

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

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 March 31, 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)

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

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

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

As of May 5, 2010, 58,559,894 shares of the Registrant's Common Stock, par value \$.0001 per share, were outstanding.

Table of Contents

GREAT LAKES DREDGE & DOCK CORPORATION

Form 10-Q/A for the Quarterly Period Ended March 31, 2010

EXPLANATORY NOTE

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

(1) amend the presentation of Note 11 (Supplemental Condensed Consolidating Financial Information) for its Condensed Consolidated Financial Statements as of March 31, 2010 and December 31, 2009 and for the three months ended March 31, 2010 and March 31, 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 March 31, 2010 and December 31, 2009 and for the three months ended March 31, 2010 and March 31, 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.

Table of Contents

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, 2010

INDEX

	Page
Part I Financial Information (Unaudited)	
Item 1 Financial Statements	
<u>Condensed Consolidated Balance Sheets at March 31, 2010 and December 31, 2009</u>	3
<u>Condensed Consolidated Statements of Operations for the Three Months ended March 31, 2010 and 2009</u>	4
<u>Condensed Consolidated Statements of Equity for the Three Months ended March 31, 2010 and 2009</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Three Months ended March 31, 2010 and 2009</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
Item 3 <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4 <u>Controls and Procedures</u>	27
Part II Other Information	28
Item 1 <u>Legal Proceedings</u>	28
Item 1A <u>Risk Factors</u>	28
Item 2 <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 3 <u>Defaults Upon Senior Securities</u>	28
Item 4 <u>Reserved</u>	28
Item 5 <u>Other Information</u>	28
Item 6 <u>Exhibits</u>	28
<u>Signature</u>	29
<u>Non 100%-Owned Guarantor Subsidiary Financial Statements</u>	F-1
<u>NASDI, LLC</u>	F-2
<u>Yankee Environmental Services, LLC</u>	F-11
<u>Exhibit Index</u>	

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(Unaudited)****(in thousands, except share and per share amounts)**

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,925	\$ 3,250
Accounts receivable net	126,352	153,901
Contract revenues in excess of billings	18,431	28,004
Inventories	28,791	29,192
Prepaid expenses	3,080	2,644
Other current assets	12,607	15,445
Total current assets	210,186	232,436
PROPERTY AND EQUIPMENT Net	286,307	291,157
GOODWILL	98,049	98,049
OTHER INTANGIBLE ASSETS Net	927	1,037
INVENTORIES Noncurrent	27,605	27,662
INVESTMENTS IN JOINT VENTURES	7,221	7,943
OTHER	6,723	7,142
TOTAL	\$ 637,018	\$ 665,426
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 60,609	\$ 83,783
Accrued expenses	31,661	31,265
Billings in excess of contract revenues	24,746	24,901
Current portion of equipment debt	910	1,200
Total current liabilities	117,926	141,149
REVOLVING CREDIT FACILITY		11,000
7 ³ / ₄ % SENIOR SUBORDINATED NOTES	175,000	175,000
DEFERRED INCOME TAXES	80,607	81,642
OTHER	10,521	12,086
Total liabilities	384,054	420,877
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Common stock \$.0001 par value; 90,000,000 authorized, 58,559,894 and 58,542,038 shares issued and outstanding at March 31, 2010 and December 31, 2009, respectively.	6	6
Additional paid-in capital	263,879	263,579
Accumulated deficit	(10,010)	(18,336)
Accumulated other comprehensive income	421	539

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Total Great Lakes Dredge & Dock Corporation Equity	254,296	245,788
NONCONTROLLING INTERESTS	(1,332)	(1,239)
Total equity	252,964	244,549
TOTAL	\$ 637,018	\$ 665,426

See notes to unaudited condensed consolidated financial statements.

Table of Contents**Great Lakes Dredge & Dock Corporation and Subsidiaries****Condensed Consolidated Statements of Operations****(Unaudited)****(in thousands, except per share data)**

	Three Months Ended March 31,	
	2010	2009
Contract revenues	\$ 161,400	\$ 179,203
Costs of contract revenues	130,916	152,166
Gross profit	30,484	27,037
General and administrative expenses	10,960	10,399
Amortization of intangible assets	110	193
Operating income	19,414	16,445
Interest expense, net	(3,220)	(4,268)
Equity in loss of joint ventures	(722)	(556)
Income before income taxes	15,472	11,621
Income tax provision	(6,239)	(5,171)
Net income	9,233	6,450
Net loss attributable to noncontrolling interests	93	864
Net income attributable to Great Lakes Dredge & Dock Corporation	\$ 9,326	\$ 7,314
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.16	\$ 0.13
Basic weighted average shares	58,548	58,488
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.16	\$ 0.13
Diluted weighted average shares	58,703	58,488
Dividends declared per share	\$ 0.02	\$ 0.02

See notes to unaudited condensed consolidated financial statements.

