Great Lakes Dredge & Dock CORP
Form 10-Q/A
December 23, 2010


# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q/A

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

**For the quarterly period ended June 30, 2010**

**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** | **20-5336063** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **2122 York Road, Oak Brook, IL** | **60523** |
| **(Address of principal executive offices)** | **(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ¨ | Accelerated Filer | x |
| Non-Accelerated Filer | ¨ (Do not check if a smaller reporting company) | Smaller reporting company | ¨ |

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

As of August 2, 2010, 58,686,637 shares of the Registrant s Common Stock, par value $.0001 per share, were outstanding.

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**GREAT LAKES DREDGE & DOCK CORPORATION**

**Form 10-Q/A for the Quarterly Period Ended June 30, 2010**

**EXPLANATORY NOTE**

Great Lakes Dredge & Dock Corporation ( Great Lakes ) is filing this Form 10-Q/A to

(1) amend the presentation of Note 10 (Supplemental Condensed Consolidating Financial Information) for its Condensed Consolidated Financial Statements as of June 30, 2010 and December 31, 2009 and for the three and six months ended June 30, 2010 and June 30, 2009 to (a) create new columns that will contain financial information for each of the GLDD subsidiaries, Non-100% Owned NASDI, LLC ( NASDI ) and Non-100% Owned Yankee Environmental Services, LLC ( Yankee ), respectively, and (b) remove financial information for each of NASDI and Yankee from the column previously titled Guarantor Subsidiaries , and

(2) include (a) the Unaudited Condensed Financial Statements of each of NASDI and Yankee as of June 30, 2010 and December 31, 2009 and for the three and six months ended June 30, 2010 and June 30, 2009 and the related footnotes thereto; and (b) the related Management s Discussion and Analysis of Financial Condition and Results of Operations for each of NASDI and Yankee;

all in accordance with Rule 3-10 of Regulation S-X under the Securities Exchange Act of 1934, as amended.

Additionally, in connection with the filing of this Form 10-Q/A and pursuant to Securities and Exchange Commission ( SEC ) rules, Great Lakes is including currently dated certifications.

Except as described in this Explanatory Note, no other portions of the original Form 10-Q are being supplemented or amended by this Form 10-Q/A. In addition, this Form 10-Q/A has not been updated for events or information subsequent to the date of filing of the original Form 10-Q, except in connection with the foregoing. Accordingly, this Form 10-Q/A should be read in conjunction with our other filings with the SEC subsequent to the filing of the original Form 10-Q.

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**Great Lakes Dredge & Dock Corporation and Subsidiaries**

**Quarterly Report Pursuant to Section 13 or 15(d) of the**

**Securities Exchange Act of 1934**

**For the Quarterly Period ended June 30, 2010**

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(in thousands, except share and per share amounts)**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 52,802 | $ 3,250 |
| Accounts receivable net | 134,967 | 153,901 |
| Contract revenues in excess of billings | 13,137 | 28,004 |
| Inventories | 29,494 | 29,192 |
| Prepaid expenses | 2,854 | 2,644 |
| Other current assets | 13,302 | 15,445 |
| Total current assets | 246,556 | 232,436 |
| PROPERTY AND EQUIPMENT Net | 284,526 | 291,157 |
| GOODWILL | 98,049 | 98,049 |
| OTHER INTANGIBLE ASSETS Net | 819 | 1,037 |
| INVENTORIES Noncurrent | 25,537 | 27,662 |
| INVESTMENTS IN JOINT VENTURES | 7,090 | 7,943 |
| OTHER | 6,778 | 7,142 |
| TOTAL | $ 669,355 | $ 665,426 |
| **LIABILITIES AND EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 78,532 | $ 83,783 |
| Accrued expenses | 34,965 | 31,265 |
| Billings in excess of contract revenues | 27,090 | 24,901 |
| Current portion of equipment debt | 669 | 1,200 |
| Total current liabilities | 141,256 | 141,149 |
| REVOLVING CREDIT FACILITY | | 11,000 |
| 7 $^{3}/4$% SENIOR SUBORDINATED NOTES | 175,000 | 175,000 |
| DEFERRED INCOME TAXES | 79,419 | 81,642 |
| OTHER | 10,868 | 12,086 |
| Total liabilities | 406,543 | 420,877 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY: | | |
| Common stock $.0001 par value; 90,000,000 authorized, 58,671,956 and 58,542,038 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively. | 6 | 6 |
| Additional paid-in capital | 264,854 | 263,579 |
| Accumulated deficit | (206) | (18,336) |

| | | |
|---|---|---|
| Accumulated other comprehensive income (loss) | (36) | 539 |
| Total Great Lakes Dredge & Dock Corporation Equity | 264,618 | 245,788 |
| NONCONTROLLING INTERESTS | (1,806) | (1,239) |
| Total equity | 262,812 | 244,549 |
| TOTAL | $ 669,355 | $ 665,426 |

See notes to unaudited condensed consolidated financial statements.

