

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 March 31, 2019

OR

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

For the transition period from _____ to _____

Commission file number: 001-33225



Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

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

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

60523
(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

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 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

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting company

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

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

Title of each class

Common Stock (Par Value \$0.0001)

Trading Symbol(s)

GLDD

Name of each exchange on which registered

Nasdaq Stock Market, LLC

As of April 26, 2019, 63,367,995 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 March 31, 2019

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PART I — Financial Information

Item 1. Financial Statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

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

	March 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 122,986	\$ 34,458
Accounts receivable—net	34,494	64,779
Contract revenues in excess of billings	16,415	17,953
Inventories	26,629	28,112
Prepaid expenses and other current assets	34,392	36,617
Assets held for sale	15,751	24,779
Total current assets	<u>250,667</u>	<u>206,698</u>
PROPERTY AND EQUIPMENT—Net	368,600	369,863
OPERATING LEASE ASSETS	76,594	—
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	76,576	76,576
INVENTORIES—Noncurrent	62,466	61,264
OTHER	16,948	15,870
TOTAL	<u>\$ 851,851</u>	<u>\$ 730,271</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 73,051	\$ 71,537
Accrued expenses	42,633	48,351
Operating lease liabilities	20,599	—
Billings in excess of contract revenues	53,855	17,793
Revolving credit facility	—	11,500
Liabilities held for sale	7,948	13,940
Total current liabilities	<u>198,086</u>	<u>163,121</u>
LONG-TERM DEBT	322,173	321,950
OPERATING LEASE LIABILITIES—Noncurrent	55,991	—
DEFERRED INCOME TAXES	30,626	22,846
OTHER	5,698	7,426
Total liabilities	<u>612,574</u>	<u>515,343</u>
COMMITMENTS AND CONTINGENCIES (Note 10)		
EQUITY:		
Common stock—\$.0001 par value; 90,000 authorized, 63,600 and 62,830 shares issued; 63,323 and 62,552 shares outstanding at March 31, 2019 and December 31, 2018, respectively.	6	6
Treasury stock, at cost	(1,433)	(1,433)
Additional paid-in capital	296,774	295,135
Accumulated deficit	(55,001)	(74,971)
Accumulated other comprehensive loss	(1,069)	(3,809)
Total equity	<u>239,277</u>	<u>214,928</u>
TOTAL	<u>\$ 851,851</u>	<u>\$ 730,271</u>

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended March 31,	
	2019	2018
Contract revenues	\$ 192,637	\$ 133,623
Costs of contract revenues	142,760	119,493
Gross profit	49,877	14,130
General and administrative expenses	14,825	13,093
(Gain) loss on sale of assets—net	279	(199)
Operating income	34,773	1,236
Interest expense—net	(7,551)	(8,653)
Other income (expense)	172	(2,065)
Income (loss) from continuing operations before income taxes	27,394	(9,482)
Income tax (provision) benefit	(6,846)	2,475
Income (loss) from continuing operations	20,548	(7,007)
Loss from discontinued operations, net of income taxes	(3,380)	(2,314)
Net income (loss)	\$ 17,168	\$ (9,321)
Basic earnings (loss) per share attributable to continuing operations	\$ 0.33	\$ (0.11)
Basic loss per share attributable to discontinued operations, net of tax	(0.05)	(0.04)
Basic earnings (loss) per share	\$ 0.28	\$ (0.15)
Basic weighted average shares	62,882	61,815
Diluted earnings (loss) per share attributable to continuing operations	\$ 0.32	\$ (0.11)
Diluted loss per share attributable to discontinued operations, net of tax	(0.05)	(0.04)
Diluted earnings (loss) per share	\$ 0.27	\$ (0.15)
Diluted weighted average shares	64,569	61,815

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended	
	March 31,	
	2019	2018
Net income (loss)	\$ 17,168	\$ (9,321)
Currency translation adjustment—net of tax (1)	—	1,361
Net change in cash flow derivative hedges—net of tax (2)	2,740	(734)
Other comprehensive income—net of tax	2,740	627
Comprehensive income (loss)	\$ 19,908	\$ (8,694)

- (1) Net of income tax provision of \$(535) for the three months ended March 31, 2018.
- (2) Net of income tax benefit of \$971 and income tax provision of (\$260) for the three months ended March 31, 2019 and 2018, respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
BALANCE—January 1, 2019	62,830	\$ 6	(278)	\$ (1,433)	\$ 295,135	\$ (74,971)	\$ (3,809)	\$ 214,928
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	2,802	—	2,802
Share-based compensation	31	—	—	—	2,201	—	—	2,201
Vesting of restricted stock units, including impact of shares withheld for taxes	453	—	—	—	(2,188)	—	—	(2,188)
Exercise of options and purchases from employee stock plans	286	—	—	—	1,626	—	—	1,626
Net income	—	—	—	—	—	17,168	—	17,168
Other comprehensive income—net of tax	—	—	—	—	—	—	2,740	2,740
BALANCE—March 31, 2019	<u>63,600</u>	<u>\$ 6</u>	<u>(278)</u>	<u>\$ (1,433)</u>	<u>\$ 296,774</u>	<u>\$ (55,001)</u>	<u>\$ (1,069)</u>	<u>\$ 239,277</u>

	Shares of Common Stock	Common Stock	Shares of Treasury Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)	Total
BALANCE—January 1, 2018	61,897	\$ 6	(278)	\$ (1,433)	\$ 289,821	\$ (67,101)	\$ 3	\$ 221,296
Cumulative effect of recent accounting pronouncements	—	—	—	—	—	(1,577)	—	\$ (1,577)
Share-based compensation	40	—	—	—	1,009	—	—	1,009
Vesting of restricted stock units, including impact of shares withheld for taxes	430	—	—	—	(936)	—	—	(936)
Exercise of options and purchases from employee stock plans	118	—	—	—	404	—	—	404
Net loss	—	—	—	—	—	(9,321)	—	(9,321)
Other comprehensive income—net of tax	—	—	—	—	—	—	627	627
BALANCE—March 31, 2018	<u>62,485</u>	<u>\$ 6</u>	<u>(278)</u>	<u>\$ (1,433)</u>	<u>\$ 290,298</u>	<u>\$ (77,999)</u>	<u>\$ 630</u>	<u>\$ 211,502</u>

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

	Three Months Ended March 31,	
	2019	2018
OPERATING ACTIVITIES:		
Net income (loss)	\$ 17,168	\$ (9,321)
Loss from discontinued operations, net of income taxes	(3,380)	(2,314)
Income (loss) from continuing operations	\$ 20,548	\$ (7,007)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	8,905	14,562
Deferred income taxes	7,074	(3,740)
(Gain) loss on sale of assets	279	(199)
Other non-cash restructuring items	—	2,015
Amortization of deferred financing fees	868	901
Unrealized foreign currency gain	—	(144)
Share-based compensation expense	2,000	851
Changes in assets and liabilities:		
Accounts receivable	30,285	(29,325)
Contract revenues in excess of billings	1,538	26,077
Inventories	280	665
Prepaid expenses and other current assets	(1,678)	12,704
Accounts payable and accrued expenses	(935)	(5,094)
Billings in excess of contract revenues	36,062	(2,714)
Other noncurrent assets and liabilities	566	(4,506)
Net cash flows provided by operating activities from continuing operations	105,792	5,046
Net cash flows used in operating activities of discontinued operations	2,668	(416)
Cash provided by operating activities	108,460	4,630
INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,704)	(7,513)
Proceeds from dispositions of property and equipment	147	5,015
Net cash flows used in investing activities of continuing operations	(7,557)	(2,498)
Net cash flows used in investing activities of discontinued operations	(60)	(36)
Cash used in investing activities	(7,617)	(2,534)

	Three Months Ended	
	March 31,	
	2019	2018
FINANCING ACTIVITIES:		
Repayments of debt	—	(297)
Taxes paid on settlement of vested share awards	(2,188)	(936)
Exercise of options and purchases from employee stock plans	1,626	404
Borrowings under revolving loans	—	17,000
Repayments of revolving loans	(11,500)	(21,000)
Net cash flows used in financing activities of continuing operations	(12,062)	(4,829)
Net cash flows used in financing activities of discontinued operations	(253)	(409)
Cash used in financing activities	(12,315)	(5,238)
Effect of foreign currency exchange rates on cash and cash equivalents	—	26
Net increase (decrease) in cash, cash equivalents and restricted cash	88,528	(3,116)
Cash, cash equivalents and restricted cash at beginning of period	34,458	17,352
Cash, cash equivalents and restricted cash at end of period	<u>\$ 122,986</u>	<u>\$ 14,236</u>
Cash and cash equivalents	\$ 122,986	\$ 12,736
Restricted cash included in other long-term assets	—	1,500
Cash, cash equivalents and restricted cash at end of period	<u>\$ 122,986</u>	<u>\$ 14,236</u>
Supplemental Cash Flow Information		
Cash paid for interest	<u>\$ 229</u>	<u>\$ 1,872</u>
Cash (refunded) paid for income taxes	<u>\$ (10)</u>	<u>\$ 54</u>
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	<u>\$ 6,239</u>	<u>\$ 3,614</u>
Repayments of debt with proceeds from sale-leaseback transactions	<u>—</u>	<u>\$ 13,034</u>

See notes to unaudited condensed consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(dollar amounts in thousands, except per share amounts or as otherwise noted)**

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the “Company” or “Great Lakes”) and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of March 31, 2019, and its results of operations for the three months ended March 31, 2019 and 2018 and cash flows for the three months ended March 31, 2019 and 2018 have been included.