Table of Contents**Great Lakes Dredge & Dock Corporation and Subsidiaries****Condensed Consolidated Statements of Equity****(Unaudited)****(in thousands, except per share amounts)**

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

		Shares of	Common	Additional	Accumulated	Accumulated	Other	Noncontrolling	Total
		Common	Stock	Paid-In	Deficit	Comprehensive	Income	Interests	
		Stock		Capital		(Loss)	(Loss)		
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		12,455		124					124
Dividends declared and paid					(994)				(994)
Comprehensive income (loss):									
Net income (loss)					7,314		(864)		6,450
Reclassification of derivative gain to earnings (net of tax of \$1,509)							2,273		2,273
Change in fair value of derivatives (net of tax of \$185)							(279)		(279)
Total comprehensive income (loss)								(864)	8,444
BALANCE	March 31, 2009	58,496,697	\$ 6	\$ 262,625	\$ (25,492)	\$ (1,421)	\$ 631		\$ 236,349

See notes to unaudited condensed consolidated financial statements.

Table of Contents**Great Lakes Dredge & Dock Corporation and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited)****(in thousands, except per share amounts)**

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net income	\$ 9,233	\$ 6,450
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	9,439	11,646
Equity in loss of joint ventures	722	556
Distribution from equity joint ventures		250
Deferred income taxes	(1,031)	2,128
Gain on dispositions of property and equipment	(183)	(419)
Amortization of deferred financing fees	402	472
Share-based compensation expense	300	124
Changes in assets and liabilities:		
Accounts receivable	27,549	(38,618)
Contract revenues in excess of billings	9,573	(13,851)
Inventories	458	368
Prepaid expenses and other current assets	2,280	2,060
Accounts payable and accrued expenses	(19,724)	9,814
Billings in excess of contract revenues	(155)	2,806
Other noncurrent assets and liabilities	(1,664)	33
Net cash flows provided by (used in) operating activities	37,199	(16,181)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(7,230)	(5,093)
Dispositions of property and equipment	158	599
Acquisition of controlling interest in Yankee Environmental Services		(1,229)
Net cash flows used in investing activities	(7,072)	(5,723)
FINANCING ACTIVITIES:		
Repayments of long-term debt	(451)	(434)
Borrowings under revolving loans	14,968	57,062
Repayments of revolving loans	(25,968)	(37,885)
Dividends paid	(1,000)	(994)
Repayment of capital lease debt	(1)	(36)
Net cash flows (used in) provided by financing activities	(12,452)	17,713
Net change in cash and cash equivalents	17,675	(4,191)
Cash and cash equivalents at beginning of period	3,250	10,478
Cash and cash equivalents at end of period	\$ 20,925	\$ 6,287
Supplemental Cash Flow Information		
Cash paid for interest	\$ 265	\$ 604

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Cash paid for income taxes	\$ 2,203	\$ 1,147
----------------------------	----------	----------

Non-cash Investing Activity

Property and equipment purchased but not yet paid	\$ 520	\$ 2,759
---	--------	----------

Property and equipment purchased on equipment notes	\$ 32	\$
---	-------	----

See notes to unaudited condensed consolidated financial statements.

Table of Contents

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 normal recurring adjustments necessary to present fairly the Company's financial position as of March 31, 2010 and its results of operations and cash flows for the three months ended March 31, 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. The decline in the operating results and related cash flow forecasts in the demolition segment during the past year has reduced the amount by which the estimated fair value of the demolition segment exceeds the carrying value of the demolition segment's assets. 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 three months of 2010 as no triggering events which would require a test were deemed to have occurred, based on the segment's current quarter results and forecasts.

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 three months ended March 31, 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 provided by (used in) financing activities.

