is being done on the construction of the Vessel, Owner's Representative shall be given free and ready access to the Vessel, its engines and accessories, and to any other place where the Work is being done, or materials are being processed or stored, in connection with the Work, including the Shipyard, workshops, stores and offices of Builder, and the premises of subcontractors of Builder who are doing the Work or storing Materials in connection with the Work.

Article 9 **OWNER'S RIGHT OF INSPECTION**

9.1 Owner's Representative and Owner's other authorized agents shall be entitled to inspect, at Owner's expense, progress on the Work and the Materials at any reasonable time, upon reasonable notice, terms, and conditions.

9.2 All completed milestones of the Work and the workmanship and Material required under this Agreement shall be inspected promptly by Owner and promptly accepted or rejected in accordance with the Contract Documents. Failure to object will not prevent Owner from later identifying defects or rejecting workmanship, subject to the terms of the Warranty under Article 11.

9.3 Builder shall schedule for and carry out tests, inspections, and approvals of portions of the Work required by the Contract Documents or by applicable laws, ordinances, rules, regulations, or orders of Regulatory Authorities at appropriate times under the Project Schedule.

9.4 Builder shall give advance notice to Owner's Representative of the time and place of all tests, trials, inspections, and approvals. In the case of tests, inspections, and approvals at the Shipyard, Builder shall endeavor to give at least five (5) Days prior notice. In the case of tests, inspections, and approvals conducted away from the Shipyard, Builder shall endeavor to give at least seven (7) Days prior notice.

9.5 Unless otherwise provided, Builder shall make all necessary arrangements for such tests, inspections, and approvals, and shall bear all related costs, including the costs of fuels, lubricants, and consumable fluids used in the cleaning and testing of the Work.

9.6 Builder shall set out the onboard testing and trial procedures in cooperation with Owner. Builder shall give a list of inspection items to Owner for Owner's reference.

9.7 The necessary tests and inspections of the Vessel, its machinery, equipment, and outfitting as may be required by the Regulatory Authorities, or as otherwise agreed by the Parties, shall be carried out by the Regulatory Authorities as required throughout the period of construction. Owner's Representative shall have the right to attend such tests and inspections.

9.8 A failure by Owner to have Owner's Representative or other duly qualified agent present at tests, inspections, and approvals after due notice shall be deemed to be a waiver of Owner's right to attend such tests, trials, and inspections.

9.9 If Owner determines that portions of the Work require additional testing, inspection, or approval not included under Section 9.1, Owner will instruct Builder to make arrangements for such additional testing, inspection, or approval by an entity acceptable to Owner, and Builder shall give at least twenty-four (24) hours' notice to Owner of when and where such tests, inspections, and approvals are to be made so that Owner may observe such procedures. Owner shall bear the initial cost of such additional tests, inspections, and approvals.

- (a) If any testing, inspection, or approval conducted by Builder as provided in this Section affirms that Builder's workmanship is acceptable under the Contract Documents, then if such testing, inspection, or approval caused a delay to the critical path, Builder shall receive an adjustment of the Delivery Date, at Builder's option, for the Days of Work lost as a result of such testing, inspection, or approval.
- (b) If any testing, inspection, or approval conducted by Builder as provided in this Section 9.9 discloses that any methods or means of construction or material or workmanship are not acceptable under the Contract Documents, Builder shall reimburse Owner for the costs of such tests, inspections, and approvals, including the costs of related labor and facilities, and shall remedy the Work so as to comply with the Contract Documents.

9.10 In the event that Owner's Representative discovers any construction, material, or workmanship that does not conform to the requirements of this Agreement and/or the Specifications, Owner's Representative shall give Builder a notice in writing of such non-conformity within three (3) Days. Upon receipt of such notice from Owner's Representative, Builder shall correct such non-conformity, unless Builder disputes the claimed nonconformity, in which case the matter shall be resolved in accordance with Article 24.

9.11 If Owner's Representative does not notify Builder of any nonconformities in accordance with Section 9.10, such lack of notice shall be deemed an acceptance of the Work tested, tried, or inspected.

9.12 No failure by Owner to notify Builder of a nonconformity or acceptance of Work tested, tried, or inspected shall be deemed to relieve Builder of its obligation to deliver the Vessel in compliance with the Contract Documents and to remedy any warranty defects identified during the Warranty Period.

9.13 If a claim of nonconformity is found to be unsubstantiated, then any delay caused by such claim shall be a Permissible Delay.

9.14 Subject to any contrary provisions of the Contract Documents, Builder shall promptly obtain and deliver to Owner all required certificates of testing, inspection, or approval.

9.15 Neither the observations of Owner nor inspections, tests, or approvals by Persons other than Builder shall relieve Builder from its obligations to perform the Work in accordance with the Contract Documents.

Article 10 **TRIALS AND DELIVERY**

10.1 Upon installation of any of the Vessel's machinery, equipment and systems, Builder shall cause each item to be tested to ensure its proper operation. Materials and consumables necessary for operational testing, including but not limited to fresh water, fuels, oils, greases, filters, hydraulic fluids, shall be furnished by and for the account of Builder.

10.2 Builder shall hand over to Owner user's manuals, calculations, drawings, recommended maintenance intervals and procedures, and recommended spares lists applicable to machinery, equipment, and systems as they are installed or as soon as possible thereafter to facilitate Owner's inspections and preparations for such machinery, equipment, and systems.

10.3 Upon completion of the Work on the Vessel, Builder shall launch, commission and conduct Dock Trials of the Vessel at Builder's cost and expense to demonstrate that the Work and all the Vessel's machinery, equipment and systems operate in accordance with the Contract Documents. Builder shall give Owner not less than seven (7) Days' advance written notice of the scheduled dates for Dock Trials.

10.4 Upon satisfactory completion of Dock Trials, and satisfactory correction of any defective or non-compliant Work, Builder shall take the Vessel on Sea Trials immediately prior to its intended Delivery to Owner to demonstrate that the Work is completed. During Sea Trials, Builder shall demonstrate that the Vessel and its machinery, equipment and systems operate satisfactorily while the Vessel is in service and that Builder has constructed the Vessel in accordance with the Contract Documents and all applicable requirements of the Regulatory Authorities. The foregoing shall be without limitation or relief of any of Builder's obligations under this Agreement

10.5 During any trials, the Vessel may be examined or inspected by the Regulatory Authorities, Builder and Owner.

10.6 The parties recognize that the Vessel's dredging system ("Dredging System") can only be effectively tested by loading and unloading a quantity of material into and out of the Vessel's hopper, and that such testing cannot be completed until after the time of Delivery when the Vessel has commenced work on its first dredging project. Accordingly, Owner shall withhold from the Delivery Payment the sum of [***] (the "Retained Amount") until such time as the Dredging System has been tested (such tests, the "System Tests") and has been determined by Owner to be operating in accordance with the Specifications. Owner agrees that the System Tests will be performed no later than three (3) months following Delivery (excluding time lost due to warranty issues for which Builder is responsible).

10.7 Owner shall give Builder not less than three (3) Days' notice of the scheduled date for the System Tests, and Builder shall have the right to attend the System Tests. Owner shall notify Builder of the results of the System Tests and of any defects in the Dredging System within twenty (20) Days of the date of completion of the System Tests. If Owner does not notify Builder of a defect in the Dredging System within such time, Owner shall pay the Retained Amount to Builder.

10.8 If Owner notifies Builder of any defects in the Dredging System discovered during the System Tests, Builder shall remedy such defects as soon as possible, provided that such defects are attributable to Builder's workmanship and not to the Owner-furnished Design. The period of time required for such repairs shall count as a delivery delay for purposes of determining liquidated damages payable to Owner; provided, however, that in no event shall the liquidated damages attributable to such defects in the Dredging System discovered during the System Tests exceed the Retained Amount. Upon satisfactory remediation of defects in the Dredging System by Builder, Owner shall pay the Retained Amount to Builder, less any amount of liquidated damages incurred as a result of the Dredging System repair delay.

10.9 Owner shall notify Builder of any complaint as to the satisfactory completion of the Work promptly, and in any event within two (2) Working Days after conclusion of each trial. Such notice shall be in writing and shall set forth the nature and character of the complaint in sufficient detail to fully apprise Builder of the basis of the complaint. If Builder agrees that Owner has a valid complaint as to the unsatisfactory completion of the Work, Builder shall resolve the complaint so that the Work conforms with the Contract Documents. When the inspection is complete and complaints, if any, are satisfactorily resolved, the Work and the Vessel will be complete and accepted in writing by Owner, subject to Owner's warranty rights under Article 11.

10.10 If Builder disputes a complaint, the Parties shall seek to resolve the dispute through good faith discussions between the Parties. If such good faith discussions fail to resolve the issue, then the Parties shall resolve the matter in accordance with Article 25 of this Agreement.

10.11 During the pendency of any such dispute, Owner shall have the right to give written direction to Builder to resolve Owner's complaint as directed by Owner. Upon such direction from Owner, Builder shall perform all Work necessary to resolve Owner's complaint in accordance with such written direction, and Owner shall provisionally pay Builder for such Work on a time and material basis as set forth in Section 7.10 and the Delivery Date shall be provisionally adjusted by the number of Days of the Work required by the compliance with Owner's written direction. If the resolution of the dispute determines that the disputed Work was required by the Contract Documents, then the Work shall be deemed to have been part of the Contract Price, and Builder shall be deemed to have been required to correct the Work at Builder's sole cost and expense, including costs of such additional testing and Dock or Sea Trials as may have been required in order to complete the Work in accordance with the Contract Documents. In such case, Builder shall reimburse Owner for all such correction costs previously paid to Builder and pay any liquidated damages for delay for each Day by which the delivery of the Vessel was delayed past the Delivery Date.

10.12 Owner may provide to Builder a Shipyard Contract Deficiency Report in the form of Exhibit P as a means to communicate items that need to be addressed by Builder before Delivery and Acceptance.

10.13 When the Vessel is tendered for delivery by Builder, Owner shall not reject the Vessel for minor non-conformities due to faulty design related to the Work, bad workmanship, use of defective materials or failure to build the Vessel strictly in accordance with the Specifications and Contract Drawings, where such minor non-conformities do not make the Vessel unsuited to the service for which she was ordered and cannot reasonably be expected to affect the approval of the Vessel by Regulatory Authorities or the safety and operational activity of the Vessel, at Owner's reasonable discretion (such minor non-conformities, "Minor Non-Conformities"). Owner shall provide Builder with a listing of the Minor Non-Conformities prior to Delivery or as soon as possible thereafter.

10.14 Builder shall undertake in writing to remedy such Minor Non-Conformities as soon as possible and within the Warranty Period. Builder and Owner shall jointly schedule the correction of such remaining Minor Non-Conformities, to be completed as soon as possible. The value of such remaining Minor Non-Conformities may be negotiated by the Parties and may be reserved from the Delivery Payment, at Owner's option, pending satisfactory resolution of such Minor Non-Conformities.