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**Great Lakes Dredge & Dock Corporation and Subsidiaries**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

**(in thousands, except per share data)**

| | Three Months Ended June 30, 2010 | Three Months Ended June 30, 2009 | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|---|---|
| Contract revenues | $ 180,135 | $ 142,455 | $ 341,535 | $ 321,658 |
| Costs of contract revenues | 145,546 | 113,897 | 276,462 | 266,063 |
| Gross profit | 34,589 | 28,558 | 65,073 | 55,595 |
| General and administrative expenses | 14,266 | 11,591 | 25,226 | 21,990 |
| Amortization of intangible assets | 108 | 193 | 218 | 386 |
| Operating income | 20,215 | 16,774 | 39,629 | 33,219 |
| Interest expense, net | (2,995) | (4,730) | (6,215) | (8,998) |
| Equity in loss of joint ventures | (131) | (9) | (853) | (565) |
| Income before income taxes | 17,089 | 12,035 | 32,561 | 23,656 |
| Income tax provision | (6,755) | (4,631) | (12,994) | (9,802) |
| Net income | 10,334 | 7,404 | 19,567 | 13,854 |
| Net loss attributable to noncontrolling interests | 474 | 27 | 567 | 891 |
| Net income attributable to Great Lakes Dredge & Dock Corporation | $ 10,808 | $ 7,431 | $ 20,134 | $ 14,745 |
| Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation | $ 0.18 | $ 0.13 | $ 0.34 | $ 0.25 |
| Basic weighted average shares | 58,602 | 58,499 | 58,575 | 58,494 |
| Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation | $ 0.18 | $ 0.13 | $ 0.34 | $ 0.25 |
| Diluted weighted average shares | 58,781 | 58,554 | 58,748 | 58,521 |
| Dividends declared per share | $ 0.02 | $ 0.02 | $ 0.03 | $ 0.03 |

See notes to unaudited condensed consolidated financial statements.

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**Great Lakes Dredge & Dock Corporation and Subsidiaries**

**Condensed Consolidated Statements of Equity**

**(Unaudited)**

**(in thousands, except per share amounts)**

| | Shares of Common Stock | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total |
|---|---|---|---|---|---|---|---|
| BALANCE January 1, 2010 | 58,542,038 | $ 6 | $ 263,579 | $ (18,336) | $ 539 | $ (1,239) | $ 244,549 |
| Share-based compensation | 33,480 | | 861 | | | | 861 |
| Vesting of RSU s | 13,202 | | | | | | |
| Exercise of stock options | 83,236 | | 414 | | | | 414 |
| Dividends declared and paid | | | | (2,004) | | | (2,004) |
| Comprehensive income (loss): | | | | | | | |
| Net income (loss) | | | | 20,134 | | (567) | 19,567 |
| Reclassification of derivative gain to earnings (net of tax of $143) | | | | | (216) | | (216) |
| Change in fair value of derivatives (net of tax benefit of $239) | | | | | (359) | | (359) |
| Total comprehensive income (loss) | | | | | | (567) | 18,992 |
| BALANCE June 30, 2010 | 58,671,956 | $ 6 | $ 264,854 | $ (206) | $ (36) | $ (1,806) | $ 262,812 |

| | Shares of Common Stock | Common Stock | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interests | Total |
|---|---|---|---|---|---|---|---|
| BALANCE January 1, 2009 | 58,484,242 | $ 6 | $ 262,501 | $ (31,812) | $ (3,415) | $ 833 | $ 228,113 |
| Acquisition of Yankee Environmental Services | | | | | | 662 | 662 |
| Share-based compensation | 20,300 | | 375 | | | | 375 |
| Dividends declared and paid | | | | (1,989) | | | (1,989) |
| Comprehensive income (loss): | | | | | | | |
| Net income (loss) | | | | 14,745 | | (891) | 13,854 |
| Reclassification of derivative loss to earnings (net of tax of $2,016) | | | | | 3,036 | | 3,036 |
| Change in fair value of derivatives (net of tax of $290) | | | | | 437 | | 437 |
| Total comprehensive income (loss) | | | | | | (891) | 17,327 |
| BALANCE June 30, 2009 | 58,504,542 | $ 6 | $ 262,876 | $ (19,056) | $ 58 | $ 604 | $ 244,488 |

See notes to unaudited condensed consolidated financial statements.

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**Great Lakes Dredge & Dock Corporation and Subsidiaries**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(in thousands, except per share amounts)**

| | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Net income | $ 19,567 | $ 13,854 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Depreciation and amortization | 17,993 | 17,482 |
| Equity in loss of joint ventures | 853 | 565 |
| Distribution from equity joint ventures | | 621 |
| Deferred income taxes | (2,958) | 256 |
| Gain on dispositions of property and equipment | (255) | (369) |
| Amortization of deferred financing fees | 803 | 874 |
| Share-based compensation expense | 861 | 375 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 18,934 | (10,903) |
| Contract revenues in excess of billings | 14,867 | (8,798) |
| Inventories | 1,823 | 4,028 |
| Prepaid expenses and other current assets | 2,093 | 3,195 |
| Accounts payable and accrued expenses | 577 | (12,320) |
| Billings in excess of contract revenues | 2,189 | 2,564 |
| Other noncurrent assets and liabilities | (1,702) | 907 |
| Net cash flows provided by operating activities | 75,645 | 12,331 |
| **INVESTING ACTIVITIES:** | | |
| Purchases of property and equipment | (12,973) | (10,060) |
| Dispositions of property and equipment | 210 | 982 |
| Acquisition of controlling interest in Yankee Environmental Services | | (1,229) |
| Net cash flows used in investing activities | (12,763) | (10,307) |
| **FINANCING ACTIVITIES:** | | |
| Repayments of long-term debt | (694) | (829) |
| Borrowings under revolving loans | 14,968 | 104,831 |
| Repayments of revolving loans | (25,968) | (104,831) |
| Exercise of stock options | 414 | |
| Dividends paid | (2,004) | (1,989) |
| Repayment of capital lease debt | (46) | (60) |
| Net cash flows used in by financing activities | (13,330) | (2,878) |
| Net change in cash and cash equivalents | 49,552 | (854) |
| Cash and cash equivalents at beginning of period | 3,250 | 10,478 |
| Cash and cash equivalents at end of period | $ 52,802 | $ 9,624 |

**Supplemental Cash Flow Information**

| | | |
|---|---|---|
| Cash paid for interest | $ 6,747 | $ 9,036 |
| Cash paid for income taxes | $ 8,431 | $ 4,183 |
| **Non-cash Investing Activity** | | |
| Property and equipment purchased but not yet paid | $ 1,444 | $ 2,374 |
| Property and equipment purchased on equipment notes | $ 32 | $ 100 |

See notes to unaudited condensed consolidated financial statements.

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**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 filed on Form 10-K for the year ended December 31, 2009. 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 such 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, that are necessary to present fairly the Company s financial position as of June 30, 2010 and its results of operations for the three and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009, have been included.

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

The Company s cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. These costs have averaged approximately 22% to 25% of total costs of contract revenues over the last three years. During the year, both equipment utilization and the timing of fixed cost expenditures fluctuate significantly. Accordingly, the Company allocates these fixed equipment costs to interim periods in proportion to revenues recognized over the year, to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on its dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over and under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year.

The Company performed its most recent annual test of impairment as of July 1, 2009 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. As of the measurement date, the fair value of the demolition segment was $1.8 million above the carrying value. A more than insignificant decline in the demolition segment s future operating results or cash flow forecasts versus the segment s current forecasts could potentially trigger a goodwill impairment charge in a future period. No test was performed in the first six months of 2010 as no triggering events which would require a test were deemed to have occurred, based on the segment s current quarterly results and forecasts. The Company will perform its next annual test of impairment during the third quarter of 2010.

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

The Company has corrected the presentation of borrowings and payments on its revolving credit facility for the six months ended June 30, 2009. Such amounts had previously been presented on a net basis, rather than on a gross basis in accordance with Accounting Standards Codification Topic ( ASC ) 230. The correction had no effect on net cash flows used in financing activities.

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

**2. Earnings per share**

Basic earnings per share is computed by dividing net income attributable to Great Lakes Dredge & Dock Corporation by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. For the three and six months ended June 30, 2010, options to purchase 644,123 shares of common stock ( NQSOs ) and restricted stock units ( RSUs ) that are convertible into 122,716 shares of common stock were excluded from the computation of earnings per share ( EPS ), and for the three and six months ended June 30, 2009, 727,843 NQSOs and 145,736 RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSQs and RSUs were determined to be anti-dilutive. The computations for basic and diluted earnings per share from continuing operations are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Numerator: | | | | |
| Net income attributable to Great Lakes Dredge & Dock Corporation numerator for basic & diluted earnings per share | $ 10,808 | $ 7,431 | $ 20,134 | $ 14,745 |
| Denominator: | | | | |
| Denominator for basic earnings per share weighted average shares outstanding | 58,602 | 58,499 | 58,575 | 58,494 |
| Dilutive impact of outstanding restricted stock units issued | 135 | 55 | 134 | 27 |
| Dilutive impact of outstanding stock options issued | 44 | | 39 | |
| Denominator for diluted earnings per share adjusted weighted average shares | 58,781 | 58,554 | 58,748 | 58,521 |
| Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation | $ 0.18 | $ 0.13 | $ 0.34 | $ 0.25 |
| Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation | $ 0.18 | $ 0.13 | $ 0.34 | $ 0.25 |

**3. Fair value measurements**

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

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

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

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

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

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 June 30, 2010, the Company held certain derivative contracts that it uses to manage commodity price risk and interest rate risk. Such instruments are not used for trading purposes. The fair value of these derivative contracts is summarized as follows:

| | | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|---|
| **Description** | **At June 30, 2010** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| Fuel hedge contracts | $ (60) | $ | $ (60) | $ |
| Interest rate swap contracts-other current assets | 719 | | | 719 |
| Interest rate swap contracts-other assets | 474 | | | 474 |
| Total assets measured at fair value | $ 1,133 | $ | $ (60) | $ 1,193 |