Table of Contents

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. No options to purchase shares of common stock (NQSOs) or restricted stock units (RSUs) were excluded from the computation of earnings per share (EPS) for the period ended March 31, 2010. At March 31, 2009, 356,744 options and 145,736 RSUs were not included in the calculation of diluted earnings per share based on the application of the treasury stock method, as they were determined to be anti-dilutive. The computations for basic and diluted earnings per share from continuing operations are as follows:

	Three Months Ended	
	March 31,	
	2010	2009
Numerator:		
Net income attributable to Great Lakes Dredge & Dock Corporation - numerator for basic & diluted earnings per share	\$ 9,326	\$ 7,314
Denominator:		
Denominator for basic earnings per share weighted average shares outstanding	58,548	58,488
Dilutive impact of restricted stock units issued	127	
Dilutive impact of stock options issued	28	
Denominator for diluted earnings per share adjusted weighted average shares	58,703	58,488
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.16	\$ 0.13
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	\$ 0.16	\$ 0.13

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.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

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.

Table of Contents

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 March 31, 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:

Description	Fair Value Measurements at Reporting Date Using			
	At March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	\$ 701	\$	\$ 701	\$
Interest rate swap contracts-assets	922			922
Interest rate swap contracts-liabilities	(148)			(148)
Total assets measured at fair value	\$ 1,475	\$	\$ 701	\$ 774

Description	Fair Value Measurements at Reporting Date Using			
	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)

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 March 31, 2010 is \$922 and is recorded in current assets. The long term portion of the fair value liability of the swaps at March 31, 2010 was \$(148) and is recorded in other long term liabilities. The swap is not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

inputs. There were no interest rates swaps outstanding during the quarter ended March 31, 2009.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps 2010	
Balance at January 1,	\$	(20)
Total unrealized gains or (losses): included in earnings		794
Included in other comprehensive income		
Purchases		
Settlements		
Balance at March 31,	\$	774

At March 31, 2010 and December 31, 2009, the fair value asset on the fuel hedge contracts was estimated to be \$701 and \$897, respectively, and is recorded in other current assets. The change in fair value of derivatives, net of cash settlements and taxes, for the period ended March 31, 2010 was (\$30). The remaining gains included in accumulated other comprehensive income at March 31, 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.

Table of Contents

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

	Balance Sheet Location	Fair Value of Derivatives At March 31, 2010		Fair Value Liability
		Fair Value Asset	Balance Sheet Location	
Interest rate swaps	Other current assets	\$ 922	Other liabilities	\$ (148)
Fuel hedge contracts	Other current assets	701	Accrued expenses	
Total Derivatives		\$ 1,623		\$ (148)

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

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 March 31, 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 March 31, 2010 and \$173,250 at December 31, 2009, based on indicative market prices.

4. Accounts receivable

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

	March 31, 2010	December 31, 2009
Completed contracts	\$ 36,672	\$ 19,468
Contracts in progress	65,307	105,717
Retainage	25,623	29,966
	127,602	155,151

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Allowance for doubtful accounts	(1,250)	(1,250)
Total accounts receivable	\$ 126,352	\$ 153,901

Table of Contents

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)

5. Contracts in progress

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

	March 31, 2010	December 31, 2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 180,269	\$ 264,073
Amounts billed	(162,601)	(236,780)
Costs and earnings in excess of billings for contracts in progress	17,668	27,293
Costs and earnings in excess of billings for completed contracts	763	711
Total contract revenues in excess of billings	\$ 18,431	\$ 28,004
Billings in excess of costs and earnings:		
Amounts billed	\$ (479,477)	\$ (434,893)
Costs and earnings for contracts in progress	454,732	409,992
Total billings in excess of contract revenues	\$ (24,746)	\$ (24,901)

6. Accrued expenses

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

	March 31, 2010	December 31, 2009
Income and other taxes	\$ 8,801	\$ 4,094
Insurance	8,067	8,521
Interest	4,072	726
Payroll and employee benefits	3,503	11,233
Percentage of completion adjustment	3,293	5,901
Fixed equipment costs accrued	3,045	
Other	880	790
Total accrued expenses	\$ 31,661	\$ 31,265

Table of Contents**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)****7. Segment information**

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

	Three Months Ended	
	March 31,	
	2010	2009
Dredging		
Contract revenues	\$ 149,041	\$ 166,312
Operating income	19,569	18,997
Demolition		
Contract revenues	\$ 12,359	\$ 12,891
Operating loss	(155)	(2,552)
Total		
Contract revenues	\$ 161,400	\$ 179,203
Operating income	19,414	16,445

In addition, foreign dredging revenue of \$25,572 and \$50,070 for the three months ended March 31, 2010 and March 31, 2009, respectively, was primarily attributable to work done in Bahrain.