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

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

The Company has one operating segment which is also the Company’s reportable segment and reporting unit of which the Company tests goodwill for impairment. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. The Company performed its most recent annual test of impairment as of July 1, 2018 with no indication of impairment as of the test date. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2019 should no triggering events occur which would require a test prior to the next annual test.

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

Recent accounting pronouncements

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

2. Earnings per share

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

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

(shares in thousands)	Three Months Ended March 31,	
	2019	2018
Income (loss) from continuing operations	\$ 20,548	\$ (7,007)
Loss from discontinued operations, net of income taxes	(3,380)	(2,314)
Net income (loss)	17,168	(9,321)
Weighted-average common shares outstanding — basic	62,882	61,815
Effect of stock options and restricted stock units	1,687	—
Weighted-average common shares outstanding — diluted	64,569	61,815
Earnings (loss) per share from continuing operations — basic	\$ 0.33	\$ (0.11)
Earnings (loss) per share from continuing operations — diluted	\$ 0.32	\$ (0.11)

For the three months ended March 31, 2018 the following amounts of stock options (“NQSO”) and restricted stock units (“RSU”) were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during the period:

(shares in thousands)	Three Months Ended March 31,
	2018
Effect of stock options and restricted stock units	781

For the three months ended March 31, 2019 and 2018 the following amounts of NQSOs and RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive:

(shares in thousands)	Three Months Ended March 31,	
	2019	2018
Effect of stock options and restricted stock units	66	1,906

3. Leases

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

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

Lease cost

The Company's lease costs are recorded in cost of contract revenues and general and administrative expenses. For the three months ended March 31, 2019, lease costs are as follows:

	Three Months Ended March 31, 2019	
Operating lease cost	\$	6,239
Short-term lease cost		15,568
Total lease cost	\$	21,807

Lease terms and commitments

The Company's maturity analysis of its operating lease liabilities, recorded on the balance sheet, as of March 31, 2019 is as follows:

2019	\$	19,091
2020		23,055
2021		18,942
2022		13,501
2023		8,827
Thereafter		9,150
Minimum lease payments		92,566
Imputed interest		15,976
Present value of minimum operating lease payments	\$	76,590

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

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

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

Additional information related to the Company's leases as of March 31, 2019 is as follows:

	March 31, 2019	
Weighted average remaining lease term		4.3 years
Weighted average discount rate		6.8%

Supplemental information related to leases during the three months ended March 31, 2019 is as follows:

	Three Months Ended March 31, 2019	
Operating cash flows from operating leases	\$	(6,420)
Operating lease liabilities arising from obtaining new operating lease assets	\$	69

4. Accrued expenses

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

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Insurance	\$ 13,926	\$ 13,724
Interest	9,903	3,448
Contract reserves	4,732	1,709
Payroll and employee benefits	5,071	15,298
Fuel hedge contracts	999	4,710
Income and other taxes	756	1,175
Other	7,246	8,287
Total accrued expenses	<u>\$ 42,633</u>	<u>\$ 48,351</u>

5. Long-term debt

Credit agreement

On December 30, 2016, the Company, Great Lakes Dredge & Dock Company, LLC, NASDI Holdings, LLC, Great Lakes Dredge & Dock Environmental, Inc., Great Lakes Environmental & Infrastructure Solutions, LLC and Great Lakes Environmental & Infrastructure, LLC (collectively, the "Credit Parties") entered into a revolving credit and security agreement, as subsequently amended, (the "Credit Agreement") with certain financial institutions from time to time party thereto as lenders, PNC Bank, National Association, as Agent, PNC Capital Markets, CIBC Bank USA, Suntrust Robinson Humphrey, Inc., Capital One, National Association and Bank of America, N.A., as Joint Lead Arrangers and Joint Bookrunners, Texas Capital Bank, National Association, as Syndication Agent and Woodforest National Bank, as Documentation Agent. The Credit Agreement, which replaced the Company's former revolving credit agreement, provides for a senior secured revolving credit facility in an aggregate principal amount of up to \$250,000, subfacilities for the issuance of standby letters of credit up to a \$250,000 sublimit and swingline loans up to a \$25,000 sublimit. The maximum borrowing capacity under the Credit Agreement is determined by a formula and may fluctuate depending on the value of the collateral included in such formula at the time of determination. The Credit Agreement also includes an increase option that will allow the Company to increase the senior secured revolving credit facility by an aggregate principal amount of up to \$100,000. This increase is subject to lenders providing incremental commitments for such increase, the Credit Parties having adequate borrowing capacity and provided that no default or event of default exists both before and after giving effect to such incremental commitment increase.

The Credit Agreement contains customary representations and affirmative and negative covenants, including a springing financial covenant that requires the Credit Parties to maintain a fixed charge coverage ratio (ratio of earnings before income taxes, depreciation and amortization, net interest expenses, non-cash charges and losses and certain other non-recurring charges, minus capital expenditures, income and franchise taxes, to net cash interest expense plus scheduled cash principal payments with respect to debt plus restricted payments paid in cash) of not more than 1.10 to 1.00. The Company is required to maintain this ratio if its availability under the Credit Agreement falls below \$31,250 for five consecutive days or \$25,000 for one day. The Credit Parties are also restricted in the amount of capital expenditures they may make in each fiscal year. The Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company's surety bonding providers. The obligations of the Credit Parties under the Credit Agreement will be unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. Borrowings under the Credit Agreement were or will be used to refinance existing indebtedness under the Company's former revolving credit agreement, refinance existing indebtedness under the Company's former term loan agreement, pay fees and expenses related to the Credit Agreement, finance acquisitions permitted under the Credit Agreement, finance ongoing working capital, and for other general corporate purposes. The Credit Agreement matures on December 30, 2019.

The obligations under the Credit Agreement are secured by substantially all of the assets of the Credit Parties. The outstanding obligations thereunder shall be secured by a valid first priority perfected lien on substantially all of the vessels of the Credit Parties and a valid perfected lien on all domestic accounts receivable and substantially all other assets of the Credit Parties, subject to the permitted liens and interests of other parties (including the Company's surety bonding provider).

Interest on the senior secured revolving credit facility of the Credit Agreement is equal to either a Base Rate option or LIBOR option, at the Company's election. The Base Rate option is (1) the base commercial lending rate of PNC Bank, National Association, as publicly announced plus (2)(a) an interest margin of 2.0% or (b) after the date on which a borrowing base certificate is required to be delivered under Section 9.2 of the Credit Agreement (commencing with the fiscal quarter ending December 31, 2017, the "Adjustment Date"), an interest margin ranging between 1.5% and 2.0% depending on the quarterly average undrawn availability on the senior secured revolving credit facility. The LIBOR option is the sum of (1) LIBOR and (2)(a) an interest margin of 3.0% or (b) after the Adjustment Date, an interest rate margin ranging between 2.5% to 3.0% per annum depending on the quarterly average undrawn availability on the senior secured revolving credit facility. The Credit Agreement is subject to an unused fee ranging from 0.25% to 0.375% per annum depending on the amount of average daily outstandings under the senior secured revolving credit facility.

As of March 31, 2019, the Company had no borrowings on the revolver, \$37,748 of letters of credit outstanding and \$206,008 of availability under the Credit Agreement. The availability under the Credit Agreement is suppressed by \$6,244 as of March 31, 2019 as a result of certain limitations set forth in the Credit Agreement.