10.15 Builder shall promptly correct all non-conformities other than Minor Non-Conformities (such other non-conformities, "Material Non-Conformities") and shall advise Owner

of such completion. Owner shall have the opportunity to inspect the Vessel and confirm the correction of Material Non-Conformities prior to accepting the Vessel.

10.16 When Builder has corrected all Material Non-Conformities and provided a written undertaking to correct Minor Non-Conformities in accordance with Section 10.14, Owner shall make the Delivery Payment in full as specified in Exhibit Q. and shall sign and deliver a Protocol of Delivery and Acceptance, whereupon Builder shall deliver to Owner, at the Shipyard or such other location as mutually agreed, title and possession to the Vessel free and clear of all Liens and encumbrances, together with all documents that may be required to confirm Owner's title to the Vessel, including but not limited to: (i) a Builder's Certificate of completion, in form and content as may be required to obtain Vessel documentation and registration under the laws of the United States and other applicable laws, and (ii) duly executed Lien Releases in accordance with Section 4.7.

10.17 Builder shall deliver the Vessel to Owner in accordance with this Agreement on or before the Delivery Date, free and clear of Liens and encumbrances and with Lien Release(s) in the forms of Exhibits G-1 and G-2, as required by Section 4.7.

10.18 Delivery shall be made safely afloat at the Shipyard in Amelia, Louisiana or at a location mutually agreed by Owner and Builder. If Delivery is made at an offshore location, the costs of such offshore delivery will be the subject of a Change Order for the account of Owner.

10.19 The date on which Owner delivers the Protocol of Delivery and Acceptance and Builder delivers the documents required by this Article shall be the date of Delivery for purposes of the start of the Warranty Period and the assumption of risk of loss of the Vessel by Owner.

10.20 Owner may also identify additional work and request Builder to provide estimates for such additional work. Such additional work shall be handled separately from the correction of Minor Non-Conformities and shall be considered service requests. Any additional work requested by Owner and agreed by Builder shall not delay Owner from accepting the completion of the Vessel by execution of a Protocol of Delivery and Acceptance in substantial conformity with the form set forth as Exhibit M, and shall not excuse or delay any payments due to Builder under this Agreement, except as otherwise agreed in writing by the Parties.

10.21 If Owner: (i) does not undertake final inspection within ten (10) Days' of notice from Builder of satisfactory completion of Sea Trials, or (ii) wrongfully refuses Delivery within ten (10) Days' of completion of a final inspection (including correction by Builder of identified Material Non-Conformities, if any) by failing to make the Delivery Payment, failing to sign the Protocol of Delivery and Acceptance, or otherwise, then Owner shall assume responsibility for

payment of all reasonable charges incurred by Builder relating to the insurance, storage and maintenance of the Vessel at Builder's Shipyard, pending completion of the Delivery process.

10.22 In the event of a dispute between the Parties as to the condition of the Vessel for Delivery or the obligation of Owner to accept Delivery, all charges relating to the insurance, storage or maintenance of the Vessel during the dispute will be paid by Builder, with final responsibility for such costs to be determined by good faith discussion, mediation, and/or arbitration as provided in Article 25.

Article 11 WARRANTY

11.1 Builder warrants that the Vessel shall be delivered in a seaworthy condition. Builder further warrants that the Work shall be done, and the Vessel constructed, in accordance with the Contract Documents and the Vessel shall be free from defects in workmanship and materials for a period of three hundred sixty-five (365) Days after the Delivery of the Vessel. If within three hundred sixty five (365) Days after Delivery of Vessel, any of the Work performed by Builder or its Subcontractors is found to be not in accordance with the requirements of the Contract Documents, Builder shall remedy such Work promptly after receipt of written notice from Owner to do so given in accordance with Section 11.4. This express warranty specifically excludes damages arising from normal wear and tear, casualty, misuse, neglect, alterations, unauthorized repairs, or minor cosmetic items, and finishes, or as excluded pursuant to Section 5.8.

11.2 Builder does not warrant that any equipment purchased by it for installation in the Vessel are free from manufacturer's defects, and specifically disclaims any warranties, expressed or implied, with respect to such equipment, but does hereby extend the manufacturers' warranties, if any, to Owner. Builder will use commercially reasonable efforts and will cooperate with Owner to enforce any claims with respect to manufacturers' defects in such equipment that may occur.

11.3 Builder warrants that it will purchase paint of good marine quality approved by Owner and that it will prepare the surface and apply the paint in accordance with the manufacturers' specifications and recommendations. Except as specifically stated herein, Builder makes no warranty, expressed or implied, with respect to the fitness of the paint for any use or purpose.

11.4 Within a reasonable time of becoming aware of a warranty claim, Owner shall issue a Warranty Notification to Builder in the form of Exhibit J. In such Notification Owner should provide as much information as reasonably available, including photographs where possible.

11.5 Subject to Section 11.8, Builder shall repair or replace any defects in its Work that are discovered within such three hundred sixty-five (365) Day period, provided Owner has

complied with its written notice obligations. Builder shall use its best efforts to effect warranty repairs without necessitating that the Vessel be removed or prevented from commercial service.

11.6 Builder shall designate a Warranty Manager for Vessel at least sixty (60) Days prior to Delivery. The Warranty Manager shall be familiar with the Work and all Builder's Suppliers, vendors and/or Subcontractors. Upon receipt of a Warranty Notification, the Warranty Manager will take all reasonable steps to resolve the claim. Without limitation to the foregoing, the Warranty Manager shall work with Owner's Representative in: (i) understanding the nature of any warranty claim; (ii) coordinating remedies with Builder or Builder's Supplier or Subcontractor; and (iii) assisting to coordinate payments on any third-party vendor or Subcontractor work.

11.7 Subject to Section 11.11, this warranty shall extend to likewise warrant such replaced or repaired Work for an additional three hundred sixty-five (365) Day period from the date such replacement or repair of the Work is completed, provided that the replacement or repair is accomplished by Builder or Builder's Supplier or Subcontractor.

11.8 In conjunction with the notice required under Section 11.4, Owner shall give reasonable notice to Builder of the Vessel's location and the relevant operational issues to enable the Parties to plan cooperatively for the inspection of the warranty claim and necessary repairs and replacements.

11.9 Where the geographical distances and/or operational issues involved make the return of the Vessel to the Shipyard for repairs or replacements under this warranty impractical, Builder may, at its option, inspect such alleged defect(s) and make the necessary repairs or replacement on site at the Vessel's location. If Builder advises that it cannot or will not be able to make such repairs on-site in an expedient manner, or if Builder fails to carry out such inspection, repairs or replacement within a reasonable time, Owner shall have the right to effect the necessary repairs or replacements at other available facilities, and Builder shall reimburse Owner for the costs of such repairs. Notwithstanding the foregoing, Builder's liability for reimbursement under this Section shall not exceed the amount such repairs would have cost as calculated on the time and material rates basis as set forth in Section 7.10.

11.10 Subject to Article 25, if Builder fails to take action to resolve a warranty claim within thirty (30) Days of written notice of such claim by Owner as provided pursuant to Section 11.4, then Owner shall have the right to correct, or procure the correction of such warranty claim by a qualified third party contractor and Builder shall be liable for the commercially reasonable costs of the correction of such warranty claim.

11.11 Builder shall advise Owner of, and deliver the original documentation for, any manufacturer's warranties applicable to equipment or Materials furnished by Builder or its

Subcontractors or Suppliers. Builder shall and does hereby assign, convey, and transfer over to Owner any Warranty issued by any third party for any equipment or Materials purchased by Builder and installed on the Vessel.

11.12 Builder shall require manufacturers providing Materials for incorporation into the Vessel to arrange for such manufacturer's warranties to commence in favor of Owner on the date of Delivery of the Vessel.

11.13 Builder shall provide Owner with any standard commercially available operating and maintenance manuals with respect to all equipment installed in the Vessel in accordance with the quantities set forth in the Specifications.

11.14 THE WARRANTY EXPRESSLY PROVIDED IN ARTICLE 11 IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED BY LAW OR OTHERWISE, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR THAT THE VESSEL'S MATERIALS OR SERVICES ARE FIT FOR ANY PARTICULAR PURPOSE OR USE, AND THE REMEDIES PROVIDED HEREUNDER ARE OWNER'S SOLE AND EXCLUSIVE REMEDY FOR BREACH OF WARRANTY AND ARE SPECIFICALLY IN LIEU OF ALL OTHER REMEDIES OR DAMAGES, WHETHER DIRECT, INDIRECT, SPECIAL, PUNITIVE OR CONSEQUENTIAL, EXCEPTING FRAUD AND INTENTIONAL MISCONDUCT.

Article 12 INSURANCE

12.1 At any and all times during the term of this Agreement, Builder shall at its own expense maintain, with an insurance company or companies authorized to do business in the state in which Work is to be performed and reasonably acceptable to Owner, insurance coverages of the kind and in the minimum amounts as follows:

- (a) Workmen's Compensation Insurance including occupational disease and coverage under the United States Longshoremen's and Harbor Worker's Compensation Act, such insurance to cover all benefits provided by the applicable Act, also Employer's Liability Insurance extended to include coverage for Maritime Employer's Liability (i.e., Jones Act, Death on the High Seas Act, and transportation, wages, and maintenance and cure) with minimum limits of \$1,000,000 in any one occurrence. Owner agrees that Builder's statutorily approved self-insured status issued by the U.S. Department of Labor for such liability is acceptable in lieu of commercial insurance.