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

8. Commitments and contingencies**Commercial commitments**

The Company has a secured \$155,000 bank credit facility, which matures in June 2012. This credit facility provides for revolving loans, letters of credit and swingline loans. As of March 31, 2010, the Company had no outstanding borrowings and \$19,585 of letters of credit outstanding, and \$125,414 of remaining availability under the Credit Agreement. In late 2008, Lehman Brothers, a 6.5% participant in the credit facility, filed for bankruptcy and stopped funding its share of the Company's revolver borrowings. As Lehman Brothers is a defaulting lender, the Company is no longer able to draw upon Lehman Brothers' pro-rata portion of the revolver commitment. As of March 31, 2010, the Company had repaid the balance applicable to Lehman Brothers. As such, Lehman Brothers' remaining \$10,000 commitment has not been included in availability under the credit facility.

The Company obtains its 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 March 31, 2010, Great Lakes had outstanding bonds valued at \$432,165; however, the revenue value remaining in backlog related to these projects totaled approximately \$252,005.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

The Company has a \$24,000 international letter of credit facility that it uses for the performance and advance payment guarantees on the Company's foreign contracts. As of March 31, 2010, Great Lakes had \$15,704 of letters of credit outstanding under this facility.

The Company has also \$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.

Table of Contents

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. The remaining five cases are proceeding through the discovery process. 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 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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

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

Table of Contents

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)

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. The Fifth Circuit has not yet informed the parties regarding whether oral argument will be required. 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.

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.

9. Effects of recently issued accounting pronouncements

In 2009 the Financial Accounting Standards Board (FASB) issued ASU 2009-17, which amended ASC 810, *Consolidation*, and was effective as of January 1, 2010. ASU 2009-17 addresses information a reporting entity provides in its financial statements about the transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Also, the amended topic removes the concept of a qualifying special purpose entity, limits the circumstances in which a transferor derecognizes a portion or component of a financial asset, defines participating interest and enhances the information provided to financial statement users to provide greater transparency. Adoption did not have a significant impact on the Company's consolidated financial position, results of operations and cash flows.

10. Subsequent events

Effective April 19, 2010, the Board of Directors of the Company made a decision to eliminate the position of Chief Operating Officer and create a new position, President of Dredging Operations. In connection with this operational restructuring, Richard M. Lowry, Chief Operating Officer, left the Company and will receive compensation in accordance with his Employment Agreement. Per the terms of the Employment Agreement the Company will pay approximately \$2.5 million in salary, bonuses and benefits and accelerate the vesting of 79,255 NQSOs and 13,202 RSUs. The payments pursuant to Mr. Lowry's Employment Agreement are conditioned upon Mr. Lowry's compliance with the noncompetition, nonsolicitation, confidentiality, invention assignment and certain other covenants in his Employment Agreement. The Company will record this charge in the second quarter of 2010.

11. 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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Corporation, exclusive of its subsidiaries (GLDD Corporation):

- (i) balance sheets as of March 31, 2010 and December 31, 2009;
- (ii) statements of operations for the three months ended March 31, 2010 and March 31, 2009; and
- (iii) statements of cash flows for the three months ended March 31, 2010 and March 31, 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 months ended March 31, 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 March 31, 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.

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING BALANCE SHEET**

AS OF MARCH 31, 2010

UNAUDITED

(in thousands)

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%-Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 19,084	\$ 1,657	\$ 175	\$ 9	\$	\$	\$ 20,925
Accounts receivable net	113,391	12,710	251				126,352
Receivables from affiliates	6,276	3	2,310	2,744	3,173	(14,506)	
Contract revenues in excess of billings	16,521	1,818	92				18,431
Inventories	28,791						28,791
Prepaid expenses	2,912	40			128		3,080
Other current assets	6,356	550			5,701		12,607
Total current assets	193,331	16,778	2,828	2,753	9,002	(14,506)	210,186
PROPERTY AND EQUIPMENT Net	276,927	8,984	396				286,307
GOODWILL	76,575	21,224	250				98,049
OTHER INTANGIBLE ASSETS Net	325	241	361				927
INVESTMENTS IN SUBSIDIARIES	26,821				509,343	(536,164)	
INVENTORIES Noncurrent	27,605						27,605
INVESTMENTS IN JOINT VENTURES	7,221						7,221
OTHER ASSETS	2,094				5,108	(479)	6,723
TOTAL	\$ 610,899	\$ 47,227	\$ 3,835	\$ 2,753	\$ 523,453	\$ (551,149)	\$ 637,018
LIABILITIES AND EQUITY							
CURRENT LIABILITIES:							
Accounts payable	50,721	9,548	329		11		60,609
Payables to affiliates	2,187	10,510	1,686			(14,383)	
Accrued expenses	18,574	1,337	441		11,309		31,661
Billings in excess of contract revenues	22,906	1,834	129			(123)	24,746
Current portion of equipment debt		910					910
Total current liabilities	94,388	24,139	2,585		11,320	(14,506)	117,926
7 ³ / ₄ % SENIOR SUBORDINATED NOTES					175,000		175,000
DEFERRED INCOME TAXES	2				81,084	(479)	80,607
OTHER	7,166	270			3,085		10,521
Total liabilities	101,556	24,409	2,585		270,489	(14,985)	384,054
Total Great Lakes Dredge & Dock Corporation Equity	509,343	22,818	1,250	2,753	254,296	(536,164)	254,296
NONCONTROLLING INTERESTS					(1,332)		(1,332)
TOTAL EQUITY	509,343	22,818	1,250	2,753	252,964	(536,164)	252,964