Senior Notes and subsidiary guarantors

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

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

6. Fair value measurements

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

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

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

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

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

Description	At March 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	\$ 999	\$ —	\$ 999	\$ —

Description	At December 31, 2018	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 4,710	\$ —	\$ 4,710	\$ —

Fuel hedge contracts

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

As of March 31, 2019, the Company was party to various swap arrangements to hedge the price of a portion of its diesel fuel purchase requirements for work in its backlog to be performed through March 2020. As of March 31, 2019, there were 11.2 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through March 2020. Under these swap agreements, the Company will pay fixed prices ranging from \$1.91 to \$2.34 per gallon.

At March 31, 2019 and December 31, 2018, the fair value assets of the fuel hedge contracts were estimated to be \$999 and \$4,710, respectively, and are recorded in accrued expenses. For fuel hedge contracts considered to be highly effective, the losses reclassified to earnings from changes in fair value of derivatives, net of cash settlements and taxes, for the three months ended March 31, 2019 were \$891. The remaining gains and losses included in accumulated other comprehensive loss at March 31, 2019 will be reclassified into earnings over the next twelve months, corresponding to the period during which the hedged fuel is expected to be utilized. Changes in the fair value of fuel hedge contracts not considered highly effective are recorded as cost of contract revenues in the Statement of Operations. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

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

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

	<u>Balance Sheet Location</u>	<u>Fair Value at</u>	
		<u>March 31, 2019</u>	<u>December 31, 2018</u>
Liability derivatives:			
Derivatives designated as hedging instruments			
Fuel hedge contracts	Accrued expenses	<u>\$ 999</u>	<u>\$ 4,710</u>

Accumulated other comprehensive income

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

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Cumulative translation adjustments—net of tax	\$ —	\$ 1,361
Derivatives:		
Reclassification of derivative (gains) losses to earnings—net of tax	891	(732)
Change in fair value of derivatives—net of tax	1,849	(2)
Net change in cash flow derivative hedges—net of tax	<u>2,740</u>	<u>(734)</u>
Total other comprehensive income	<u>\$ 2,740</u>	<u>\$ 627</u>

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

Statement of Operations Location		Three Months Ended	
		March 31,	
		2019	2018
Derivatives:			
Fuel hedge contracts	Costs of contract revenues	\$ 1,207	\$ (992)
	Income tax (provision) benefit	316	(260)
		<u>\$ 891</u>	<u>\$ (732)</u>

During the three months ended March 31, 2018, the Company substantially completed the closeout of its Brazil operations. This liquidation resulted in the reversal of the Company's cumulative translation adjustment. Adjustments reclassified from accumulated balances of other comprehensive income (loss) to earnings are as follows:

Statement of Operations Location		Three Months Ended	
		March 31, 2018	
Cumulative translation adjustment:	Other expense	\$	(2,015)
	Income tax benefit		527
		<u>\$</u>	<u>(1,487)</u>

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. 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 March 31, 2019 (see Note 5, Long-term debt). The 8% Senior Notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the 8% Senior Notes. The fair value of the senior notes was \$340,438 at March 31, 2019, which is a Level 1 fair value measurement as the senior notes' value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

7. Share-based compensation

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

During the three months ended March 31, 2019, the Company granted 490 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 \$2,000 and \$851 for the three months ended March 31, 2019 and 2018, respectively.

8. Revenue

At March 31, 2019, the Company had \$575,189 of remaining performance obligations, which the Company refers to as total backlog. Approximately 66% of the Company's backlog will be completed in 2019 with the remaining balance expected to be completed by 2020.

Revenue by category

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

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

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

Revenues	Three Months Ended	
	March 31,	
	2019	2018
Dredging:		
Capital—U.S.	\$ 92,744	\$ 76,952
Capital—foreign	8,329	5,523
Coastal protection	33,743	41,861
Maintenance	29,649	7,803
Rivers & lakes	28,172	1,484
Total revenues	\$ 192,637	\$ 133,623

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

Revenues	Three Months Ended	
	March 31,	
	2019	2018
Dredging:		
Federal government	\$ 170,155	\$ 76,694
State and local government	14,103	46,625
Private	50	4,781
Foreign	8,329	5,523
Total revenues	\$ 192,637	\$ 133,623

Contract balances

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

	March 31, 2019	December 31, 2018
Completed contracts	\$ 3,911	\$ 8,592
Contracts in progress	24,655	48,418
Retainage	6,128	7,969
	34,694	64,979
Allowance for doubtful accounts	(200)	(200)
Total accounts receivable—net	\$ 34,494	\$ 64,779

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

	March 31, 2019	December 31, 2018
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 415,987	\$ 433,093
Amounts billed	(401,038)	(416,956)
Costs and earnings in excess of billings for contracts in progress	14,949	16,137
Costs and earnings in excess of billings for completed contracts	3,578	3,928
Total contract revenues in excess of billings	\$ 18,527	\$ 20,065
Current portion of contract revenues in excess of billings		
Current portion of contract revenues in excess of billings	\$ 16,415	\$ 17,953
Long-term contract revenues in excess of billings	2,112	2,112
Total contract revenues in excess of billings	\$ 18,527	\$ 20,065
Billings in excess of costs and earnings:		
Amounts billed	\$ (477,464)	\$ (260,691)
Costs and earnings for contracts in progress	423,609	242,898
Total billings in excess of contract revenues	\$ (53,855)	\$ (17,793)

Revenue recognized for the three months ended March 31, 2019, that was included in the billings in excess of contract revenues balance at the beginning of the year was \$16,125.

At March 31, 2019 and December 31, 2018, costs to fulfill a contract with a customer recognized as an asset were \$11,318 and \$13,129, respectively, and are recorded in other current assets and other noncurrent assets. These costs relate to pre-contract and pre-construction activities. During the three months ended March 31, 2019 and 2018, the company amortized \$2,751 and \$2,497 respectively, of pre-construction costs.

9. Restructuring charges

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

Restructuring charges recognized for the above actions for the year ended March 31, 2018 are summarized as follows:

	Three Months Ended March 31, 2018	
Costs of contract revenues—depreciation	\$	2,992
Costs of contract revenues—other		1,267
General and administrative expenses		7
Loss on sale of assets—net		(7)
Other expense		2,015
Total	\$	6,274

The Company had accrued severance expense of \$76 and \$662 at March 31, 2019 and December 31, 2018, respectively, which are expected to be settled in 2019. Accrued severance is included in accrued expenses.

10. Commitments and contingencies

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & infrastructure projects. The Company has bonding agreements with Argonaut Insurance Company, Berkley Insurance Company, Chubb Surety and Liberty Mutual Insurance Company, under which the Company can obtain performance, bid and payment bonds. The Company also has outstanding bonds with Travelers Casualty, Surety Company of America and Zurich American Insurance Company (“Zurich”). Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At March 31, 2019, the Company had outstanding performance bonds with a notional amount of approximately \$1,291,106 of which \$110,126 relates to projects from the Company’s historical environmental & infrastructure businesses. The revenue value remaining in backlog related to these projects totaled approximately \$505,995.

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

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

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

Legal proceedings and other contingencies

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

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. 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. Legal actions brought by the Company to enforce the buyer’s obligations under the sale agreement are described below.

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

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

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

11. Business dispositions

Discontinued operations

Businesses or asset groups are reported as discontinued operations when the Company commits to a plan to divest the business or group and the sale of the business or asset group is deemed probable within the next twelve months. Further, the disposal must represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results. In the fourth quarter of 2018, the management team proposed, and the Board of Directors approved, a plan to sell the Company's historical environmental & infrastructure business. The Company has retained a financial advisor to assist with the process and expects to finalize disposition of the environmental & infrastructure business in the first half of 2019. The disposal group of the historical environmental & infrastructure business has therefore been classified as discontinued operations and assets and liabilities held for sale for all periods presented.

Included in assets held for sale as of March 31, 2019 are provisions of \$14,425 to reduce the net assets of the historical environmental & infrastructure business to fair value less costs to sell. Fair values were determined using expected sales terms and an evaluation of working capital. The loss on disposition of assets held for sale is subject to change prior to completion of the disposition and could differ materially from the Company's estimate.

To the extent the Company incurs liabilities for exit costs, including severance, other employee benefit costs and operating lease obligations, the liabilities will be measured at fair value and recorded when incurred.