- (b) Comprehensive General Liability Insurance with an endorsement specifically covering the liability assumed by Builder under this Agreement or evidence of blanket contractual liability that specifically addresses the exposures of this Agreement, sudden and accidental seepage and pollution coverage, watercraft exclusion deleted or modified to address the exposures of this Agreement, and “in rem” endorsement with minimum limits of \$1,000,000 per occurrence.
- (c) Builder's Risk Insurance naming Owner as a named insured and loss payee, as its interests may appear, covering the Vessel, the Work, and Materials for their full insurable value against all risks, including but not limited to fire, while under construction and/or fitting out and/or on Dock Trials or Sea Trials, including Materials in buildings, workshops, yards and docks of Builder, or on quays, pontoons, craft, etc., and against all risks while in transit to and from the Shipyard and/or the Vessel, wherever it may be lying, also all risks of loss or damage through collapse of supports or ways from any cause whatsoever, and all liability risks of Builder and Owner with respect to the construction and Delivery of the Vessel. Such policy shall provide coverage for any Owner Furnished Items while at the Shipyard and during transit to and/or from the Shipyard as declared, valued, and identified by Owner to Builder. Such insurance will be in the amount of the full insurable value of the Vessel, Work, and Materials. Any provisions of Builder's Risk Insurance liability coverages that would limit liability coverage for any assured to liabilities “as owner,” or words of similar effect, or that would exclude liabilities for injury or death of “employees” of an assured, while part of the Vessel's crew for purposes of Dock Trials or Sea Trials, must be deleted or appropriately modified by endorsement to the policy.
- (d) With respect to any vessels owned or bareboat chartered by Builder used in conjunction with Builder's operations, Hull & Machinery, Protection & Indemnity (P&I) and Pollution cover as described more fully below:
 - (i) Hull & Machinery per American Institute Hull Sections (amended for the vessel operations at the Shipyard) or equivalent to the fair market value of the vessel. Any references to “other than owner” or other owner limitations to be deleted by endorsement to the policy as respects the naming of Owner as an additional assured;
 - (ii) P&I per P&I form SP 23 or equivalent (amended for the vessel operations at the Shipyard) with a minimum limit of \$1,000,000 per occurrence. Any references to “other than owner” or other owner limitations to be deleted by

endorsement to the policy as respects the naming of Owner as an additional assured; and

- (iii) Pollution per Water Quality Insurance Syndicate (WQIS) or equivalent pollution cover with a minimum limit of \$5,000,000.
- (e) Pollution Coverage for Vessels under Repair, Construction or Modification per WQIS policy wording, inclusive of Builder's responsibility for pollution liability and/or Certificate of Financial Responsibility (COFR) with a minimum limit of \$5,000,000.
- (f) Bumbershoot or Excess Liabilities cover providing excess liability coverage above the primary liability coverages noted above with a minimum limit of \$25,000,000. To the extent limits above this \$25,000,000 minimum limit are purchased by Builder, such additional limits shall also cover Owner as an additional insured with the same provisions as noted for the \$25,000,000 minimum limit.

12.2 Prior to commencing the Work, each Party shall procure, from each of its insurers in respect of risks assumed under this Agreement, a written and enforceable specific endorsement of such Party's policies (excluding worker's compensation, which is noted below) to provide a blanket and unrestricted waiver of the underwriter's or insurers' rights of subrogation against the other party and shall be endorsed to name the other Party's respective Group, as defined in Article 23, and their successors and assigns as additional insured. Builder agrees that its policies shall be primary in all cases, except cases in which liabilities result directly from the acts or omissions of Owner's Representative or Owner's separate contractors. Any insurance that may be carried by Owner shall be excess over and above the amount recoverable under the policies of Builder, except cases in which liabilities result directly from the acts or omissions of Owner's Representative or Owner's separate contractors. The policies of insurance procured by Builder shall acknowledge that such policies are primary, and that no pro-rata contributions are required by Owner or Owner's insurers, except cases in which liabilities result directly from the acts or omissions of Owner's Representative or Owner's separate contractors. Builder further agrees that its workers' compensation insurance policies shall be endorsed to designate Owner Group, as defined in Section 23.1, and their successors and assigns, as an alternate and statutory employer and shall be endorsed to provide a blanket and unrestricted waiver of its underwriters' or insurers' rights of subrogation against Owners' Group.

12.3 Certificates of Insurance. Before commencing Work, Builder shall furnish Owner with Certificates of Insurance indicating (1) kinds and amounts of Insurance as required, (2) the names of the insurance company or companies providing the aforesaid coverages, (3) the effective and expiration dates of policies, (4) that Owner will be given thirty (30) Days written advance

notice of any cancellation or material change in any policy, or in the event of non-payment of premiums, five (5) Days written advance notice, (5) that a waiver of subrogation endorsement has been attached to all policies, (6) that all of Owner's Group have been named as additional insureds by endorsements attached to all policies, provided that Owner shall be named as a named insured under Builder's Risk insurance policy, and (7) the territorial limits of all policies. All deductibles will be for the account of Builder.

12.4 Owner's Representative and its separate vendor representatives or contractors performing work on or in connection with Vessel shall at all times be deemed agents or contractors of Owner. Owner's Representative and separate contractors shall provide Builder with evidence of insurance (including Longshoremen and Harbor Workers' Compensation coverage) naming Builder as an alternate and statutory employer and shall be endorsed to provide a blanket and unrestricted waiver of its underwriters' or insurers' rights of subrogation, which covers them under normal commercial terms and limits, with waiver of subrogation provisions, at no cost or expense to Builder.

Article 13 **FINANCIAL SECURITY**

13.1 To secure Builder's obligations and Owner's remedies under this Agreement (as may be limited in accordance with Article 17), Builder shall deliver to Owner Performance and Payment Bonds (the "**Bonds**") covering faithful performance of this Agreement and payment of Builder's obligations arising thereunder, each in the amount of [***] in the forms attached hereto as Exhibit L-1 and Exhibit L-2 or as otherwise reasonably acceptable to Owner. Builder shall deliver the Bonds to Owner within seven (7) Days of Builder's execution of this Agreement. Builder shall pay all premiums and costs associated with the Bonds. However, if Owner directs that the Bonds be increased during the term of this Agreement, any increases in premiums shall be for the account of Owner.

13.2 To further secure Builder's obligations and Owner's remedies under this Agreement (as may be limited in accordance with Article 17), including the timely and proper performance of the Work hereunder as stipulated in the Contract Documents, Builder shall, within seven (7) Days of Builder's execution of this Agreement, deliver to Owner an irrevocable stand-by letter of credit (the "**Letter of Credit**") in a form and issued by a bank reasonably acceptable to Owner in the amount of [***]. Builder shall bear all charges or costs associated with the Letter of Credit.

13.3 To further secure Builder's obligations and Owner's remedies under this Agreement (as may be limited in accordance with Article 17), including the timely and proper performance of the Work hereunder as stipulated in the Contract Documents, Builder shall, not

later than the Effective Date, cause its parent company to execute and deliver to Owner a guaranty agreement (the “Builder’s Corporate Parent Guarantee”) in favor of Owner, in the form attached hereto as Exhibit N, to guaranty the performance of Builder’s obligations under this Agreement

13.4 If any security required from Builder under this Article has not been issued and delivered to Owner when due by Builder, then Owner shall have the option thereafter, in its sole option and absolute discretion, to terminate this Agreement in its entirety upon seven (7) Days’ prior written notice, unless Builder shall deliver the required security to Owner prior to the end of such seven (7) Day period.

Article 14 **FORCE MAJEURE AND PERMISSIBLE DELAY**

14.1 The Delivery Date shall automatically be extended by the amount of time equal to the duration of any Permissible Delay. A “Permissible Delay” shall mean a delay in the performance of the Work that could not be avoided through the exercise of due diligence, due to causes including:

- (a) an event of Force Majeure;
- (b) the delayed delivery of Owner Furnished Items, subject to Section 14.17;
- (c) the delayed delivery of necessary Owner-supplied information or documents, subject to Section 14.18;
- (d) delays agreed by the Parties in accordance with a Change Order pursuant to Article 7;
- (e) an unsubstantiated claim of nonconformity pursuant to Section 9.13; or
- (f) injunction of Builder proceeding with the Work due to claims of infringement of any third party’s intellectual property rights as set forth in Section 20.9.

14.2 For purposes of this Agreement, “Force Majeure” means an act, event, or circumstance, whether of the kind described herein or otherwise, which: (a) is not reasonably within the control of Builder; (b) prevents Builder from carrying out the Work for a period of time; and (c) Builder is unable to overcome by the exercise of due diligence, acting in accordance with Good Shipbuilding Practice. Such events of Force Majeure may include acts of God, landslides, floods, named tropical storms, hurricanes, tornadoes, earthquakes and other natural disasters, wars and acts of terrorism, sabotage or vandalism not involving Builder’s own workers or Builder’s Subcontractors, riots, insurrection, strikes, lockouts, or any other industrial disturbance (not within the control of Builder and not involving its own workers), fire, epidemics or pandemics, governmental actions, actions or restraints of princes, and the unavailability, inadequacy, or delay

of fuel, electricity, supplies, Materials, or equipment arising from causes outside the reasonable control of Builder and not avoidable through the exercise of due diligence and planning.

14.3 A Permissible Delay arising from an event of Force Majeure shall be of no greater duration than is required by the event of Force Majeure.

14.4 Builder shall use its best efforts, acting in accordance with Good Shipbuilding Practice, to mitigate the consequences of an event of Force Majeure.

14.5 Rain is a common occurrence that the Parties have factored into the Delivery Date, and Builder has factored or shall factor into the Project Schedule twenty (20) days during which rain or other environmental factors may prevent Builder from carrying out the Work and thereby delays completion of the Work (each such day, a "Rain Day"). Rain Days in excess of the foregoing anticipated number, and any period of rain that occurs in connection with a named tropical storm or hurricane, shall constitute Force Majeure, provided that such excess Rain Days or named tropical storm or hurricane prevents Builder from carrying out the Work. Builder shall notify Owner's Representative of each claimed Rain Day during the conduct of the Work in accordance with Section 14.8.

14.6 Claims of governmental interferences in the Shipyard will only be considered Force Majeure if exercised by the governmental entity pursuant to clear legal authority. If exercised without clear legal authority, such interferences will only be considered Force Majeure if Builder exercises its legal rights to oppose such interference by all reasonable legal means to prevent any such interference from delaying the delivery of the Vessel.

14.7 The unavailability, inadequacy, or delay of fuel, electricity, supplies, Materials, or equipment will not be considered Force Majeure unless Builder has made every reasonable effort to procure the timely provision or delivery of such items through the placement of timely orders and follow-up communications with the provider concerning the status of such orders and their delivery as appropriate to the circumstances to ensure delivery as required by the Project Schedule, and that any such unavailability, inadequacy, or delay is not due to any cause within the reasonable control of Builder or otherwise avoidable through the exercise of due diligence and planning.

14.8 In the event of an incident claimed by Builder to constitute Force Majeure, Builder's Representative shall notify Owner's Representative at the Shipyard of such claim of Force Majeure on the Day claimed to be lost due to the event of Force Majeure, or as soon as reasonably possible thereafter, and the representatives shall consult that Day or as soon as reasonably possible thereafter. Builder's notice shall be in writing and shall include, at a minimum, a description of the event of claimed Force Majeure, an estimate of the duration of the delay anticipated from such event, and the expected impact of the event on the Project Schedule and the

Delivery Date, if known. No claim of Force Majeure may be made for an incident or event unless notified to Owner in accordance with this Section, and in any event within seven (7) Days of the incident or event.

14.9 If Builder's Representative and Owner's Representative agree that the event was or was not one of Force Majeure, they shall document such agreement by email or otherwise in writing, and such agreement shall be conclusive and binding. If the representatives agree that the event was one of Force Majeure, then the resulting delay shall be a Permissible Delay and the Delivery Date shall be extended by the amount of time equal to the duration of the event.