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

***Interest Rate Swaps***

In May 2009, the Company entered into two interest rate swap arrangements, which are effective through December 15, 2012, to swap a notional amount of $50 million from a fixed rate of 7.75% to a floating LIBOR-based rate in order to manage the interest rate paid with respect to the Company s 7.75% senior subordinated notes. The current portion of the fair value asset of the swaps at June 30, 2010 is $719 and is recorded in current assets. The long term portion of the fair value asset of the swaps at June 30, 2010 was $474 and is recorded in other assets. The swap is not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

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

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2010 | | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2009 | |
|---|---|---|---|---|
| Balance at January 1, | $ | 20 | $ | |
| Total unrealized gains or (losses): | | | | |
| included in earnings | | 773 | | (602) |
| Included in other comprehensive income | | | | |
| Purchases | | | | |
| Settlements | | 440 | | 34 |
| Balance at June 30, | $ | 1,193 | $ | (568) |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2010 | | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2009 | |
|---|---|---|---|---|
| Balance at April 1, | $ | 774 | $ | |
| Transfers to Level 3 | | | | |
| Total unrealized gains or (losses): | | | | |
| included in earnings | | (21) | | (602) |
| Included in other comprehensive income | | | | |
| Purchases | | | | |
| Settlements | | 440 | | 34 |
| Balance at June 30, | $ | 1,193 | $ | (568) |

***Fuel Hedge Contracts***

At June 30, 2010 and December 31, 2009, the fair value asset (liability) on the fuel hedge contracts was estimated to be ($60) and $897, respectively, and is recorded in accrued liabilities and other current assets, respectively. The change in fair value of derivatives, net of cash settlements and taxes, for the six months ended June 30, 2010 was ($359). The remaining losses included in accumulated other comprehensive income (loss) at June 30, 2010 will be reclassified into earnings over the next eleven months, corresponding to the period during which the hedged fuel is expected to be utilized. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

The fair value of interest rate and fuel hedge contracts outstanding as of June 30, 2010 and December 31, 2009 is as follows:

| | Fair Value of Derivatives At June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Balance Sheet Location | Fair Value Asset | | Balance Sheet Location | Fair Value Liability | |
| Interest rate swaps | Current Assets | $ | 719 | Other Liabilities | $ | |
| Interest rate swaps | Other Assets | | 474 | Other Liabilities | | |
| Fuel hedge contracts | Current Assets | | 22 | Accrued expenses | | (82) |
| Total Derivatives | | $ | 1,215 | | $ | (82) |

**Fair Value of Derivatives**
**At December 31, 2009**

| | Balance Sheet Location | Fair Value Asset | Balance Sheet Location | Fair Value Liability |
|---|---|---|---|---|
| Interest rate swaps | Current Assets | $ 1,529 | Other Liabilities | $ (1,549) |
| Fuel hedge contracts | Current Assets | 897 | Accrued expenses | |
| Total Derivatives | | $ 2,426 | | $ (1,549) |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

***Other financial instruments***

The carrying value of financial instruments included in current assets and current liabilities approximates fair values due to the short-term maturities of these instruments. At June 30, 2010, the Company had long-term subordinated notes outstanding with a recorded book value of $175,000. The fair value of these notes was $176,750 at June 30, 2010 and $173,250 at December 31, 2009, based on indicative market prices.

**4. Share-based compensation**

The Company s 2007 Long-Term Incentive Plan (the Incentive Plan ) permits the grant of stock options, stock appreciation rights, restricted stock and restricted stock units to the Company s employees and directors for up to 5.8 million shares of common stock. The Company has granted NQSOs and RSUs to certain employees pursuant to the Incentive Plan. Compensation cost charged to income related to these stock-based compensation arrangements was $482 and $861 for the three and six months ended June 30, 2010, respectively, and $250 and $375 for the three and six months ended June 30, 2009, respectively. During the six months ended June 30, 2010, the Company granted 347,485 NQSOs and 122,716 RSUs. An insignificant number of NQSOs and RSUs have been forfeited during the six months ended June 30, 2010. As of June 30, 2010, there was $2.4 million of total unrecognized compensation cost related to non-vested NQS0s and RSUs granted under the Incentive Plan. This cost is expected to be recognized over a weighted-average period of 1.2 years. In addition, for the six months ended June 30, 2010 and 2009, 33,480 and 20,300 shares, respectively, of the Company s common stock were issued to non-employee directors under the Incentive Plan.

**5. Accounts receivable**

Accounts receivable at the periods presented are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Completed contracts | $ 29,361 | $ 19,468 |
| Contracts in progress | 83,463 | 105,717 |
| Retainage | 23,770 | 29,966 |
| | 136,594 | 155,151 |
| Allowance for doubtful accounts | (1,627) | (1,250) |
| Total accounts receivable | $ 134,967 | $ 153,901 |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

**6. Contracts in progress**

The components of contracts in progress at the periods presented are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Costs and earnings in excess of billings: | | |
| Costs and earnings for contracts in progress | $ 194,659 | $ 264,073 |
| Amounts billed | (182,095) | (236,780) |
| Costs and earnings in excess of billings for contracts in progress | 12,564 | 27,293 |
| Costs and earnings in excess of billings for completed contracts | 573 | 711 |
| Total contract revenues in excess of billings | $ 13,137 | $ 28,004 |
| Billings in excess of costs and earnings: | | |
| Amounts billed | $ (519,437) | $ (434,893) |
| Costs and earnings for contracts in progress | 492,347 | 409,992 |
| Total billings in excess of contract revenues | $ (27,090) | $ (24,901) |