The results of the business have been reported in discontinued operations as follows:

	Three Months Ended March 31,	
	2019	2018
Revenue	\$ 9,184	\$ 12,970
Loss before income taxes from discontinued operations	(4,193)	(3,134)
Loss on disposal of assets held for sale	(315)	—
Income tax benefit	1,128	820
Loss from discontinued operations, net of income taxes	<u>\$ (3,380)</u>	<u>\$ (2,314)</u>

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Assets:		
Accounts receivable—net	\$ 11,388	\$ 13,943
Contract revenues in excess of billings	2,793	9,971
Other current assets	1,570	865
Assets held for sale	<u>\$ 15,751</u>	<u>\$ 24,779</u>
Property and equipment—net	6,672	6,612
Operating lease assets	1,603	—
Goodwill	7,000	7,000
Other intangible assets—net	372	372
Other assets	697	1,699
Reserve for loss on disposal	(14,425)	(14,110)
Assets held for sale—noncurrent	<u>\$ 1,919</u>	<u>\$ 1,573</u>
Liabilities:		
Accounts payable	\$ 2,863	\$ 8,343
Accrued expenses	3,417	4,380
Operating lease liabilities	376	—
Other current liabilities	1,292	1,217
Liabilities held for sale	<u>\$ 7,948</u>	<u>\$ 13,940</u>
Other liabilities	48	146
Operating lease liabilities—noncurrent	1,227	—
Liabilities held for sale—noncurrent	<u>\$ 1,275</u>	<u>\$ 146</u>

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

Cautionary note regarding forward-looking statements

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

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

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

General

The Company is the largest provider of dredging services in the United States. In addition, the Company is the only U.S. dredging service provider with significant international operations. The mobility of the Company’s fleet enables the Company to move equipment in response to changes in demand for dredging services.

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s bid market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints (“bid market”). The Company experienced an average combined bid market share in the U.S. of 42% over the prior three years, including 62%, 50%, 18% and 33% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

The Company’s largest domestic dredging customer is the U.S. Army Corps of Engineers (the “Corps”), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. In the first three months of 2019, the Company’s dredging revenues earned from contracts with federal government agencies, including the Corps as well as other federal entities such as the U.S. Coast Guard and the U.S. Navy were approximately 88% of dredging revenues, above the Company’s prior three year average of 68%.

In the fourth quarter of 2018, the management team proposed, and the board of directors approved, a plan to sell the Company’s historical environmental & infrastructure business. The Company has retained a financial advisor to assist with the process and expects to finalize disposition of the environmental & infrastructure business in the first half of 2019. The historical environmental & infrastructure segment has been retrospectively presented as discontinued operations and assets and liabilities held for sale and is no longer reflected in continuing operations. Refer to Note 11, Business dispositions, to our condensed consolidated financial statements.

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

The Company's vessels are subject to periodic dry dock inspections to verify that the vessels have been maintained in accordance with the rules of the U.S Coast Guard and the American Bureau of Shipping ("ABS") and that recommended repairs have been satisfactorily completed. Dry dock frequency is a statutory requirement mandated by the U.S Coast Guard and the ABS. The Company's vessels dry-dock every two to three years or every five years, depending on the vessel type and also on an as-needed basis for occasional unscheduled repairs. The planned dry docking of certain vessels will begin to have an impact on the Company's results beginning in the second quarter of 2019 and continuing into the third quarter of 2019.

Results of operations

The following tables set forth the components of net income (loss) and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
Contract revenues	100.0%	100.0%
Costs of contract revenues	(74.1)	(89.4)
Gross profit	25.9	10.6
General and administrative expenses	7.7	9.8
(Gain) loss on sale of assets—net	0.1	(0.1)
Operating income	18.1	0.9
Interest expense—net	(3.9)	(6.5)
Other income (expense)	0.1	(1.5)
Income (loss) from continuing operations before income taxes	14.3	(7.1)
Income tax (provision) benefit	(3.6)	1.9
Income (loss) from continuing operations	10.7	(5.2)
Loss from discontinued operations, net of income taxes	(1.8)	(1.7)
Net income (loss)	8.9	(6.9)
Adjusted EBITDA from continuing operations	22.8%	10.3%

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

(in thousands)	Three Months Ended	
	March 31,	
	2019	2018
Net income (loss)	\$ 17,168	\$ (9,321)
Loss from discontinued operations, net of income taxes	(3,380)	(2,314)
Income (loss) from continuing operations	20,548	(7,007)
Adjusted for:		
Interest expense—net	7,551	8,653
Income tax provision (benefit)	6,846	(2,475)
Depreciation and amortization	8,905	14,562
Adjusted EBITDA from continuing operations	<u>\$ 43,850</u>	<u>\$ 13,733</u>

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

Revenues (in thousands)	Three Months Ended		
	2019	2018	Change
Dredging:			
Capital—U.S.	\$ 92,744	\$ 76,952	20.5%
Capital—foreign	8,329	5,523	50.8%
Coastal protection	33,743	41,861	(19.4)%
Maintenance	29,649	7,803	280.0%
Rivers & lakes	28,172	1,484	N/M
Total revenues	<u>\$ 192,637</u>	<u>\$ 133,623</u>	44.2%

N/M = Not meaningful due to magnitude

For the three months ended March 31, 2019, total revenue was \$192.6 million, up from revenue of \$133.6 million for the same period in the prior year, representing an increase of \$59.0 million or 44%. For the three months ended March 31, 2019, the Company experienced an increase in domestic capital, maintenance, rivers & lakes and foreign revenues. These increases were partially offset by a decrease in coastal protection revenues 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. Domestic capital dredging for the three months ended March 31, 2019 was \$92.7 million compared to \$77.0 million for the same period in 2018, representing an increase of \$15.7 million, or 20%. For the three months ended March 31, 2019, the higher domestic capital dredging revenues were primarily driven by revenue earned from deepening projects in Charleston, Tampa, and Jacksonville as well as a greater amount of revenue earned on a deepening project on the Delaware River during the current year as compared to the same period in the prior year. This increase was partially offset by a greater amount of revenue earned on coastal restoration projects and the Savannah Harbor deepening project during the first quarter of 2018.

Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. For the three months ended March 31, 2019, foreign capital revenue was \$8.3 million which is \$2.8 million, or 51%, higher than revenue of \$5.5 million during the first three months of 2018. The increase in revenue for the three months ended March 31, 2019 was driven by revenue earned on a project in Bahrain that commenced during the first quarter of 2019. During the first quarter of 2018, the Company substantially completed the closeout of its Brazil operations.

Coastal protection projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Coastal protection revenue for the three months ended March 31, 2019 was \$33.7 million, down \$8.2 million or 19%, from \$41.9 million for the first three months of 2018. The decrease in coastal protection revenue for the three months ended March 31, 2019 was mostly attributable to a greater amount of revenue earned on projects in South Carolina in the same period in the prior year. Additionally, revenue for the first quarter of 2018 included projects in Florida and Georgia that did not repeat during the current year period. This decrease was partially offset by revenue earned on a project in North Carolina that commenced during the first quarter of 2019 and a greater amount of revenue earned during the current year on projects in New Jersey and New York as compared to the same period in 2018.

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 first three months of 2019 was \$29.6 million, an increase of \$21.8 million, or 280%, compared to \$7.8 million for the comparable period in the prior year. The increase in maintenance dredging revenues for the first three months of 2019 was mostly attributable to revenue earned on projects in Georgia, Florida and Mississippi. This increase was partially offset by a greater amount of revenue earned on projects in Maryland compared to the same period in the prior year and revenue earned on projects in Delaware and Virginia during the first quarter of 2018 that did not repeat during the current year.

Rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. Rivers & lakes revenue for the three months ended March 31, 2019 was \$28.2 million, up \$26.7 million, from \$1.5 million in the first three months of 2018. The increase in rivers & lakes revenue for the three months ended March 31, 2019 was mostly attributable to revenue earned during the first quarter of 2019 on a large flood mitigation project in Texas as a result of Hurricane Harvey, as well as revenue earned on a project in Louisiana.

Consolidated gross profit for the three months ended March 31, 2019 was \$49.9 million, up \$35.8 million, or 254%, compared to \$14.1 million in the same period of the prior year. Gross profit margin for the three months ended March 31, 2019 was up to 25.9% from 10.6% in the first three months of 2018. The higher gross profit experienced in the first quarter of 2019 was driven by strong performance on the Company's domestic capital, maintenance and rivers & lakes projects when compared to the prior year period. Lower plants costs resulting from the retirement of certain underperforming and underutilized assets, and greater fixed cost coverage also contributed to the increased profit during the current year. The three months ended March 31, 2018 included \$4.3 million of restructuring charges related to asset retirements and the closeout of the Company's Brazil operations.