14.10 If the Owner's Representative does not agree that the event was Force Majeure, then the Owner's Representative shall refer the issue to duly authorized officers of the Parties for decision. If the duly authorized officers do not reach agreement within five (5) Working Days, the Parties shall refer such disputes to resolution under Article 25.

14.11 Builder shall notify Owner in writing of the end of any claimed Force Majeure event as soon as reasonably practical after its cessation but not exceeding five (5) Working Days and provide an updated Project Schedule reflecting the impact, if any, of the event of Force Majeure.

14.12 If Builder claims Permissible Delays due to Force Majeure for one hundred and twenty (120) or more Days in the aggregate, then Owner, in its absolute discretion, shall have the right to terminate this Agreement for convenience upon seven (7) Days prior written notice to Builder.

14.13 Upon receipt of such notice, Builder shall release Vessel, and the Work and any Materials or equipment relating thereto to Owner and shall invoice Owner:

- (a) for the portion of the Contract Price(s) allocable to the Work in progress performed on and Material commitments made for the Vessel as of the effective date of the termination, less the aggregate of previous payments relating to Vessel; and
- (b) for all documented expenditures made and costs incurred reasonably necessary to the settling or discharging of outstanding commitments relating to Vessel entered into by Builder in performing under this Agreement.

14.14 Owner shall pay the invoice at the time Builder releases the Vessel to Owner, and upon such payment, shall be discharged from further obligations under this Agreement, except as provided in Section 14.15.

14.15 Upon Builder's release of the Vessel pursuant to Section 14.13 Builder shall allow Owner a reasonable period of time to remove the Vessel and the Materials from the Shipyard, and shall cooperate with Owner with regard to the removal of the Vessel and the Materials from the Shipyard, including launching the Vessel (if it is in a condition for launching), and access to the Shipyard for Persons and equipment necessary to remove the Vessel, including transport of Vessel to and/or from a barge (if the Vessel is not in a condition for launching). Owner shall not be liable for wharfage or storage for the first seven (7) Days following Delivery, but shall pay Builder for any wharfage and storage thereafter, and shall pay for all other services at Builder's standard rates.

14.16 In the event of termination for Force Majeure pursuant to this Article by Owner, Owner's right to terminate shall be its sole and exclusive remedy and the provisions of Article 16 shall not apply and the termination shall not be deemed to be on account of a Builder default. Upon such termination and payment by Owner to Builder of the amounts required under Section 14.13, the Parties shall execute and deliver a mutual release of all obligations under this Agreement relating to the Vessel, except for those that this Agreement provides survive termination.

14.17 A delay due to the delayed delivery of Owner Furnished Items shall not constitute a Permissible Delay unless the delayed delivery causes an actual delay in the progress of the Work that could not be avoided by the exercise of reasonable judgment by Builder. The extent of such Permissible Delay shall be only to the extent of its actual impact on the Progress of the Work. In the event that Builder claims that a delayed delivery should constitute a Permissible Delay, the Parties shall evaluate such claim in accordance with the procedures set out in Sections 14.8 through 14.10, *mutatis mutandis*.

14.18 A delay due to the delayed delivery of necessary Owner-supplied information or documents shall not constitute a Permissible Delay unless: (i) Builder timely informed Owner of the need for such information or documents pursuant to Section 6.9(g) and 6.16(c) and as otherwise reasonable; and (ii) the delayed delivery causes an actual delay in the progress of the Work that could not be avoided by the exercise of reasonable judgment by Builder. The extent of such Permissible Delay shall be only to the extent of its actual impact on the Progress of the Work. In the event that Builder claims that a delayed delivery should constitute a Permissible Delay, the Parties shall evaluate such claim in accordance with the procedures set out in Sections 14.8 through 14.10, *mutatis mutandis*

Article 15 EARLY DELIVERY BONUS, LIQUIDATED DAMAGES FOR DELAY

15.1 In the event Builder shall deliver the Vessel earlier than the Delivery Date, the Contract Price for the Vessel shall be increased in the amount of [***] per Day for each and every

Day by which the actual Vessel Delivery Date for the Vessel precedes the Delivery Date, by more than thirty (30) Days, up to a maximum of thirty (30) Days.

15.2 Builder shall be entitled to a thirty (30) day grace period in delay of delivery beyond the Delivery Date, after which Builder shall be liable for payment of liquidated damages to Owner in accordance with this Article.

15.3 If Builder shall deliver the Vessel later than thirty-one (31) Days after the Delivery Date, then Builder shall pay to Owner as liquidated damages in the form of a reduction in the Contract Price, to the extent any amounts are still owing, and any balance in cash, the amount of [***] per Day for each and every Day that the actual date of Delivery for the Vessel occurs exceeds thirty (30) Days after the Delivery Date, up to sixty (60) Days. of delay.

15.4 In the event Builder shall deliver the Vessel later than sixty (60) Days after the Delivery Date, but less than ninety-one (91) Days after the Delivery Date, Builder shall pay to Owner as liquidated damages in the form of a reduction in the Contract Price for the Vessel, to the extent any amounts are still owing, and any balance in cash, the amount of [***] per Day for each and every Day that the actual date of Delivery of that Vessel exceeds sixty (60) Days after the Delivery Date, up to ninety (90) Days of delay. Any amount payable as liquidated damages under this Section 15.4 shall be in addition to the liquidated damages payable under Section 15.3.

15.5 In the event Builder shall deliver the Vessel later than ninety (90) Days after its Delivery Date, but less than one hundred twenty-one (121) Days after the Delivery Date, Builder shall pay to Owner as liquidated damages in the form of a reduction in the Contract Price for the Vessel, to the extent any amounts are still owing, and any balance in cash, the amount of [***] per Day for each and every Day that the actual date of Delivery of the Vessel exceeds ninety (90) Days after the Delivery Date, up to one hundred twenty (120) Days of delay. Any amount payable as liquidated damages under this Section 15.5 shall be in addition to the liquidated damages payable under Sections 15.4 and 15.3.

15.6 In the event Builder shall deliver the Vessel later than one hundred twenty (120) Days after the Delivery Date, but less than one hundred fifty-one (151) Days after the Delivery Date, Builder shall pay to Owner as liquidated damages in the form of a reduction in the Contract Price for the Vessel, to the extent any amounts are still owing, and any balance in cash, the amount of [***] per Day for each and every Day that the actual date of Delivery of the Vessel exceeds one hundred twenty (120) Days after the Delivery Date, up to one hundred fifty (150) Days of delay. Any amount payable as liquidated damages under this Section 15.6 shall be in addition to the liquidated damages payable under Sections 15.5, 15.4 and 15.3.

15.7 In the event Builder shall deliver the Vessel later than one hundred and fifty (150) Days after its Delivery Date, Builder shall pay to Owner as liquidated damages in the form of a reduction in the Contract Price for the Vessel, to the extent any amounts are still owing, and any balance in cash, the amount of [***] per Day for each and every Day that the actual date of Delivery for the Vessel exceeds one hundred and fifty (150) Days after the Delivery Date. Any amount payable as liquidated damages under this Section 15.7 shall be in addition to the liquidated damages payable under Sections 15.6, 15.5, 15.4 and 15.3.

15.8 In no event shall Builder's aggregate liability for liquidated damages under this Article exceed [***].

15.9 The Parties agree that in the event of late Delivery, Owner shall suffer damages that are difficult to ascertain, and the Parties acknowledge and agree that liquidated damages in the amounts set forth herein are a reasonable estimate of the anticipated damages that Owner may suffer as a result of delayed Delivery and are not a penalty. It is understood and agreed by and between Builder and Owner that such reduction in the Contract Price for the liquidated damages or payment of any balance in cash shall be in lieu of all other delay damages available to Owner for the late Delivery of the Vessel under this Agreement or at law or in equity (except for the injunctive relief set forth Sections 6.6 and 25.11, if any, and shall be construed as liquidated damages and as a waiver of any rights or remedies otherwise available for the failure to timely complete the Vessel on or before the Delivery Date as such may be adjusted. Notwithstanding the foregoing, Owner specifically reserves its equitable remedies for injunctive relief as contemplated by Sections 6.6 and 25.11. Liquidated damages shall cease to accrue at such time that Builder tenders Delivery to Owner of Vessel if construction of the Vessel is fully completed in accordance with the Contract Documents except for minor items which do not adversely affect the ability of the Vessel to be classed, registered, and lawfully operated in the service for which it was constructed and which are consented to by Owner, for which minor items consent shall not be unreasonably withheld.

15.10 In the event Builder shall not have delivered Vessel on or before one hundred fifty-one (151) Days after its Delivery Date, Builder shall be in default under this Agreement and in addition to the liquidated damages due, Owner may at its option terminate this Agreement pursuant to Section 16.2.

Article 16 **DEFAULT AND TERMINATION**

16.1 The following events shall constitute events of default by Builder:

- (a) Builder fails to establish and maintain the Project Schedule as required by Article 6 that would permit Owner to terminate the Agreement pursuant to Section 6.15;

- (b) Builder materially fails to execute or perform the Work in accordance with this Agreement;
- (c) a Regulatory Authority advises in writing that it will withhold a certificate or certification required for the operation of the Vessel or by the Contract Documents, or impose an adverse limitation on the Vessel's operations;
- (d) Builder materially disregards laws, ordinances, rules, regulations or orders of any Regulatory Authority or other public authority with regard to a matter in connection with the construction of the Vessel or the Work;
- (e) Owner Furnished Items, Owner's materials, supplies, and equipment identified with the Vessel, or Materials are removed from Builder's Shipyard without Owner's consent or are applied to a vessel not owned by Owner without Owner's express written consent;
- (f) Builder or any other Person files in any court a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Builder's property, or an order of discharge of Builder is ordered by any Court;
- (g) Builder makes an assignment for the benefit of creditors or petitions for or enters into an agreement or agreements with its creditors, and by reason of any of these events Builder's obligations under this Agreement are assigned to or are to be or are performed by a Person other than Builder;
- (h) Builder fails to cause the removal of, or the posting of adequate security for the removal of, any Liens, privileges, or security interests against the Vessel, the Material, or Owner Furnished Items, except for those Liens, privileges, or security interests created by Owner or Owner's subcontractors or vendors, or to which Owner has consented, such consent not to be unreasonably withheld;
- (i) Delay in the construction or Delivery of the Vessel that would permit Owner to terminate the Agreement pursuant to Section 6.18;
- (j) Builder fails to deliver to Owner the Bond or the Letter of Credit required by this Agreement within the time required under Sections 13.1 and 13.2, respectively; or
- (k) Builder fails to perform any other material obligation of Builder under this Agreement.