**7. Accrued expenses**

Accrued expenses at the periods presented are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Income and other taxes | $ 10,728 | $ 4,094 |
| Insurance | 9,338 | 8,521 |
| Payroll and employee benefits | 7,321 | 11,233 |
| Fixed equipment costs accrued | 3,430 | |
| Percentage of completion adjustment | 2,357 | 5,901 |
| Interest | 604 | 726 |
| Fuel hedge liability | 82 | |
| Other | 1,105 | 790 |
| Total accrued expenses | $ 34,965 | $ 31,265 |

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

**8. Segment information**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| **Dredging** | | | | |
| Contract revenues | $ 165,599 | $ 128,511 | $ 314,640 | $ 294,823 |
| Operating income | 21,462 | 16,813 | 41,031 | 35,771 |
| **Demolition** | | | | |
| Contract revenues | $ 14,536 | $ 13,944 | $ 26,895 | $ 26,835 |
| Operating loss | (1,247) | (39) | (1,402) | (2,552) |
| **Total** | | | | |
| Contract revenues | $ 180,135 | $ 142,455 | $ 341,535 | $ 321,658 |
| Operating income | 20,215 | 16,774 | 39,629 | 33,219 |

In addition, foreign dredging revenue of $13,641 and $39,213 for the three and six months ended June 30, 2010, respectively, and $45,521 and $89,776 for the three and six months ended June 30, 2009 respectively, was primarily attributable to work performed in Bahrain.

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

**9. Commitments and contingencies**

***Commercial commitments***

The Company s $145,000 bank credit facility matures in June 2012. This credit facility provides for revolving loans, letters of credit and swingline loans. As of June 30, 2010, the Company had no outstanding borrowings and $16,566 of letters of credit outstanding, and $128,434 of remaining availability under the Credit Agreement. In late 2008, Lehman Brothers ( Lehman ), a 6.5% participant in the credit facility, filed for bankruptcy and stopped funding its share of the Company s revolving credit borrowings. In May 2010, the Company s Credit Agreement was amended to remove Lehman as a lender under the Credit Agreement and to reduce the lenders revolving credit commitment under the Credit Agreement from $155,000 to $145,000.

The Company obtains performance, bid and payment bonds through a bonding agreement with a surety company. The bonds issued under the bonding agreement are customarily required for dredging and marine construction projects, as well as demolition projects. As of June 30, 2010, Great Lakes had outstanding bonds valued at $359,304; however, the revenue value remaining in backlog related to these projects totaled approximately $166,087.

The Company has a $24,000 international letter of credit facility that it uses for the performance and advance payment guarantees on the Company s foreign contracts. As of June 30, 2010, Great Lakes had $15,707 of letters of credit outstanding under this facility.

The Company has $175,000 of 7.75% senior subordinated notes outstanding, which mature in December 2013.

The Company s obligations under its bank credit facility and bonding agreement are secured by liens on a substantial portion of Great Lakes assets. As of December 31, 2009, the net book value of the Company s operating equipment securing the Company s obligations under its bank credit facility and bonding agreement was approximately $88,620 and $74,847, respectively. Great Lakes obligations under its international letter of credit facility are secured by the Company s foreign accounts receivable. Great Lakes obligations under its senior subordinated notes are unsecured.

The Company s bank credit facility, bonding agreement and senior subordinated notes contain various restrictive covenants, including a limitation on dividends, limitations on redemption and repurchases of capital stock, limitations on the incurrence of indebtedness and requirements to maintain certain financial covenants.

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

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.

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.

***Legal proceedings and other contingencies***

Various legal actions, claims, assessments and other contingencies arising in the ordinary course of business are pending against the Company and certain of its subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided, resolved, or settled adversely. Although the Company is subject to various claims and legal actions that arise in the ordinary course of business, except as described below, the Company is not currently a party to any material legal proceedings or environmental claims.

The Company or its former subsidiary, NATCO Limited Partnership, is named as a defendant in approximately 251 lawsuits, the majority of which were filed between 1989 and 2000. In these lawsuits, the plaintiffs allege personal injury, primarily pleural abnormality or asbestosis, from exposure to asbestos on our vessels. The vast majority of these lawsuits have been filed in the Northern District of Ohio and a few in the Eastern District of Michigan. All of the cases filed against the Company prior to 1996 were administratively dismissed in May 1996 and any cases filed since that time have similarly been administratively transferred to the inactive docket. Plaintiffs in these cases could seek to reinstate the cases at a future date without being barred by the statute of limitations. By order dated October 29, 2009, however, the presiding judge reactivated 512 lawsuits in an effort to clean out the administrative docket and has stated that he intends to reactivate approximately 250 cases each month. Six of the cases reactivated to date name the Company as a defendant. Of these six cases, one of the plaintiffs has elected not to pursue his claims. Discovery on the remaining five cases was stayed by the presiding judge. In addition, by order entered March 2, 2010, the judge dismissed 7,405 lawsuits pending in the administrative docket, including twelve which named the Company as a defendant. Management does not believe that these cases will have a material adverse impact on the condensed consolidated financial statements.