General and administrative expenses for the three months ended March 31, 2019 and 2018 totaled \$14.8 million and \$13.1 million, respectively. The \$1.7 million increase in general and administrative expenses for the first three months of 2019 was attributable to a \$2.2 million increase in payroll and benefits expense related to incentive compensation as a result of improved gross profit, as noted above. This increase in expense was offset by a \$0.7 million decrease in legal and professional fees during the first quarter of 2019 as compared to the same period in the prior year.

Operating income for the three months ended March 31, 2019 was \$34.8 million up \$33.5 million, from operating income of \$1.2 million in the same prior year period. The change in operating income for the first quarter of 2019 was a result of higher gross profit partially offset by higher general and administrative expense compared to the same period in the prior year, as described above.

Net interest expense for the three months ended March 31, 2019 was \$7.6 million, down \$1.1 million, or 13%, from interest expense of \$8.7 million for the same period in the prior year. The decrease in interest expense for the three months ended March 31, 2019 was attributable to a decrease of \$1.1 million in interest expense associated with the Company's senior secured revolving credit facility as compared to the same period in the prior year. All other interest expense incurred by the Company was mostly in line with the same period in the prior year.

For the three months ended March 31, 2019 and 2018, the Company had an income tax provision of \$6.8 million and an income tax benefit of \$2.5 million, respectively. The effective tax rate for the three months ended March 31, 2019 was 25.0%, mostly in line with the effective tax rate of 26.1% for the same period of 2018.

Net income from continuing operations for the three months ended March 31, 2019 was \$20.5 million up \$27.5 million, from a net loss from continuing operations of \$7.0 million for the same period in the prior year. Diluted earnings (loss) per share attributable to continuing operations were \$0.32 and (\$0.11) for the three months ended March 31, 2019 and 2018, respectively. The change in net income from continuing operations for the three months ended March 31, 2019 was driven by the increase in operating income and decrease in interest expense during the current year, as described above. Further, the prior year was negatively impacted by a \$2.0 million charge to other income (expense) for the reversal of a cumulative translation adjustment related to the closeout of the Company's Brazil operations during the first quarter of 2018. These items were partially offset by an increase in the income tax provision, as noted above, during the first three months of 2019 when compared to the same period in the prior year.

Adjusted EBITDA from continuing operations (as defined on page 22) for the three months ended March 31, 2019 was \$43.9 million, up \$30.2 million, or 220%, from Adjusted EBITDA from continuing operations of \$13.7 million for the same prior year period. The change in Adjusted EBITDA from continuing operations during the first three months of 2019 was attributable to higher gross profit, excluding depreciation, and a positive change related to the \$2.0 million charge to other income (expense), as described above. These

positive factors were partially offset by higher general & administrative expenses incurred during the first quarter of 2019, as described above.

Bidding activity and backlog

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

Backlog (in thousands)	March 31, 2019	December 31, 2018	March 31, 2018
Dredging:			
Capital - U.S.	\$ 376,114	\$ 447,139	\$ 383,132
Capital - foreign	64,827	73,112	6,225
Coastal protection	75,034	81,068	43,211
Maintenance	36,548	56,189	25,586
Rivers & lakes	22,666	49,583	16,734
Total Backlog	<u>\$ 575,189</u>	<u>\$ 707,091</u>	<u>\$ 474,888</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, 79% of the Company's March 31, 2019 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company has obtained a signed contract with the customer.

The domestic dredging bid market for the three months ended March 31, 2019 was \$218.8 million, a decrease of \$113.8 million, compared to the first three months of 2018. Total domestic dredging bid market for the current year period included awards for a coastal protection project in New York, hopper maintenance work on the West Coast and a capital project related to the Wilmington Harbor expansion. The bid market for the three months ended March 31, 2019 decreased compared to the prior year due to a greater number of larger capital projects let to bid in the prior year, which included the Boston Harbor deepening project, and rivers & lakes projects. This was partially offset by slightly higher maintenance and coastal protection projects awarded in the quarter ended March 31, 2019. For the contracts awarded in the current year, the Company won 32%, or \$20.1 million, of the coastal protection projects, no domestic capital projects, 14%, or \$15.0 million, of the maintenance projects and no rivers & lakes projects through March 31, 2019. The Company won 16% of the overall domestic bid market for the first three months of 2019, which is below the Company's prior three year average of 42%. Variability in contract wins from quarter to quarter is not unusual and one quarter's win rate is generally not indicative of the win rate the Company is likely to achieve for a full year.

The Company's contracted dredging backlog was \$575.2 million at March 31, 2019 compared to \$707.1 million of backlog at December 31, 2018. These amounts do not reflect approximately \$101.7 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog at March 31, 2019. At December 31, 2018 the amount of domestic low bids and options pending award was \$115.6 million.

Domestic capital dredging backlog at March 31, 2019 was \$71.0 million lower than at December 31, 2018. For the three months ended March 31, 2019, the Company continued to earn revenue on a coastal restoration project in Mississippi, and deepening projects in Charleston, Tampa, and Jacksonville as well as on a deepening project on the Delaware River which were in backlog at December 31, 2018. The Company expects additional phases of multiple large deepening and other capital projects to bid in the second half of 2019. The projects coming into the pipeline include additional phases of work in Charleston, Savannah, Corpus Christi and Mississippi as well as new projects in Virginia, Texas and Louisiana. Further, several liquefied natural gas petro chemical and crude oil projects are creating the need for port development in support of energy exports. The Company expects several of these private client projects to be bid in 2019.

Foreign capital dredging backlog at March 31, 2019 was \$8.3 million lower than at December 31, 2018. During the first three months of 2019, the Company continued to earn revenue on a project in the Middle East which was in backlog at December 31, 2018. During 2018, the Company relocated two of its dredges to our domestic fleet from their previous positions in the international market to meet increased demand in the U.S. market.

Coastal protection dredging backlog at March 31, 2019 was \$6.0 million lower than at December 31, 2018. In the first three months of 2019, the Company was awarded a \$20 million coastal protection project in North Carolina. During the first three months of 2019, the Company continued to earn revenue on coastal protection projects in New York and South Carolina which were in backlog at December 31, 2018. Coastal protection and storm impacts continue to provide the major impetus for coastal project investment at federal and state levels. With continued funding available for projects in the Northeast from the Superstorm Sandy supplemental appropriations, the Company expects to continue to see an increase in projects let for bid in the coastal protection market. As a result of the extreme storm systems in prior years involving Hurricanes Harvey, Irma, and Maria, the U.S. Senate Committee on Appropriations passed supplemental appropriations for disaster relief and recovery which includes \$17.4 billion for the Corps to fund projects that will reduce the risk of future damage from flood and storm events. The Corps is beginning to provide visibility on its plans for this money, and it is expected that approximately \$1.8 billion will be allocated to dredging-related work. Most of this work is anticipated to be coastal protection related, but some funding may be provided for channel maintenance. During the fourth quarter of 2018, Congress passed an additional \$1.7 billion of supplemental appropriations for disaster relief funding as a result of Hurricane Florence.

Maintenance dredging backlog was down \$19.6 million from December 31, 2018. During the first three months of 2019, the Company was awarded a \$10.3 million maintenance project in South Carolina and a \$4.7 million project on the Mississippi River. During the first three months of 2019, the Company continued to earn revenue on projects in the South Atlantic, Georgia, and Florida which were in backlog at December 31, 2018. In March 2018, Congress approved and the President signed an omnibus spending bill through fiscal year 2018. The spending bill continues the increases in the budget for the Corps and exceeds the increase in Harbor Maintenance Trust Fund (“HMTF”) spending for maintenance dredging as required by the 2014 Water Resources and Development Act. During the fourth quarter of 2018, the President signed America’s Water Infrastructure Act of 2018/Water Resources Development Act (“WRDA 2018”) into law. Similar to past versions of the bill, WRDA 2018 language calls for full use of the HMTF for its intended purpose of maintaining future access to the waterways and ports that support our nation’s economy. Further, WRDA 2018 ensures that Harbor Maintenance Tax (“HMT”) funding targets will increase by three percent over the prior year, even if the HMT revenue estimates decrease, to continue annual progress towards full use of the HMT by 2025. Through the increased appropriation of HMTF monies, the Company anticipates an increase in harbor projects to be let for bid throughout 2019 and beyond. Congress has improved spending from the HMTF by providing the Corps with record annual budgets including 94% utilization of the HMTF in FY 2018 and 91% proposed in the FY 2019 budget which was above its commitment.