16.2 Upon the occurrence of an event of default set forth in Section 16.1, Owner, by giving written notice of any such event to Builder, may terminate the Agreement subject to the

following. Such right of termination shall be in addition to and without prejudice to, any other remedies Owner may have under this Agreement. However, except where termination occurs pursuant to Sections 6.15 (failure to establish and maintain the Project Schedule), 13.4 (failure to provide the required financial security), 14.12 (Force Majeure for one hundred twenty (120) Days or more), or 15.10 (failure to deliver the Vessel on or before one hundred fifty one (151) Days after the Delivery Date,) no termination shall be effective if Builder cures the noticed event of default within thirty (30) Days after receipt of Owner's written notice.

16.3 Upon Owner's election to terminate the Agreement pursuant to Section 16.2, Owner shall have the option to transport the Work in progress and Owner Furnished Items pertaining to the Vessel from Builder's Shipyard to another location, and complete the Work by such means as Owner deems fit, or dispose of the Vessel in its incomplete state and retain all proceeds therefrom, subject to the following terms:

- (a) In the event of the exercise of such option, upon Owner's termination of this Agreement becoming effective pursuant to this Article, Builder will promptly undertake, at its sole cost, to place all Work and Owner Furnished Items pertaining to Vessel in a suitable condition for transportation to another location.
- (b) Builder shall provide Owner access to such Work and Owner Furnished Items and provide reasonable assistance to Owner in the removal from the Shipyard of any Work completed to the date when the Work was discontinued, and shall allow Owner and Owner's Representative continuing access to Builder's Shipyard and storage areas for a period of thirty (30) Days following the effective date of termination in order to remove the Work, any related Materials that have been paid for by Owner, and Owner Furnished Items to another location.
- (c) Owner shall be liable to pay to Builder only for those parts of the Work and Materials incorporated into, supplied, or delivered to the Vessel or Owner by Builder, less the amount of the Contract Price previously paid by Owner.

16.4 In the event of a Builder's default under Subsections 16.1(f) or 16.1(g), as an alternative to Owner's right to remove the Work from Builder's Shipyard under Section 16.3(a), Owner shall have the right to complete the Work, or portions of the Work, at Builder's Shipyard, including the right to continued access to and use of Builder's Shipyard and all equipment of the Builder in Builder's Shipyard as may be required by Owner to complete the Work, subject to the following terms:

- (a) Such right to access to, and use of, Builder's Shipyard and equipment shall continue for not more than thirty (30) Days, exclusive of time permitted for the removal of

the Work and Owner Furnished Items pursuant to Section 16.3, and delays satisfying the standards for Permissible Delays pursuant to Article 14.

- (b) Owner shall be liable to pay to Builder only for those parts of the Work incorporated into, supplied, or delivered to the Vessel by Builder, less the amount of the Contract Price previously paid by Owner; and the continued use of the Shipyard and the equipment pursuant to this Section shall be free of any rent or any further charges.
- (c) During such continued use of the Shipyard and equipment, Owner shall be responsible to comply with the requirements of Section 8.3 (compliance with rules and regulations at the Shipyard), and Builder shall be responsible to comply with the requirements of Sections 8.2 (provision of access to the facilities) and 8.4 (provision of access to the Vessel).
- (d) During such period of time as the Work remains at the Shipyard following termination of the Agreement pursuant to Section 16.2, Owner shall be required to maintain reasonable Builder's Risk insurance naming Builder as an additional assured, and shall further hold harmless and indemnify Builder against any claims, liabilities, or damages caused by the negligence or wrongful act of Owner or Owner's subcontractors at the Shipyard.

16.5 Prior to exercising its rights under Sections 16.3 or 16.4, Owner shall consult with Builder to develop a course of action for the safe, efficient, and cooperative coordination of the actions to be carried out.

16.6 In the event that Owner elects to complete the Vessel pursuant to Section 16.3 or Section 16.4, Builder shall pay to Owner any additional direct costs incurred by Owner to complete the Vessel, including any costs of relocation, over and above the balance of the Contract Price, provided that Owner shall use commercially reasonable efforts to mitigate any such additional costs incurred to complete and relocate the Vessel, and subject to the limitations of Article 17.

16.7 In the event that Owner disposes of the Vessel pursuant to Section 16.3, Builder shall pay to Owner the difference, if any, between the proceeds of such disposition and the amounts paid by Owner to Builder, provided that Owner shall carry out the disposition of the Vessel in its unfinished state in a commercially reasonable manner, and subject to the limitations of Article 17. Builder shall have the right to bid for the purchase of all items put on sale or otherwise offered for disposal by the Owner.

16.8 If Owner terminates the Agreement in accordance with terms of this Agreement, Owner may call upon the Bonds, the Letter of Credit, or the Builder's Corporate Parent Guarantee

provided by Builder pursuant to Article 13 and may invoke all rights and remedies available to it pursuant to the Bonds, the Letter of Credit, or the Builder's Corporate Parent Guarantee as applicable.

16.9 Upon termination of this Agreement by Owner, Owner may, in its absolute discretion, require Builder promptly to assign and/or deliver to Owner, to the extent Builder is permitted to do so, all or any (in each of the following cases, only as they directly relate to the Vessel): (a) bids or proposals; (b) subcontracts; (c) construction plans; (d) Materials, tools and equipment (to the extent paid for by Owner); (e) rental agreements; (f) Work, including the Vessel (to the extent Owner has title to same in accordance with Section 22.1); and (g) any other commitments directly related to the Vessel. In the event of any such assignments as required hereunder, Builder shall promptly execute and deliver to Owner written assignments of the foregoing in a form reasonably acceptable to Owner.

16.10 The following events shall constitute events of default by Owner:

- (a) Owner shall fail to make any payment when required under this Agreement, and such payment is not made within five (5) Working Days after Owner's receipt of written notice of the failure of payment from Builder to Owner;
- (b) Owner or any other Person files in any court a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Owner's property, or an order of discharge of Owner is ordered by any Court;
- (c) Owner makes an assignment for the benefit of creditors or petitions for or enters into an agreement or agreements with its creditors, and by reason of any of these events Owner's obligations under this Agreement are assigned to or are to be or are performed by a Person other than Owner; or
- (d) Owner fails to perform any other material payment obligation of Owner under this Agreement.

16.11 If Owner fails to timely cure a payment default in accordance with Article 16.10(a), then Builder may in its absolute discretion, suspend or reschedule progress of the Work (such right being in addition to any other right granted hereunder or by operation of law) until such time as Builder receives the overdue payment from Owner.

16.12 Upon the occurrence of any event of default by Owner under Section 16.10, Builder, upon thirty (30) Days' written notice to Owner, may terminate this Agreement. However, during such thirty (30) Day notice period, Owner shall have the absolute right to cure any such

default, in which case this Agreement shall not be terminated. If such default is not timely cured, Builder may, at its option, terminate the Agreement in whole or in part, and may:

- (a) demand performance from Owner;
- (b) seek resolution of the payment default through the procedure set forth in Article 25;
- (c) sell the Vessel in its then-present condition and location at a public auction announced at least twenty (20) Days in advance in Lloyd's List (print and internet) provided written notice of the auction has been provided to Owner;
or
- (d) complete the Vessel and sell it to a third party.

16.13 The proceeds of the sale of the Vessel pursuant to Subsections 16.12(c) or 16.12(d), net of all expenses, shall be applied to any unpaid balance due and owing to Builder. The excess proceeds from any such auction or sale shall be paid to Owner, without further set-off. If the proceeds of the sale of the Vessel pursuant to this Section, net of all expenses, are insufficient to pay the outstanding balance due to Builder, then Builder may seek recovery of the amount remaining outstanding in accordance with Article 25.

16.14 Any delay by Owner or its representatives in providing to Builder or its agents any Owner-supplied information, documents and/or goods or materials for the construction of a Vessel shall not constitute a breach or default of this Agreement by Owner but shall be covered instead by the appropriate provisions of Article 14 relating to Permissible Delays.

Article 17 **LIMITATION OF DAMAGES**

17.1 Except as contemplated by Article 15 or as otherwise expressly provided herein, neither Party shall be in any way liable to the other for any incidental, consequential, or exemplary damages of any kind or nature, including, but not limited to, loss of profits and loss of use of the Vessel, delay or unavailability of the Shipyard or its facilities, storage of rejected or unused materials, punitive damages, or similar claims arising from any cause of action of any kind or nature, including but not limited to negligence, strict liability, fault, contract, warranty, indemnification, or any other causes of actions arising out of or in connection with or pertaining to this agreement or a vessel constructed hereunder. The waiver of incidental, consequential, and exemplary damages as set forth herein is an essential condition of this Agreement and each Party acknowledges that the other would not have entered into this Agreement without such waiver of incidental and consequential damages.

17.2 In no event shall Builder's total liability to Owner pursuant to this Agreement or to anyone claiming by or through Owner, for any costs, claim, judgment, demand, Lien, or loss

arising under this Agreement, and/or in negligence, contract, warranty, tort or any other theory of liability, be greater in the aggregate than [***] percent ([***]%) of the Contract Price under this Agreement. It is understood and agreed that the aggregate amount of Builder's total liability hereunder is to be secured by the Bonds, the Letter of Credit, and the Builder's Corporate Parent Guarantee required by Article 13.

17.3 In no event shall the foregoing limitations of liability apply to any third-party personal injury, property damage or pollution claims.

Article 18 ASSIGNMENT OF THIS AGREEMENT

18.1 This Agreement shall inure to the benefit of Builder and Owner and their successors and assigns and shall be binding upon Builder and Owner and their successors and assigns; provided that Builder shall not assign this Agreement or any interest hereunder without the prior written consent of Owner, such consent not to be unreasonably withheld. Such limitation on assignment of this Agreement is expressly intended to apply to any purported assignment of a security interest in this Agreement. Any purported assignment by Builder without Owner's prior written consent shall be null and void.

18.2 If Builder assigns its rights under this Agreement, Builder shall at all times remain jointly and severally liable with the assignee under this Agreement unless Owner agrees otherwise in writing.

18.3 Owner may at any time sell the Vessel and/or assign this Agreement, or its rights hereunder upon written notice to Builder, but Owner shall at all times remain jointly and severally liable under the Agreement unless Builder agrees otherwise in writing. Any such assignment by Owner shall not be grounds for termination of this Agreement.

Article 19 COMPLIANCE WITH LAWS

19.1 Builder shall comply with all applicable laws, rules, regulations, and requirements of any Regulatory Authorities that are in effect or that shall become effective as to the Vessel, its construction, or Builder's operations during the term of this Agreement.

19.2 Builder shall procure at its own expense such permits from the United States and applicable State and local authorities in all jurisdictions in which Builder is performing the Work as may be required or otherwise appropriate in connection with beginning or carrying on the completion of the Work.

19.3 Builder shall at all times comply with all United States, State, and local laws in all jurisdictions in which Builder is performing the Work in any way affecting the Work. Any changes

in Coast Guard regulations or Classification Society Rules applicable to the Vessel that have not previously been incorporated in the Contract Documents and that affect the Work, the Delivery Date, or the Contract Price, may be the subject of a Change Order pursuant to Section 7.8.