On April 24, 2006, a class action complaint was filed in the U.S. District Court for the Eastern District of Louisiana on behalf of Louisiana citizens who allegedly suffered property damage from the floodwaters that flooded New Orleans and surrounding areas when Hurricane Katrina hit the area on August 29, 2005 (the Reed Complaint ). The Reed Complaint names as defendants the U.S. government, Great Lakes Dredge & Dock Company and numerous other dredging companies that completed dredging projects on behalf of the Army Corps of Engineers in the Mississippi River Gulf Outlet ( MRGO ) between 1993 and 2005. The Reed Complaint alleges that the dredging of MRGO caused the destruction of Louisiana wetlands, which had provided a natural barrier against some storms and hurricanes. The Reed Complaint alleges that this loss of natural barriers contributed to the failure of levees as Katrina floodwaters damaged plaintiffs property. The Reed Complaint asserts claims of negligence, warranty, concealment and violations of the Water Pollution Control Act. Other plaintiffs have filed similar class action complaints and one mass tort case (together with the Reed Complaint, the Katrina Claims ). All of these cases raise the same claims as the Reed Complaint. The amount of claimed damages in these claims is not stated, but is presumed to be significant. On March 9, 2007, the District Court dismissed with prejudice the Katrina Claims against Great Lakes and those plaintiffs filed an appeal to the U.S. Court of Appeals for the Fifth Circuit (the Fifth Circuit ). On November 25, 2009, the Fifth Circuit affirmed the dismissal of the Katrina Claims and later denied the plaintiffs Motion for Rehearing. The plaintiffs did not file a writ of certiorari to the U.S. Supreme Court.

On October 19, 2006, Great Lakes and the other dredging companies filed in federal district court for exoneration or limitation of liability under the Limitation of Liability Act (the Limitation Action ). The Limitation Action stays all outstanding Katrina Claims against Great Lakes in the district court, pending resolution of the Limitation Action. Approximately 40,000 claims by individuals, businesses, and the State of Louisiana were filed against Great Lakes asserting the same basic theory of liability as in the Katrina Claims and seeking damages significantly in excess of the $55 million limitation bond posted by Great Lakes. In addition, all of the dredging companies, including Great Lakes, filed cross-claims against each other in the Limitation Action seeking contribution and indemnification. Great Lakes currently believes that it has meritorious claims for either exoneration from all liability or limitation of liability to not more than $55 million, which is the value of the vessels which conducted the MRGO dredging work. These defenses include arguments for both statutory and constitutional immunity from liability. On September 7, 2007, Great Lakes filed a motion to dismiss the plaintiffs claims. The District Court granted the motion on June 12, 2008, dismissing these claims with prejudice. The plaintiffs filed a notice of appeal in the Fifth Circuit. The Fifth Circuit stayed the appeal pending issuance of its opinion in the Katrina Claims. Following the Fifth Circuit s affirmance of the dismissal of the Katrina Claims, briefing on this appeal was completed, and the Fifth Circuit heard oral arguments on August 2, 2010. Great Lakes maintains $150 million in insurance coverage for the Katrina Claims and these claims. Great Lakes currently believes that these claims will not have a material adverse impact on its financial condition or results of operations and cash flows.

**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

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

**(Unaudited)**

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

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

**10. Supplemental condensed consolidating financial information**

The Company s long-term debt includes $175,000 of 7.75% senior subordinated notes which mature on December 15, 2013. The Company s obligations under the senior subordinated notes are guaranteed by the Company s domestic subsidiaries (the Subsidiary Guarantors ). Such guarantees are full, unconditional and joint and several.

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

(i) balance sheets as of June 30, 2010 and December 31, 2009;

(ii) statements of operations for the three months and six months ended June 30, 2010 and June 30, 2009; and

(iii) statements of cash flows for the six months ended June 30, 2010 and June 30, 2009.

The Company has adjusted the presentation of its separate condensed consolidating financial information as of December 31, 2009 and separate condensed consolidating financial information for the three and six months ended June 30, 2010 and 2009 to separately disclose its Non 100%-Owned Subsidiary Guarantors, NASDI and Yankee Environmental Services, LLC ( Yankee ). These adjustments had no impact on consolidated results as previously reported.

The Company s Form 10-Q/A for the period ended June 30, 2010 includes separate financial statements for NASDI and Yankee. The separate financial information for NASDI and Yankee reconciles to the respective NASDI and Yankee financial information included in this supplemental consolidating financial information after considering timing differences in reflecting audit adjustments for each company that are immaterial to the Company s consolidated financial statements. The NASDI difference results from a 2009 audit adjustment that was made to its separate financial statements in April 2010, subsequent to the filing of 2009 supplemental consolidating financial statements in the Company s 2009 Form 10-K. The Yankee difference also results from a 2009 audit adjustment to its separate financial statements. That adjustment was identified upon completion of the Yankee 2009 audit in December 2010. The adjustments are reflected in 2010 activity in this supplemental consolidating financial information.