Rivers & lakes backlog at March 31, 2019 was down by \$26.9 million from backlog at December 31, 2018. For the three months ended March 31, 2019, the Company continued to earn revenue on a large project in Texas and a project in Louisiana which were in backlog at December 31, 2018.

Liquidity and capital resources

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

The Company’s cash provided by operating activities of continuing operations for the three months ended March 31, 2019 and 2018 totaled \$105.8 million and \$5.0 million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. The increase in cash provided by operating activities of continuing operations in the first three months of 2019 compared to the same period in the prior year was driven by billings and collections on large projects during the first quarter of 2019 as well as a greater investment in working capital during the prior year period. Further, this increase was also driven by an increase of \$27.6 million in net income from continuing operations in the first quarter of 2019 compared to the same period in the prior year.

The Company’s cash flows used in investing activities for the first three months of 2019 and 2018 totaled \$7.6 million and \$2.5 million, respectively. Investing activities primarily relate to normal course upgrades and capital maintenance of the Company’s dredging fleet. During the three months ended March 31, 2018, the Company received \$4.5 million in cash proceeds from a sale-leaseback of a dredge.

The Company’s cash flows used in financing activities for the three months ended March 31, 2019 and 2018 totaled \$12.1 million and \$4.8 million, respectively. The increase in cash used in financing activities primarily relates to changes in the net repayments on Company’s revolving credit facility in the current period of \$11.5 million compared to \$4.0 million in the same period in the prior year.

Senior notes

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

Commitments, contingencies and liquidity matters

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

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

Critical accounting policies and estimates

In preparing its consolidated financial statements, the Company follows GAAP, which is described in Note 1, Basis of presentation, to the Company's December 31, 2018 Consolidated Financial Statements included on Form 10-K. The application of these principles requires significant judgments or an estimation process that can affect the results of operations, financial position and cash flows of the Company, as well as the related footnote disclosures. The Company continually reviews its accounting policies and financial information disclosures. Except as noted in Note 1, Basis of presentation, of the company's financial statements, there have been no material changes in the Company's critical accounting policies or estimates since December 31, 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The market risk of the Company's financial instruments as of March 31, 2019 has not materially changed since December 31, 2018. The market risk profile of the Company on December 31, 2018 is disclosed in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk" of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures.

a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of March 31, 2019. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and b) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2019 in providing such a reasonable assurance.

b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — Other Information

Item 1. Legal Proceedings.

See Note 10, Commitments and contingencies, in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

There have been no material changes during the three months ended March 31, 2019 to the risk factors previously disclosed in Item 1A. “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Document Description
10.1	Restricted Stock Unit Award Notice pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. *†
10.2	Performance-Based Restricted Stock Unit Award Notice pursuant to the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan. *†
31.1	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase. *
101.LAB	XBRL Taxonomy Extension Label Linkbase. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. *

* Filed herewith

** Furnished herewith

† Compensatory plan or arrangement

[TIME-BASED RSU AGMT]**GREAT LAKES DREDGE & DOCK CORPORATION
2017 LONG-TERM INCENTIVE PLAN****Restricted Stock Unit Award Notice****[Participant Name]**

You have been awarded a restricted stock unit award with respect to shares of common stock of Great Lakes Dredge & Dock Corporation, a Delaware corporation (the "Corporation"), pursuant to the terms and conditions of the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the "Plan") and the Restricted Stock Unit Award Agreement (together with this Award Notice, the "Agreement"). The Restricted Stock Unit Award Agreement is attached hereto and the Plan and the Restricted Stock Unit Award Agreement are available on Fidelity Investment's website at www.netbenefits.fidelity.com. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Restricted Stock Units: You have been awarded a restricted stock unit award with respect to [*Insert number of shares*] shares of Common Stock, subject to adjustment as provided in the Plan.

Grant Date: [*Grant Date*]

Vesting Schedule: Except as otherwise provided in the Plan, the Agreement or any other agreement between the Corporation or any of its Affiliates and Holder, the Award shall vest [*Insert Vesting Conditions*] subject thereto on the Grant Date, in each case, provided the Holder remains continuously employed by the Corporation through such date (each, a "Vesting Date").

GREAT LAKES DREDGE & DOCK
CORPORATION

By: /s/ Lasse J. Petterson
Lasse J. Petterson
Chief Executive Officer

Acknowledgment, Acceptance and Agreement:

By accepting this grant on Fidelity Investment's website, I hereby accept the Restricted Stock Units granted to me and acknowledge and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

____Participant Name____
«Participant_Name»

____Electronic Signature____ Date ____ Acceptance Date ____
«Electronic_Signature»

GREAT LAKES DREDGE & DOCK CORPORATION
2017 LONG-TERM INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

Great Lakes Dredge and Dock Corporation, a Delaware corporation (the “Corporation”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the “Plan”), a restricted stock unit award (the “Award”) with respect to the number of shares of the Corporation’s Common Stock, par value \$0.0001 per share (“Stock”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Corporation (or electronically accepting this Agreement within the Holder’s stock plan account with the Corporation’s stock plan administrator according to the procedures then in effect).

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares. As of each date on which the Corporation pays a cash dividend to record owners of shares of Stock (a “Dividend Date”), then the number of shares subject to the Award shall increase by (i) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Corporation on such Dividend Date, divided by (ii) the Fair Market Value of a share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

3. Restriction Period and Vesting.

3.1. Vesting Conditions. The Award shall vest in accordance with the vesting schedule set forth in the Award Notice, provided the Holder remains continuously employed by the Corporation through the applicable vesting date or as otherwise provided for in an agreement between the Holder and the Company. The period of time prior to the vesting shall be referred to herein as the “Restriction Period.” In the event of the Holder’s termination, the portion of the Award that was not vested immediately prior to such termination, shall be immediately forfeited by the Holder and cancelled by the Company, except as otherwise set forth below.

3.2. Termination of Employment

(a) Death or Disability. Upon the Holder's Disability or death prior to the end of the Restriction Period, to the extent not previously forfeited, the Award shall be fully vested.

(b) Termination due to Retirement. Subject to any employment or consulting agreement with the Holder that provides otherwise, if the Holder's employment terminates due to Retirement, to the extent not previously forfeited, the Award shall continue to vest on the applicable Vesting Date. For avoidance of doubt, the Committee may elect to accelerate vesting of the Award due to a Change in Control or any other reason, in its sole and absolute discretion.

(c) Termination other than due to Retirement, Death or Disability. Subject to any employment or consulting agreement with the Holder that provides otherwise, if the Holder's employment with the Corporation terminates prior to the end of the Restriction Period by reason of (i) the Corporation's termination of the Holder's employment for any reason other than death or Disability or (ii) the Holder's resignation for any reason other than Retirement, then the Award shall be immediately forfeited by the Holder and cancelled by the Corporation.

3.3. Change in Control. Subject to any employment or consulting agreement with the Holder that provides otherwise or the terms of the Plan relating to Replacement Awards, upon a Change in Control during the Restriction Period, the Committee may elect, in its sole discretion, to accelerate the vesting of some or all of the Award, provided, that no provision of this Agreement shall require the Committee to accelerate vesting pursuant to this sentence upon a Change in Control or any other event. In the event that the vesting of the Award is accelerated pursuant to this Section 3.3 or the terms of the Plan relating to Replacement Awards, then the Award shall be settled in cash within 70 days following the Change in Control; provided, however, if the Award is "non-qualified deferred compensation" subject to Section 409A of the Code and the "Change in Control" was not a "change in control event" within the meaning of Section 409A or to the extent such settlement would be prohibited under Section 409A of the Code, then the vested Award shall be settled in accordance with the normal vesting schedule or, if earlier, the Holder's death, Disability or next Vesting Date for a termination due to Retirement.

3.4. Definitions.

(a) "Disability" shall mean the Holder becoming unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(b) "Restrictive Covenant Agreement" shall mean an agreement between the Corporation or an Affiliate, in a form satisfactory to the Corporation or the Affiliate, governing confidentiality, non-solicitation of customers and/or employees, non-competition and/or similar matters, which may be a free-standing agreement or contained in an employment, consulting or other written agreement, and which may be entered into subsequent to the date of this Agreement. In no event will any non-competition or non-solicitation provision contained within the Restrictive Covenant Agreement extend beyond the three-year anniversary of the Holder's termination due to Retirement.