Article 20 **INTELLECTUAL PROPERTY**

20.1 Builder agrees to defend, at its own expense, any claim or action for actual or alleged infringement (including contributory or vicarious infringement) of any patent, copyright, trademark or other intellectual property right (including, but not limited to, misappropriation of trade secrets) (such claims or actions, collectively, "*IP Claims*") brought by any third party against Owner and/or any of Owner Group, as defined in Section 23.1, based upon the design materials, processes, machinery and equipment supplied by Builder and embodied in the Work.

20.2 Owner agrees to defend, at its own expense, any IP Claims brought by any third party against Builder and/or any of the Builder Group, as defined in Section 23.3, based upon the design materials, processes, machinery and equipment supplied by Owner and embodied in the Work.

20.3 Each Party further agrees to indemnify and hold harmless the other Party and its respective Group from and against any and all liabilities, losses, costs, damages, and expenses (including reasonable attorneys' fees) associated with any such IP Claims incurred by the other Party and/or its respective Group.

20.4 Builder shall conduct and control the defense of any IP Claim or action which Builder is required to defend under Section 20.1 and all negotiations for its settlement or compromise, unless otherwise mutually agreed to in writing between the Parties hereto.

20.5 Owner shall conduct and control the defense of any IP Claim or action which Owner is required to defend under Section 20.2 and all negotiations for its settlement or compromise, unless otherwise mutually agreed to in writing between the Parties hereto.

20.6 Builder agrees to give Owner, and Owner agrees to give Builder, as appropriate, prompt written notice of any written threat, warning or notice of any such IP Claims or action.

20.7 If in any such suit so defended, all or any part of the Work (or any design element, component, equipment or material thereof) that is supplied by a Party is held to constitute an infringement or violation of any third party's intellectual property rights and is enjoined, or if in respect of any claim of infringement such Party deems it advisable to do so, such Party shall at its sole option and absolute discretion take one or more of the following actions at no additional cost to the other Party: (a) procure the right to continue the use of the same without material interruption

for the other Party or (b) take back the infringing design element, component, equipment or material and restore it with non-infringing design element, component, equipment or material acceptable to the other Party at no additional cost to the other Party.

20.8 Owner represents and warrants that it owns, and will maintain during this Agreement, sole and unencumbered ownership of the Design and any other Detailed Construction Documentation prepared by or for Owner or its subcontractors in connection with the Work, including all Intellectual Property rights necessary to perform the Work contemplated herein and convey to Builder the limited rights to the Design as specified in Article 5.4 and as otherwise contemplated by this Agreement.

20.9 Owner further represents and warrants to Builder that Owner's foregoing ownership rights include rights embodied in any design element, component, equipment or material and that Builder may peacefully enjoy such rights as derived from Owner and granted to Builder as set forth in this Agreement. This warranty shall survive the termination of this Agreement. Notwithstanding the foregoing, however, if in any suit defended pursuant to this Article 20, all or part of the Design (or any design element, component, equipment or material thereof) is held to constitute an infringement or violation of any third party's intellectual property rights and is enjoined thereby impeding progress of the Work, Owner agrees that any Days for which the progress of the Work is enjoined shall constitute Permissible Delay.

20.10 Builder acknowledges and agrees that the Design and the Intellectual Property embodied in the Design and the Work is and shall remain Owner's sole and unencumbered property.

Article 21 **NOTICES AND COMMUNICATIONS**

21.1 Any notices required or permitted to be given pursuant to this Agreement shall be given in writing and delivered by either United States certified mail (express delivery with signed receipt), facsimile, courier service with signed receipt on delivery, hand delivery with signed receipt, or electronic mail if receipt of such communication is confirmed in writing or by electronic mail from all "to" addressees. A notice shall be effective upon delivery.

21.2 Notices hereunder shall be sent to the following Persons:

If to Owner:

GREAT LAKES DREDGE & DOCK, LLC.
2122 York Road
Oak Brook, Illinois 60523
Attention: Katie Mackie LaVoy
Senior Vice President, Chief Legal Officer, Chief Compliance Officer, and

Corporate Secretary
Telephone: [***]
Email: [***]

with a copy to:

H. Allen Black III
Mills Black LLP
1215 19th Street, NW
Washington, DC 20036
Telephone: + (202) 467-4182
Email: hablack@millsblack.com

If to Builder:

CONRAD SHIPYARD, L.L.C.
1501 Front Street
Morgan City, Louisiana 70380
Attention: [***]
Title: Executive Vice-President, Chief Operations Officer
Voice: [***]
Fax: [***]
Email: [***]

with copy to:

[***]
Contracts Administrator/Corporate Counsel
P.O. Box 790
Morgan City, Louisiana 70381
Voice: [***]
Fax: [***]
Email: [***]

21.3 Notwithstanding any other provision of this Agreement, all final authorizations and agreements concerning deductions from, additions to, or modifications of the Vessel design or Specifications or any agreements that concern changes in the Delivery Date of the Vessel and/or Contract Price of the Vessel shall not be valid or binding on either Party unless signed by one of the below designated representatives for each Party or their respective successors in office:

OWNER: David S. Simonelli, President of Dredging

BUILDER: [***]

21.4 Each Party agrees that at least one of its designated representatives will be available for consultation during normal working hours. The Parties further agree that a Party may change its above-designated representatives upon ten (10) Working Days' prior written notice.

Article 22 TITLE, SECURITY, AND WARRANTY OF TITLE

22.1 Title in and to Vessel as it is constructed shall progressively vest, and once vested shall in all events remain, in Owner, not Builder, as Vessel is constructed.

22.2 Title to specific items of Major Equipment procured by Builder shall vest in Owner free of any Liens of Builder or Builder's creditors upon Owner's payment of supplier's invoice for such items pursuant to Section 4.3.

22.3 Title to all Major Equipment, Materials, parts, equipment, or other items furnished by Builder in connection with the Work shall vest in Owner of when the same is either (a) paid for by Owner pursuant to Section 4.3; (b) actually installed or incorporated in the Work; or (c) delivered to the Shipyard or other locations and identified with the Vessel or marked by Builder or Owner's Representative as pertaining to the Vessel prior to incorporation into the Work, whichever of (a), (b), or (c) occurs sooner.

22.4 Notwithstanding Sections 22.1 or 22.3, but subject to Section 22.2, Owner's title to the Vessel, the Work, Materials, parts, and equipment shall be subject to Builder's possessory Lien for any outstanding payments due from Owner to Builder under this Agreement as provided under applicable law.

22.5 Title to all Owner Furnished Items shall at all times be vested in Owner free and clear of any interest or claim of Builder.

22.6 Notwithstanding the other provisions of this Article, Builder shall bear the risk of loss of the Vessel, the Work, and all Materials, parts, and equipment identified to the Vessel until the Vessel is completed and delivered to and accepted by Owner pursuant to an executed Protocol of Delivery and Acceptance in accordance with this Agreement.

22.7 If, notwithstanding the express provisions of this Article, Vessel or any of the property to which Owner holds title as described in this Article, is for any reason deemed by any court of competent jurisdiction not to be the property of, and owned by, Owner, then Builder, to the extent it has any interest therein, alternatively hereby grants a first priority security interest in the Vessel, the Work, and all Materials, parts, and equipment identified to the Vessel in favor of Owner. The foregoing security interest granted hereby in the alternative shall secure all of Builder's obligations to Owner under this Agreement. Owner shall have the right to file without

any further consent or signature of Builder one or more UCC-1 Financing Statements against Builder covering the Vessel, the Work, and all Materials, parts, and equipment identified to the Vessel, giving notice of its ownership and/or its security interests therein.

22.8 Immediately upon any property described in this Article becoming or being deemed the property of Owner under the provisions of this Article, Builder shall conspicuously mark or cause to be marked on the bow of Vessel, and also on all such other property or its packaging, Builder's Hull Number for the Vessel.

22.9 Builder shall use its best efforts to arrange its contractual arrangements with all of its Subcontractors and Suppliers such that full effect will be given to the title provisions of this Article and, without limiting the foregoing, shall ensure that all property shall be supplied on the following conditions:

- (a) that the title to such property supplied by a Subcontractor or Supplier (whether in the course of construction or completed and whether before or after delivery to Builder) shall vest immediately in Builder (and thence, pursuant to Article 22.1, immediately in Owner), subject only to the Subcontractor's or Supplier's possessory lien, if any, for any unpaid balance of the purchase price of such property; and
- (b) that the Subcontractor or Supplier shall not, upon receipt by it of the purchase price for such property, be entitled, as against Owner, to claim any title or Lien therein by reason of obligations or liabilities of Builder to the Subcontractor or Supplier in respect of any other deliveries made by the Subcontractor or Supplier to Builder, or for any other reason.

22.10 Builder warrants that it shall deliver the Vessel with clear title to Owner, free and clear of all Liens and encumbrances.

22.11 In the event of the filing or attaching of any Lien or encumbrances created or suffered by or through Builder or any of its Subcontractors or Suppliers against the Vessel before the Delivery Payment, Owner may, but shall not be required to, satisfy the same out of any amount remaining to be paid to Builder hereunder, except where Builder notifies Owner of a bona fide dispute between Builder and such lienor. When final payment is to be made under this Agreement, as condition precedent thereto, Owner may, in its discretion, require that Builder provide to Owner a statement certifying and indemnifying Owner against any Liens or rights in rem of any kind against the Vessel or its respective machinery, fittings, or equipment which relate to actions of Builder and excluding any Liens or encumbrances created by Owner.

22.12 In addition to and notwithstanding the foregoing, but subject to the provisions contained in Section 22.4, Builder agrees to indemnify Owner, the Vessel, and/or Materials identified to the Vessel, and hold them harmless from and against all Liens and claims for labor, material, taxes, privileges and licenses arising out of, in connection with, or resulting from the operations or activities of Builder, its employees or agents or Subcontractors and the employees or agents of their Subcontractors, and agrees to defend any such claim asserted or suit brought against Owner, the Vessel, and/or Materials identified to the Vessel, and to pay any judgment rendered in any such action, provided, however, that Owner shall have the right, if it so elects, to participate at its own expense in the defense of any such claims or suits, but such participation shall not operate to affect Builder's liability and obligation hereunder.