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATING BALANCE SHEET**

**AS OF JUNE 30, 2010**

**UNAUDITED**

**(in thousands)**

| | Subsidiary Guarantors | | | Non- | | | |
|---|---|---|---|---|---|---|---|
| | 100%-Owned | NASDI | Yankee | Guarantor Subsidiary | GLDD Corporation | Eliminations | Consolidated Totals |
| **ASSETS** | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | $ 52,378 | $ 214 | $ 201 | $ 9 | $ | $ | $ 52,802 |
| Accounts receivable net | 122,195 | 11,896 | 876 | | | | 134,967 |
| Receivables from affiliates | 20,054 | 3 | 1,069 | 2,744 | | (23,870) | |
| Contract revenues in excess of billings | 9,276 | 3,711 | 229 | | | (79) | 13,137 |
| Inventories | 29,494 | | | | | | 29,494 |
| Prepaid expenses | 2,704 | 20 | | | 130 | | 2,854 |
| Other current assets | 6,518 | 238 | 7 | | 6,539 | | 13,302 |
| Total current assets | 242,619 | 16,082 | 2,382 | 2,753 | 6,669 | (23,949) | 246,556 |
| PROPERTY AND EQUIPMENT Net | 275,468 | 8,715 | 343 | | | | 284,526 |
| GOODWILL | 76,575 | 21,224 | 250 | | | | 98,049 |
| OTHER INTANGIBLE ASSETS Net | 290 | 203 | 326 | | | | 819 |
| INVESTMENTS IN SUBSIDIARIES | 25,753 | | | | 529,918 | (555,671) | |
| INVENTORIES Noncurrent | 25,537 | | | | | | 25,537 |
| INVESTMENTS IN JOINT VENTURES | 7,090 | | | | | | 7,090 |
| OTHER ASSETS | 2,318 | | | | 5,179 | (719) | 6,778 |
| TOTAL | $ 655,650 | $ 46,224 | $ 3,301 | $ 2,753 | $ 541,766 | $ (580,339) | $ 669,355 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | |
| Accounts payable | 71,116 | 6,979 | 437 | | | | 78,532 |
| Payables to affiliates | 291 | 11,571 | 1,410 | | 10,650 | (23,922) | |
| Accrued expenses | 22,085 | 2,149 | 505 | | 10,226 | | 34,965 |
| Billings in excess of contract revenues | 24,543 | 2,512 | 62 | | | (27) | 27,090 |
| Current portion of equipment debt | | 669 | | | | | 669 |
| Total current liabilities | 118,035 | 23,880 | 2,414 | | 20,876 | (23,949) | 141,256 |
| 7 $^3/_4$% SENIOR SUBORDINATED NOTES | | | | | 175,000 | | 175,000 |
| DEFERRED INCOME TAXES | 2 | | | | 80,136 | (719) | 79,419 |
| OTHER | 7,695 | 231 | | | 2,942 | | 10,868 |
| Total liabilities | 125,732 | 24,111 | 2,414 | | 278,954 | (24,668) | 406,543 |
| Total Great Lakes Dredge & Dock Corporation Equity | 529,918 | 22,113 | 887 | 2,753 | 264,618 | (555,671) | 264,618 |
| NONCONTROLLING INTERESTS | | | | | (1,806) | | (1,806) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| TOTAL EQUITY | 529,918 | 22,113 | 887 | 2,753 | 262,812 | (555,671) | 262,812 |
| TOTAL | $ 655,650 | $ 46,224 | $ 3,301 | $ 2,753 | $ 541,766 | $ (580,339) | $ 669,355 |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATING BALANCE SHEET**