(c) “Retirement” shall have the meaning set forth in any employment or consulting agreement between the Holder and the Corporation or an Affiliate; provided, however, if (1) a uniform definition of Retirement is not used either within a single agreement or across multiple employment or consulting agreements between the Holder and the Corporation or an Affiliate, (2) there is no such agreement, or (3) such agreement does not define Retirement, Retirement shall mean a Holder’s termination of employment, other than for Cause, which meets all of the following criteria.

- (i) The Holder has reached a minimum age of 55 and has a minimum number of 5 continuous full years of service to the Corporation or an Affiliate.
- (ii) The sum of (x) the continuous full years of service by the Holder to the Corporation or an Affiliate and (y) the attained age in full years of the Holder on the date of the Holder’s termination of employment total no less than 75 (the “Rule of 75”). A leave of absence which is agreed to between the Corporation and the Holder in writing for medical reasons or for military service shall not constitute a break in Service for this purpose.
- (iii) The Holder signs a Restrictive Covenant Agreement in anticipation of the Holder’s Retirement, in the form provided to the Holder by the Corporation if the Corporation requests that the Holder do so, within the timeframe given to the Holder to sign by the Corporation.
- (iv) The Holder gives his or her direct supervisor, or in the case of the Chief Executive Officer, the Board, at least four months’ prior written notice of his or her Retirement. The Holder shall cease to be eligible for participation in the long term incentive program following provision of notice pursuant to this sub-section.

4. Issuance or Delivery of Shares. Subject to Section 7.12 and except as otherwise provided for herein, within 70 days after each Vesting Date (or, if earlier, a qualifying termination of employment or Change in Control, to the extent either event constitutes a settlement date for the Award), the Corporation shall issue or deliver, subject to the conditions of this Agreement, the vested shares of Stock to the Holder. Such issuance or delivery shall be evidenced by the appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation. The Corporation shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 7. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Corporation or in such shares of Stock, and will have the status of a general unsecured creditor of the Corporation.

5. Recoupment. This award and any payment or shares of Stock delivered pursuant to this award may be subject to forfeiture, recovery by the Corporation or other action pursuant to any clawback or recoupment policy which the Corporation may adopt from time to time, including without limitation any such policy which the Corporation may be required to adopt under Section 304 of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

6. Transfer Restrictions and Investment Representation.

6.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

6.2. Investment Representation. The Holder hereby covenants that (a) any sale of any share of Stock acquired upon the vesting of the Award shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

7. Additional Terms and Conditions of Award.

7.1. Withholding Taxes.

(a) As a condition precedent to the delivery to the Holder of any shares of Stock upon vesting of the Award, the Holder shall, upon request by the Corporation, pay to the Corporation such amount of cash as the Corporation may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Corporation, the Corporation may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Corporation to the Holder or withhold shares of Stock.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Corporation; (2) delivery to the Corporation (either actual delivery or by attestation procedures established by the Corporation) of previously owned whole shares of Stock having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the "Tax Date"), equal to the Required Tax Payments; (3) authorizing the Corporation to withhold from the shares otherwise to be delivered to the Holder pursuant to the Award, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (4) any combination of (1), (2) and (3). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No shares shall be delivered until the Required Tax Payments have been satisfied in full.

7.2. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Corporation. The Corporation agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

7.3. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Corporation or any Affiliate or affect in any manner the right of the Corporation or any Affiliate to terminate the employment of any person at any time.

7.4. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

7.5. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Corporation and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

7.6. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Corporation, to Great Lakes Dredge & Dock Corporation, Attn: Chief Legal Officer, 2122 York Road, Oak Brook, IL 60523, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Corporation. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Corporation is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Corporation.

7.7. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Holder hereby acknowledges receipt of a copy of the Plan.

7.9. Entire Agreement. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Corporation and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Corporation and the Holder.

7.10. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

7.11. Amendment and Waiver. The Corporation may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect the Holder's rights under this Agreement shall be subject to the written consent of the Holder. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

7.12. Compliance With Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service and (ii) the date of the Holder's death; provided, further, if the Holder is subject to another employment agreement or written arrangement in effect prior to the date hereof that requires a different time or form of payment of the Award, then this Agreement shall be governed by such other prior employment agreement or written arrangement to the extent required to comply with Section 409A of the Code. In the event the Holder satisfies the age and service requirements for Retirement and is subject to an employment agreement or written arrangement that provides for accelerated vesting upon a termination of employment following a Change in Control, the Award shall be settled upon such termination of employment to the extent that the "Change in Control" constitutes a "change in control event" within the meaning of Section 409A and such termination of employment occurs within two years following such Change in Control, otherwise the vested Award shall be settled upon the earlier to occur of the next Vesting Date, death, or Disability.

BIT [PERFORMANCE-BASED RSU AGMT – THREE YEAR FORM]

GREAT LAKES DREDGE & DOCK CORPORATION
2017 LONG-TERM INCENTIVE PLAN

Performance-Based Restricted Stock Unit Award Notice

[Participant Name]

You have been awarded a performance-based restricted stock unit award with respect to shares of common stock of Great Lakes Dredge & Dock Corporation, a Delaware corporation (the "Corporation"), pursuant to the terms and conditions of the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the "Plan") and the Performance-Based Restricted Stock Unit Award Agreement (together with this Award Notice, the "Agreement"). The Performance-Based Restricted Stock Unit Award Agreement is attached hereto and the Plan and the Performance-Based Restricted Stock Unit Award Agreement are available on Fidelity Investment's website at www.netbenefits.fidelity.com. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Restricted Stock Units:

You have been awarded a performance-based restricted stock unit award with respect to [*Insert number of shares*] shares of Common Stock, at target, subject to adjustment as provided in the Plan.

Grant Date:

[*Grant Date*]

Vesting Schedule:

Except as otherwise provided in the Plan, the Agreement or any other agreement between the Corporation or any of its Affiliates and Holder, the Award shall vest based on the achievement of the performance goals set forth in this Award Notice [*Insert Vesting Conditions*] (each, a "Vesting Date"). Any shares of Common Stock allocated to [*Performance Period*] that do not vest during such [*Performance Period*] shall be forfeited.

Performance Conditions:

[*Insert Performance Conditions*]

GREAT LAKES DREDGE & DOCK CORPORATION

By: /s/ Lasse J. Petterson
Lasse J. Petterson
Chief Executive Officer

Acknowledgment, Acceptance and Agreement:

By accepting this grant on Fidelity Investment's website, I hereby accept the Performance-Based Restricted Stock Units granted to me and acknowledge and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

____Participant Name____
«Participant_Name»

____Electronic Signature____ Date ____ Acceptance Date ____
«Electronic_Signature»

GREAT LAKES DREDGE & DOCK CORPORATION
2017 LONG-TERM INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

Great Lakes Dredge and Dock Corporation, a Delaware corporation (the “Corporation”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Great Lakes Dredge & Dock Corporation 2017 Long-Term Incentive Plan (the “Plan”), a performance-based restricted stock unit award (the “Award”) with respect to the number of shares of the Corporation’s Common Stock, par value \$0.0001 per share (“Stock”), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Corporation (or electronically accepting this Agreement within the Holder’s stock plan account with the Corporation’s stock plan administrator according to the procedures then in effect).

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares. As of each date on which the Corporation pays a cash dividend to record owners of shares of Stock (a “Dividend Date”), then the number of shares subject to the Award shall increase by (i) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Corporation on such Dividend Date, divided by (ii) the Fair Market Value of a share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and payment terms set forth herein as the shares to which they relate.

3. Restriction Period and Vesting.

3.1. Performance-Based Vesting Conditions. Subject to the remainder of this Section 3, the Stock shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth in the Award Notice over the applicable performance period set forth in the Award Notice (each annual Performance Period is referred to as the “Annual Performance Period” and, collectively, the Annual Performance Periods are referred to as the “Performance Period”), provided that that the Holder remains in continuous employment with the Corporation through the applicable Vesting Date. Attainment of the performance goals shall be determined and certified by the Committee in writing prior to the settlement of the Award.

3.2. Termination of Employment

(a) Death or Disability. Upon the Holder's death or Disability prior to the forfeiture of the Award for any reason prior to the Vesting Date, each Annual Performance Period shall continue through the last day of the Annual Performance Period and the Holder shall be entitled to receive the number of shares earned at the end of each Annual Performance Period based on the actual performance during such Annual Performance Period and the vested portion of the Award for such Annual Performance Period shall be settled within 70 days following the conclusion of such Annual Performance Period (or, for Annual Performance Periods that concluded prior to the Holder's death or Disability, within 70 days following the Holder's death or Disability).