Article 23 INDEMNIFICATION

23.1 BUILDER SHALL RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS OWNER, ITS PARENT, OFFICERS, AGENTS, EMPLOYEES, SUBSIDIARIES, AFFILIATES, SUCCESSORS, ASSIGNS, INSURERS, AND VESSELS (HEREINAFTER COLLECTIVELY REFERRED TO AS "OWNER GROUP") AGAINST ANY AND ALL LIABILITY, CLAIMS, DEMANDS, LOSSES, SUITS, LIENS, CAUSES OF ACTION OF EVERY KIND AND CHARACTER AND THE COSTS THEREOF INCLUDING, WITHOUT LIMITATION, COURT COSTS, ANY OTHER LITIGATION EXPENSES, ATTORNEYS FEES, SETTLEMENTS AND JUDGMENTS, FOR PERSONAL INJURY (INCLUDING, BUT NOT LIMITED TO, CLAIMS, DEMANDS, OR SUITS FOR BODILY INJURIES, EMOTIONAL AND PSYCHOLOGICAL INJURIES, ILLNESSES, DISEASES, DEATH, LOSS OF SERVICES, LOSS OF SOCIETY, DIMINISHED EARNINGS CAPACITY, MAINTENANCE AND CURE, WAGES, WORKER'S COMPENSATION) OR PROPERTY LOSS OR DAMAGE WHICH IS BROUGHT AGAINST ANY MEMBER OF OWNER GROUP BY ANY MEMBER OF BUILDER GROUP AND WHICH ARE ALLEGED TO ARISE OUT OF, BE INCIDENT TO, ARISE IN CONNECTION WITH, OR RESULT FROM OCCURRENCES THAT ARISE BEFORE DELIVERY. BUILDER AGREES TO DEFEND AND INDEMNIFY OWNER GROUP WHETHER THE SUIT OR CLAIMS ARE OCCASIONED, BROUGHT ABOUT, OR CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, FAULT OR STRICT LIABILITY (INCLUDING UNSEAWORTHINESS) OF OWNER GROUP. BUILDER ALSO AGREES TO INDEMNIFY OWNER GROUP FOR ALL COSTS, EXPENSES, AND ATTORNEYS FEES EXPENDED BY OWNER GROUP IN THE ENFORCEMENT OF THIS SECTION 23.1.

23.2 BUILDER FURTHER REPRESENTS TO OWNER THAT THE SHIPYARD AND BUILDER'S OTHER FACILITIES DO NOT HAVE ANY CONDITION OF POLLUTION

OR CONTAMINATION THAT COULD GIVE RISE TO LIABILITY OF OWNER GROUP FOR REMEDIATION, CLEANUP, DAMAGES, PENALTIES, OR COSTS OF ANY KIND. BUILDER AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD OWNER GROUP HARMLESS AGAINST AND IN RESPECT OF ALL CLAIMS, LOSSES, LIABILITIES, REMEDIATION OR CLEAN-UP COSTS, OR ANY FINES, PENALTIES, ASSESSMENTS, OR EXPENSES WHICH MAY BE IMPOSED UPON, INCURRED BY, OR ASSESSED AGAINST ANY MEMBER OF OWNER GROUP BY ANY OTHER PARTY OR PARTIES (INCLUDING, WITHOUT LIMITATION, A GOVERNMENTAL ENTITY), ARISING OUT OF, IN CONNECTION WITH, OR RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING: (A) BUILDER'S BREACH OF ANY OF THE REPRESENTATIONS SET FORTH ABOVE IN THIS SECTION; (B) ANY ENVIRONMENTAL POLLUTION OR CONDITION OF CONTAMINATION AT THE SHIPYARD OR ANY OTHER OF BUILDER'S FACILITIES THAT MAY GIVE RISE TO LIABILITY, EVEN IF NOT DISCOVERED UNTIL A LATER DATE.

23.3 OWNER SHALL RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS BUILDER, ITS PARENT, OFFICERS, AGENTS, EMPLOYEES, SUBSIDIARIES, SUBCONTRACTORS, AFFILIATES, SUCCESSORS, ASSIGNS, INSURERS, AND VESSELS (HEREINAFTER AND BEFORE COLLECTIVELY REFERRED TO AS "BUILDER GROUP") AGAINST ANY AND ALL LIABILITY, CLAIMS, DEMANDS, LOSSES, SUITS, LIENS, CAUSES OF ACTION OF EVERY KIND AND CHARACTER AND THE COSTS THEREOF INCLUDING, WITHOUT LIMITATION, COURT COSTS, ANY OTHER LITIGATION EXPENSES, ATTORNEYS FEES, SETTLEMENTS AND JUDGMENTS, FOR PERSONAL INJURY (INCLUDING, BUT NOT LIMITED TO, CLAIMS, DEMANDS, OR SUITS FOR BODILY INJURIES, EMOTIONAL AND PSYCHOLOGICAL INJURIES, ILLNESSES, DISEASES, DEATH, LOSS OF SERVICES, LOSS OF SOCIETY, DIMINISHED EARNINGS CAPACITY, MAINTENANCE AND CURE, WAGES, WORKER'S COMPENSATION) OR PROPERTY LOSS OR DAMAGE (EXCEPT FOR THE VESSEL, THE MATERIALS OR THE WORK) WHICH IS BROUGHT AGAINST ANY MEMBER OF BUILDER GROUP BY ANY MEMBER OF OWNER GROUP AND WHICH ARE ALLEGED TO ARISE OUT OF, BE INCIDENT TO, ARISE IN CONNECTION WITH, OR RESULT FROM OCCURRENCES THAT ARISE BEFORE DELIVERY. OWNER AGREES TO DEFEND AND INDEMNIFY BUILDER GROUP WHETHER THE SUIT OR CLAIMS ARE OCCASIONED, BROUGHT ABOUT, OR CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, FAULT OR STRICT LIABILITY (INCLUDING UNSEAWORTHINESS) OF BUILDER GROUP. OWNER ALSO AGREES TO INDEMNIFY BUILDER GROUP FOR ALL COSTS, EXPENSES, AND ATTORNEYS FEES EXPENDED BY BUILDER GROUP IN THE ENFORCEMENT OF THIS SECTION 23.2.

23.4 The foregoing indemnity obligations shall also include reasonable attorneys' fees, investigation costs and other costs and expenses incurred by the other Party and/or its Indemnitees with respect to the matters described in this Article.

23.5 The indemnification provisions set forth in this Article shall survive the termination of this Agreement.

Article 24 TECHNICAL DISPUTES.

24.1 The Parties agree that their mutual intent is to resolve any disagreements regarding the design or construction of the Vessel through good faith discussions; and to resolve such disputes promptly, efficiently, and reasonably.

24.2 Any dispute between the Parties regarding the fitness of the design, plans, or construction of the Vessel, its machinery and equipment, and/or regarding the Materials and/or workmanship with regard to satisfaction of Classification Society Rules or Regulatory Agency requirements (such disputes, "Approval Disputes") shall be determined by the Classification Society (acting with or by its assigned surveyor). The decision of the Classification Society as to such matters shall be final, conclusive, and binding upon the Parties.

24.3 Any other dispute regarding the Materials and/or workmanship in connection with the Vessel, including interpretations of the Specifications (such disputes, "Technical Disputes"), shall be referred to a jointly appointed surveyor (the "Joint Surveyor"). The decision of the Joint Surveyor as to such matters shall be final, conclusive, and binding upon the Parties. In the event that the Parties cannot agree upon a Joint Surveyor, a Joint Surveyor will be appointed by arbitrators appointed for that purpose in accordance with Article 25.

24.4 The costs of resolving any Approval Dispute or Technical Dispute, including Classification Society charges, Joint Surveyor charges, and delays due to such dispute, shall be for the account of the non-prevailing Party. In the event that both Parties prevail in part, the costs shall be split equally.

24.5 The cost of any survey occasioned by a warranty claim, as well as the cost of transporting service Persons and parts to the Vessel to make needed repairs in connection with such warranty claim, shall be borne as follows:

- (a) by Owner in the event that the Classification Society concludes that the defect, flaw, or repair is not covered by the express warranty described in this Agreement; or
- (b) by Builder in the event that the Classification Society concludes that the defect, flaw, or repair is covered by the express warranty described in this Agreement.

Article 25 DISPUTE RESOLUTION AND LIMITATIONS PERIOD

25.1 Approval Disputes and Technical Disputes shall be resolved in accordance with Article 24. Any dispute arising under or related to this Agreement not resolved pursuant to Article 24 shall be resolved in accordance with this Article.

25.2 If any dispute or controversy between the Parties arises out of or in connection with this Agreement, the Parties agree that they shall use their best efforts to settle their differences by good faith consultations and discussions.

25.3 If the Parties are unable to resolve the dispute within thirty (30) Days, or such longer period as they mutually agree, either Party may call for mediation of the dispute, with such mediation to be held in Houston, Texas or such other location as may be mutually agreed, using a disinterested mediator agreeable to both Parties, with the cost of such mediation shared equally by both Parties.

25.4 Any dispute not otherwise resolved by mediation shall be settled by binding arbitration under the Rules of the Society of Maritime Arbitrators, Inc. (the "*SMA Rules*") except as modified below or as otherwise agreed by the Parties, with such arbitration to be held in New York, New York or such other location as may be mutually agreed.

25.5 Except for warranty claims subject to the notification requirements set forth in Article 11, notice of any claim for relief of either Party against the other for breach of any obligation or duty arising under this Agreement or relating to the subject matter of this Agreement shall be given within three (3) years after Delivery of the Vessel. Failure to bring such claims within such period shall result in such claims being barred and forever waived.

25.6 Arbitration shall be commenced by either Party by written notice (a "*Notice of Arbitration*") to the other Party within thirty (30) Days after mediation is conclusively terminated. Such Notice of Arbitration shall state the issue to be arbitrated and identify the Party's appointed arbitrator.

25.7 The other Party shall, by written notice within fifteen (15) Days after receipt of the Notice of Arbitration, appoint a second arbitrator. If the other Party shall fail to appoint a second arbitrator within that time period, the first appointed arbitrator shall serve as sole arbitrator of the dispute. If the other Party does timely appoint a second arbitrator, the two Party-appointed arbitrators shall select a third arbitrator in accordance with the SMA Rules. The Party-appointed arbitrators shall jointly provide a written notice of the selection of the third arbitrator to both Parties within five (5) Days after such selection. The selected third arbitrator shall serve as chairman of

the arbitration panel. The arbitration panel shall hold an arbitration hearing within thirty (30) Days after the appointment of the third arbitrator.

25.8 Qualifications of the Arbitrators.

- (a) An arbitrator may not have any direct or indirect financial or personal interest in the outcome of the arbitration.
- (b) An arbitrator may not have acquired from an interested source detailed prior knowledge of the matter in dispute.
- (c) An arbitrator may not have any close personal ties or business relations with any one of the Parties to the arbitration, any affiliate or associated companies of either of the Parties, any counsel for either of the Parties, or any immediate family members of the foregoing Persons.
- (d) An arbitrator need not be a member of the Society of Maritime Arbitrators, Inc., but must have familiarity with vessel construction issues.

25.9 The arbitration panel shall render an award including a provision for payment of costs and expenses of arbitration to be paid by one or more of the Parties hereto, as the arbitration panel deems just. The decision of the arbitration panel shall be final and binding on the Parties hereto, and judgment may be entered thereon in any court having jurisdiction.