**AS OF DECEMBER 31, 2009**

**UNAUDITED**

**(in thousands)**

| | Subsidiary Guarantors | | | Non-Guarantor | GLDD | | Consolidated |
|---|---|---|---|---|---|---|---|
| | 100%-Owned | NASDI | Yankee | Subsidiary | Corporation | Eliminations | Totals |
| **ASSETS** | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | $ 2,834 | $ 194 | $ 213 | $ 9 | $ | $ | $ 3,250 |
| Accounts receivable net | 142,080 | 10,194 | 1,627 | | | | 153,901 |
| Receivables from affiliates | 4,558 | | 1,918 | 2,743 | 17,881 | (27,100) | |
| Contract revenues in excess of billings | 25,560 | 2,444 | 42 | | | (42) | 28,004 |
| Inventories | 29,192 | | | | | | 29,192 |
| Prepaid expenses | 2,363 | 80 | | | 201 | | 2,644 |
| Other current assets | 9,123 | 49 | 38 | | 6,235 | | 15,445 |
| Total current assets | 215,710 | 12,961 | 3,838 | 2,752 | 24,317 | (27,142) | 232,436 |
| PROPERTY AND EQUIPMENT Net | 281,520 | 9,187 | 450 | | | | 291,157 |
| GOODWILL | 76,575 | 21,224 | 250 | | | | 98,049 |
| OTHER INTANGIBLE ASSETS Net | 360 | 279 | 398 | | | | 1,037 |
| INVESTMENTS IN SUBSIDIARIES | 27,094 | | | | 490,191 | (517,285) | |
| NOTES RECEIVABLE FROM AFFILIATES | 61 | | | | | (61) | |
| INVENTORIES Noncurrent | 27,662 | | | | | | 27,662 |
| INVESTMENTS IN JOINT VENTURES | 7,943 | | | | | | 7,943 |
| OTHER ASSETS | 2,074 | | | | 5,509 | (441) | 7,142 |
| TOTAL | $ 638,999 | $ 43,651 | $ 4,936 | $ 2,752 | $ 520,017 | $ (544,929) | $ 665,426 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | |
| Accounts payable | 75,765 | 7,623 | 395 | | | | 83,783 |
| Payables to affiliates | 15,300 | 9,084 | 2,758 | | | (27,142) | |
| Accrued expenses | 26,597 | 1,457 | 306 | | 2,905 | | 31,265 |
| Billings in excess of contract revenues | 23,910 | 791 | 200 | | | | 24,901 |
| Current portion of equipment debt | | 1,200 | | | | | 1,200 |
| Total current liabilities | 141,572 | 20,155 | 3,659 | | 2,905 | (27,142) | 141,149 |
| REVOLVING CREDIT FACILITY | | | | | 11,000 | | 11,000 |
| 7 $^{3}/4$% SENIOR SUBORDINATED NOTES | | | | | 175,000 | | 175,000 |
| NOTES PAYABLE TO AFFILIATES | | 61 | | | | (61) | |
| DEFERRED INCOME TAXES | 2 | | | | 82,081 | (441) | 81,642 |
| OTHER | 7,234 | 370 | | | 4,482 | | 12,086 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total liabilities | 148,808 | 20,586 | 3,659 | | 275,468 | (27,644) | 420,877 |
| Total Great Lakes Dredge & Dock Corporation Equity | 490,191 | 23,065 | 1,277 | 2,752 | 245,788 | (517,285) | 245,788 |
| NONCONTROLLING INTERESTS | | | | | (1,239) | | (1,239) |
| TOTAL EQUITY | 490,191 | 23,065 | 1,277 | 2,752 | 244,549 | (517,285) | 244,549 |
| TOTAL | $ 638,999 | $ 43,651 | $ 4,936 | $ 2,752 | $ 520,017 | $ (544,929) | $ 665,426 |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

**FOR THE THREE MONTHS ENDED JUNE 30, 2010**

**UNAUDITED**

**(in thousands)**

| | Subsidiary Guarantors | | | | | | |
|---|---|---|---|---|---|---|---|
| | 100%- Owned | NASDI | Yankee | Non-Guarantor Subsidiary | GLDD Corporation | Eliminations | Consolidated Totals |
| CONTRACT REVENUES | $ 165,599 | $ 13,619 | $ 1,703 | $ | $ | $ (786) | $ 180,135 |
| COSTS OF CONTRACT REVENUES | (131,314) | (13,122) | (1,896) | | | 786 | (145,546) |
| GROSS PROFIT (LOSS) | 34,285 | 497 | (193) | | | | 34,589 |
| OPERATING EXPENSES | | | | | | | |
| General and administrative expenses | (11,858) | (1,365) | (117) | | (926) | | (14,266) |
| Amortization of intangible assets | (35) | (38) | (35) | | | | (108) |
| Total operating income (loss) | 22,392 | (906) | (345) | | (926) | | 20,215 |
| INTEREST EXPENSE (Net) | 93 | (90) | (18) | | (2,980) | | (2,995) |
| EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES | (1,359) | | | | 21,354 | (19,995) | |
| EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE | (131) | | | | | | (131) |
| INCOME (LOSS) BEFORE INCOME TAXES | 20,995 | (996) | (363) | | 17,448 | (19,995) | 17,089 |
| INCOME TAX (PROVISION) BENEFIT | 359 | | | | (7,114) | | (6,755) |
| NET INCOME (LOSS) | 21,354 | (996) | (363) | | 10,334 | (19,995) | 10,334 |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS | | | | | 474 | | 474 |
| NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION | $ 21,354 | $ (996) | $ (363) | $ | $ 10,808 | $ (19,995) | $ 10,808 |

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**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES**

**CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**

**FOR THE THREE MONTHS ENDED JUNE 30, 2009**

**UNAUDITED**

**(in thousands)**

| | Subsidiary Guarantors | | | Non-Guarantor | GLDD | | Consolidated |
|---|---|---|---|---|---|---|---|
| | 100%- Owned | NASDI | Yankee | Subsidiary | Corporation | Eliminations | Totals |
| CONTRACT REVENUES | $ 128,511 | $ 14,110 | $ 2,003 | $ | $ | $ (2,169) | $ 142,455 |
| COSTS OF CONTRACT REVENUES | (101,367) | (12,810) | (1,844) | | (45) | 2,169 | (113,897) |
| GROSS PROFIT (LOSS) | 27,144 | 1,300 | 159 | | (45) | | |