(b) Termination due to Retirement. Subject to any employment or consulting agreement with the Holder that provides otherwise, if the Holder's employment with the Corporation terminates by reason of the Holder's Retirement, the Holder shall be entitled to receive the portion of the Award payable (i) with respect to any Annual Performance Period that concluded prior to such Retirement and (ii) with respect to the Annual Performance Period in which the Retirement occurs. For the Annual Performance Period in which the Retirement occurs, such Annual Performance Period shall continue through the last day thereof and the Holder shall be entitled to a prorated Award with respect to such Annual Performance Period. Such prorated Award shall be equal to the number of shares earned at the end of the Annual Performance Period based on the actual performance during such Annual Performance Period multiplied by a fraction, the numerator of which shall equal the number of days during the Annual Performance Period prior to the Holder's Retirement and the denominator of which shall equal the total number of days in such Annual Performance Period. The vested portion of the Award shall be settled within 70 days following the applicable Vesting Date. In the event of a Retirement, the Holder shall forfeit the portion of the Award relating to Annual Performance Periods commencing on or after the Holder's Retirement.

(c) Termination other than due to Retirement, Death or Disability. Subject to any employment or consulting agreement with the Holder that provides otherwise, if the Holder's employment with the Corporation terminates prior to the end of the Performance Period by reason of (i) the Corporation's termination of the Holder's employment for any reason prior to the Holder's death or Disability or (ii) the Holder's resignation for any reason other than Retirement, then the Award shall be immediately forfeited by the Holder and cancelled by the Corporation.

3.3. Change in Control. Upon a Change in Control prior to the Vesting Date, (i) if the Award is not replaced with a Replacement Award (as determined by the Board or Committee), the Award shall vest as of the date of the Change in Control, based on (A) the target performance level for any Annual Performance Period in which the Change in Control occurs or which is scheduled to commence following the Change in Control and (B) actual performance for any Annual Performance Period that concluded prior to the Change in Control or (ii) the Committee may elect, in its sole discretion, to accelerate the vesting of some or all of the Award, provided, that this clause (ii) shall not require the Committee to accelerate vesting upon a Change in Control or any other event. The Award shall be settled in cash within 70 days following the Change in Control; provided, however, if the Award is "non-qualified

deferred compensation” subject to Section 409A of the Code and the “Change in Control” was not a “change in control event” within the meaning of Section 409A or to the extent such settlement would be prohibited under Section 409A of the Code, then the vested Award shall be settled in accordance with Section 4 (or, if earlier, the Holder’s death or Disability pursuant to Section 3.2(a)).

3.4. Definitions.

(a) “Disability” shall mean the Holder becoming unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(b) “Restrictive Covenant Agreement” shall mean an agreement between the Corporation or an Affiliate, in a form satisfactory to the Corporation or the Affiliate, governing confidentiality, non-solicitation of customers and/or employees, non-competition and/or similar matters, which may be a free-standing agreement or contained in an employment, consulting or other written agreement, and which may be entered into subsequent to the date of this Agreement. In no event will any non-competition or non-solicitation provision contained within the Restrictive Covenant Agreement extend beyond the three-year anniversary of the Holder’s termination due to Retirement.

(c) “Retirement” shall have the meaning set forth in any employment or consulting agreement between the Holder and the Corporation or an Affiliate; provided, however, if (1) a uniform definition of Retirement is not used either within a single agreement or across multiple employment or consulting agreements between the Holder and the Corporation or an Affiliate, (2) there is no such agreement, or (3) such agreement does not define Retirement, Retirement shall mean a Holder’s termination of employment, other than for Cause, which meets all of the following criteria.

- (i) The Holder has reached a minimum age of 55 and has a minimum number of 5 continuous full years of service to the Corporation or an Affiliate.
- (ii) The sum of (x) the continuous full years of service by the Holder to the Corporation or an Affiliate and (y) the attained age in full years of the Holder on the date of the Holder’s termination of employment total no less than 75 (the “Rule of 75”). A leave of absence which is agreed to between the Corporation and the Holder in writing for medical reasons or for military service shall not constitute a break in Service for this purpose.
- (iii) The Holder signs a Restrictive Covenant Agreement in anticipation of the Holder’s Retirement, in the form provided to the Holder by the Corporation if the Corporation requests that the Holder do so, within the timeframe given to the Holder to sign by the Corporation.

- (iv) The Holder gives his or her direct supervisor, or in the case of the Chief Executive Officer, the Board, at least four months' prior written notice of his or her Retirement. The Holder shall cease to be eligible for participation in the long term incentive program following provision of notice pursuant to this sub-section.

4. Issuance or Delivery of Shares. Subject to Section 7.12 and except as otherwise provided for herein, within 70 days after the Vesting Date, the Corporation shall issue or deliver, subject to the conditions of this Agreement, the vested shares of Stock to the Holder. Such issuance or delivery shall be evidenced by the appropriate entry on the books of the Corporation or of a duly authorized transfer agent of the Corporation. The Corporation shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 7. Prior to the issuance to the Holder of the shares of Stock subject to the Award, the Holder shall have no direct or secured claim in any specific assets of the Corporation or in such shares of Stock, and will have the status of a general unsecured creditor of the Corporation.

5. Recoupment. The Holder acknowledges that the Holder is familiar with terms of the Corporation's *Statement of Policy Regarding Incentive Compensation Recoupment* (attached hereto as Exhibit A) (the "Policy"). The Holder further acknowledges that this Award is subject to the terms of the Policy, if and to the extent that the Policy, by its terms, applies to the Award and the Holder. The terms of the Policy (as it may be amended from time to time) are incorporated by reference herein and made a part of this Agreement.

6. Transfer Restrictions and Investment Representation.

6.1. Nontransferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

6.2. Investment Representation. The Holder hereby covenants that (a) any sale of any share of Stock acquired upon the vesting of the Award shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

7. Additional Terms and Conditions of Award.

7.1. Withholding Taxes.

(a) As a condition precedent to the delivery to the Holder of any shares of Stock upon vesting of the Award, the Holder shall, upon request by the Corporation, pay to the Corporation such amount of cash as the Corporation may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the “Required Tax Payments”) with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Corporation, the Corporation may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Corporation to the Holder or withhold shares of Stock.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (1) a cash payment to the Corporation; (2) delivery to the Corporation (either actual delivery or by attestation procedures established by the Corporation) of previously owned whole shares of Stock having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award (the “Tax Date”), equal to the Required Tax Payments; (3) authorizing the Corporation to withhold from the shares otherwise to be delivered to the Holder pursuant to the Award, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (4) any combination of (1), (2) and (3). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No shares shall be delivered until the Required Tax Payments have been satisfied in full.

7.2. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Corporation. The Corporation agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

7.3. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Corporation or any Affiliate or affect in any manner the right of the Corporation or any Affiliate to terminate the employment of any person at any time.

7.4. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

7.5. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Corporation and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

7.6. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Corporation, to Great Lakes Dredge & Dock Corporation, Attn: Chief Legal Officer, 2122 York Road, Oak Brook, IL 60523, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Corporation. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Corporation is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Corporation.

7.7. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

7.8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Holder hereby acknowledges receipt of a copy of the Plan.

7.9. Entire Agreement. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Corporation and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Corporation and the Holder.

7.10. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

7.11. Amendment and Waiver. The Corporation may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect the Holder's rights under this Agreement shall be subject to the written consent of the Holder. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

7.12. Compliance With Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service and (ii) the date of the Holder's death; provided, further, if the Holder is subject to another employment agreement or written arrangement in effect prior to the date hereof that requires a different time or form of payment of the Award, then this Agreement shall be governed by such other prior employment agreement or written arrangement to the extent required to comply with Section 409A of the Code.

**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: May 3, 2019

/s/ LASSE J. PETTERSON

Lasse J. Petterson
Chief Executive Officer

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

CERTIFICATION

I, Mark W. Marinko, certify that:

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

Date: May 3, 2019

/s/ MARK W. MARINKO

Mark W. Marinko

Senior Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lasse J. Petterson, Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ LASSE J. PETTERSON

Lasse J. Petterson
Chief Executive Officer

Date: May 3, 2019

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

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

In connection with the Quarterly Report of Great Lakes Dredge & Dock Corporation (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark W. Marinko, Senior Vice President and Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ MARK W. MARINKO

Mark W. Marinko

Senior Vice President and Chief Financial Officer

Date: May 3, 2019

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