25.10 Notwithstanding any contrary provisions in the SMA Rules, the arbitration award shall be withheld from publication.

25.11 Nothing in this Article shall be deemed to limit or otherwise restrict the right of either Party to seek injunctive or other equitable relief in any court of competent jurisdiction.

Article 26 TAXES, DUTIES, AND TARIFFS

26.1 Builder shall be responsible for and pay all taxes, assessments, duties, or fees assessed against Builder, the Shipyard, or Builder's other facilities as a result of Builder's performance under this Agreement, employment of workmen, and procurement of Materials, supplies, equipment, or labor, including local, state, and federal taxes, federal import duties, workers' compensation, social security or old age benefits of any nature, unemployment tax, and any other similar taxes, charges, assessments and contributions of any kind now or hereafter payable in connection with the performance of the Work. Builder shall indemnify and hold Owner harmless from any and all liability and expense by reason of Builder's failure to pay such taxes, charges, assessments, and contributions.

26.2 Owner shall be responsible for all taxes, duties, and documentation fees arising from the purchase, sale, use, and documentation of the Vessel. However, Owner intends to avoid or minimize the imposition of any state sales or use or other taxes with respect to the Vessel to the greatest extent lawfully possible. Builder agrees that it will not pay any such taxes, duties, or fees, or concede any liability for the foregoing, without prior written notice to Owner. Owner may seek any lawfully available exemption(s), such as the “removal” exemption, the “interstate or foreign commerce” exemption, the “resale” exemption, or taking delivery of the Vessel in a location outside the boundaries of the State of construction.

26.3 The Parties shall cooperate to optimize the tax treatment for all matters within the scope of this Agreement, and shall provide each other with all such documentation as may be reasonably requested to assist the requesting Party in seeking lawful exemptions, exclusions, or reductions of taxation.

26.4 In the event that any Materials procured for use in the Work are or shall become subject to actual or potential tariff or duties, the Parties shall individually and cooperatively take such actions as reasonably appropriate to optimize the tariff and/or duty treatment of such Materials and to seek lawful exemptions, exclusions, or reductions of tariffs and duties on such Materials.

Article 27 **CONTRACT INTERPRETATION**

27.1 The term “*Contract Documents*” means this Agreement, including the Specifications attached in Exhibit B, the Contract Drawings, and all other Exhibits hereto, as well as the Design, all Detailed Construction Documentation, and all duly executed Change Orders.

27.2 Contract guidance drawings and other drawings and documents furnished by Owner to Builder not included within the defined Contract Documents are provided for the assistance of Builder, but Owner makes no warranty or representations regarding such materials. Nothing herein is to be interpreted as limiting or excusing Builder’s obligations under Sections 3.2 and 3.3.

27.3 The intent of the Parties under the Contract Documents is for Builder to build the Vessel in accordance with the Contract Documents for the respective Contract Price and by the relevant Delivery Date. The Contract Drawings and Specifications are to be considered as cooperative. All work necessary for the execution of the Work, if shown on the Contract Drawings and not described in the Specifications, or if shown in the Specifications and not described on the Contract Drawings, shall be considered as a part of the Work and shall be executed by Builder in the same manner and with the same character of material as other portions of this Agreement without extra compensation. If Builder identifies any conflicts between the Specifications and the

Contract Drawings, then Builder shall consult with Owner to confirm the specific arrangement or form required.

27.4 If there are any conflicts or inconsistencies among the terms of this Agreement and the Specifications, the terms of this Agreement shall take precedence over the Specifications.

27.5 Except where expressly stipulated to the contrary, Builder shall provide and pay for all services, labor, overtime labor, standby labor, methods, Materials (including fuel, lubricating oils, hydraulic oils, greases, fresh water), equipment, transportation, taxes, permits and fees and all other facilities and services necessary to complete the Vessel for the Contract Price within the Delivery Date. Owner shall take over and pay for, at Builder's documented cost, reasonable amounts of all stores remaining aboard the Vessel at the time of Delivery, excluding fresh water, but including fuel oil, diesel oil, lubricating oil, hydraulic oil, and greases.

Article 28 PUBLICITY AND DISCLOSURES.

28.1 Subject to Owner's prior written approval, which approval shall not be unreasonably withheld, Builder may use photographs of the Vessel during construction and following Delivery in its promotional materials.

28.2 Without limitation to the foregoing and subject to the Parties' respective intellectual property rights and business activities, the Parties agree to cooperate with regard to the marketing of the Vessel, including hosting of representatives of trade publications, appearances at public events, and similar activities and events. Nothing herein is intended to require either Party to forego business activities or incur uncompensated expenses for the purposes of marketing activities.

Article 29 AUDITS

29.1 Owner shall have the limited right to audit the construction, procurement, and accounting records related to the construction of the Vessel under this Agreement as may be reasonably necessary to enforce or protect Owner's rights under this Agreement with regard to claimed escalation and cost overruns or as otherwise permitted herein.

29.2 Such audits shall be conducted at Owner's expense and upon reasonable notice and upon reasonable terms and conditions.

Article 30 MISCELLANEOUS

30.1 Entire Agreement. This Agreement, which includes the Exhibits listed below, all duly executed Change Orders (if any), and amendments or modifications to any of the foregoing

or to this Agreement, constitutes the entire agreement between the Parties relating to the subject matter hereof and supersedes any and all other prior promises, correspondence, agreements, discussions, representations, and understandings, whether oral or written. No other agreements, promises, correspondence, discussions, representations, or understandings, either express or implied, unless expressly set forth herein, are binding between the Parties.

30.2 **Due Authority.** Each Party represents and warrants that its execution of this Agreement is duly authorized by all necessary corporate actions and resolutions.

30.3 **Binding Affect.** This Agreement shall be binding on and inure to the benefit of the Parties and their heirs, legal representatives, executors, successors, and permitted assigns.

30.4 **No Waivers.** Except with respect to the time limitations set forth in Article 11 and Article 25 concerning warranty claims and dispute resolution procedures, no delay or omission on the part of either Party in exercising or enforcing any right hereunder shall operate or be construed as a waiver or bar to enforcement of such right on that occasion or on any other or future occasion, or a waiver or bar to enforcement of any other right or future right of a Party hereunder on any other or future occasion.

30.5 **Severability.** Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

30.6 **Headings.** The headings in this Agreement are inserted for convenience only and are not to be considered in the construction or interpretation of the provisions of this Agreement.

30.7 **Modification.** No change or modification of this Agreement shall be valid unless in writing and signed by the Party against whom such change or modification is sought to be enforced.

30.8 **Drafting.** This Agreement has been drafted and negotiated by both Parties, each with advice of counsel. For purposes of interpretation and enforcement, this Agreement shall be considered to have been drafted jointly by the Parties.

30.9 **Duplicate Originals.** This Agreement may be executed in duplicate originals and any true and complete copy shall be deemed an original for any purpose in which an original might otherwise be required.

30.10 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be effective only upon delivery to the other Party, and each of which shall be taken to be one

and the same Agreement as if all the Parties had signed the same Agreement. The Parties may manually execute this Agreement, but each Party agrees that a facsimile, PDF, or other electronic transmission of such signature shall be deemed binding on each Party, and the Parties agree not to contest the validity of this Agreement by reason of the fact that a manually executed copy has not been delivered.

30.11 Governing Law. This Agreement and any disputes arising in connection herewith shall be governed, without consideration of conflicts of law, by and construed in accordance with the laws of the State of New York. In no event shall this Agreement be subject to or interpreted in accordance with the United Nations Convention on Contracts for the International Sale of Goods.

30.12 Confidentiality. The Parties acknowledge and agree that certain information relating to each of them that may be disclosed to or otherwise acquired by the other in connection with this Agreement and the negotiations leading up to its execution by the Parties, may constitute material, confidential, and non-public information, which shall be governed by the mutual Non-Disclosure Agreement existing between the Parties. Except to the extent required by law, neither Party will make any announcement or disclosure of the fact that such discussions have occurred, or of the terms of this Agreement without the other Party's prior written consent, which consent shall not unreasonably withheld. It is acknowledged and understood by the Parties that each Party shall be permitted to make press releases or other disclosure as may be required by law in the reasonable opinion of each Party's Securities Counsel.

Execution Follows:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their proper authorized representatives, thereunto duly authorized.

BUILDER

CONRAD SHIPYARD, L.L.C.

Dated: June 5, 2020

/s/ Cecil Hernandez

Name: Cecil Hernandez

Title: President

OWNER

GREAT LAKES DREDGE & DOCK COMPANY, LLC

Dated: June 5, 2020

/s/ Lasse Petterson

Name: Lasse Petterson

Title: Chief Executive Officer & President

LIST OF EXHIBITS*

Exhibit A	Vessel Contract Price and Delivery Date
Exhibit B	Specifications
Exhibit C	[Intentionally Omitted]
Exhibit D	[Intentionally Omitted]
Exhibit E	Owner Furnished Items
Exhibit F-1	Form of Stage Completion Certificate
Exhibit F-2	Form of Builder's Invoice
Exhibit G-1	Form of Builder's Lien Release
Exhibit G-2	Form of Subcontractors' and Suppliers' Lien Release
Exhibit H	Form of Certificate of Completion and Delivery
Exhibit I	Form of Change Order
Exhibit J	Form of Owner's Warranty Notification to Builder
Exhibit K	Builder's Preliminary Schedule
Exhibit L-1	Form of Payment Bond
Exhibit L-2	Form of Performance Bond
Exhibit M	Form of Protocol of Delivery and Acceptance
Exhibit N	Form of Builder's Corporate Parent Guarantee
Exhibit O	Time and Material Rates
Exhibit P	Form of Shipyard Contract Deficiency Report
Exhibit Q	Interim Installment and Stage of Completion Schedule
Exhibit R	Alternate Scope Proposals

***EXHIBITS HAVE BEEN OMITTED PURSUANT TO ITEM 601(a)(5) OF REGULATION S-K. THE REGISTRANT AGREES TO FURNISH A COPY OF ANY SCHEDULE OR EXHIBIT TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.**

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

CERTIFICATION

I, Lasse J. Petterson, certify that:

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

Date: August 4, 2020

/s/ LASSE J. PETTERSON

Lasse J. Petterson

Chief Executive Officer and Director

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

CERTIFICATION

I, Mark W. Marinko, certify that:

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

Date: August 4, 2020

/s/ MARK W. MARINKO

Mark W. Marinko

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lasse J. Petterson, Chief Executive Officer and Director of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ LASSE J. PETERSON

Lasse J. Petterson
Chief Executive Officer and Director
Date: August 4, 2020

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

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Marinko, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ MARK W. MARINKO

Mark W. Marinko
Senior Vice President and Chief Financial Officer
Date: August 4, 2020

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