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

TOTAL	\$ 610,899	\$ 47,227	\$ 3,835	\$ 2,753	\$ 523,453	\$ (551,149)	\$ 637,018
-------	------------	-----------	----------	----------	------------	--------------	------------

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING BALANCE SHEET**

AS OF DECEMBER 31, 2009

UNAUDITED

(in thousands)

	Subsidiary Guarantors			Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
	100%-Owned	NASDI	Yankee				
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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

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

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2010****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%-Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
CONTRACT REVENUES	\$ 149,041	\$ 11,788	\$ 1,826	\$	\$	\$ (1,255)	\$ 161,400
COSTS OF CONTRACT REVENUES	(120,114)	(10,418)	(1,639)			1,255	(130,916)
GROSS PROFIT (LOSS)	28,927	1,370	187				30,484
OPERATING EXPENSES							
General and administrative expenses	(8,625)	(1,486)	(158)		(691)		(10,960)
Amortization of intangible assets	(36)	(37)	(37)				(110)
Total operating income (loss)	20,266	(153)	(8)		(691)		19,414
INTEREST EXPENSE (Net)	88	(95)	(19)		(3,194)		(3,220)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(275)				19,348	(19,073)	
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE	(722)						(722)
INCOME (LOSS) BEFORE INCOME TAXES	19,357	(248)	(27)		15,463	(19,073)	15,472
INCOME TAX (PROVISION) BENEFIT	(9)				(6,230)		(6,239)
NET INCOME (LOSS)	19,348	(248)	(27)		9,233	(19,073)	9,233
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					93		93
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	\$ 19,348	\$ (248)	\$ (27)	\$	\$ 9,326	\$ (19,073)	\$ 9,326

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2009****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%-Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
CONTRACT REVENUES	\$ 166,312	\$ 12,598	\$ 2,055	\$	\$	\$ (1,762)	\$ 179,203
COSTS OF CONTRACT REVENUES	(138,949)	(12,785)	(2,194)			1,762	(152,166)
GROSS PROFIT (LOSS)	27,363	(187)	(139)				27,037
OPERATING EXPENSES							
General and administrative expenses	(7,807)	(1,869)	(209)		(514)		(10,399)
Amortization of intangible assets	(35)	(38)	(120)				(193)
Total operating income (loss)	19,521	(2,094)	(468)		(514)		16,445
INTEREST EXPENSE (Net)	21	(67)			(4,222)		(4,268)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(2,629)				17,158	(14,529)	
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE	(556)						(556)
INCOME (LOSS) BEFORE INCOME TAXES	16,357	(2,161)	(468)		12,422	(14,529)	11,621
INCOME TAX (PROVISION) BENEFIT	801				(5,972)		(5,171)
NET INCOME (LOSS)	17,158	(2,161)	(468)		6,450	(14,529)	6,450
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					864		864
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	\$ 17,158	\$ (2,161)	\$ (468)	\$	\$ 7,314	\$ (14,529)	\$ 7,314

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2010****UNAUDITED****(in thousands)**

	100%-Owned	Subsidiary Guarantors NASDI	Yankee	Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
Operating Activities							
Net cash flows provided by (used in) operating activities	\$ 44,682	\$ 1,989	\$ 1,034	\$	\$ (10,506)	\$	\$ 37,199
Investing Activities							
Purchases of property and equipment	(6,894)	(336)					(7,230)
Dispositions of property and equipment	158						158
Net cash flows used in investing activities	(6,736)	(336)					(7,072)
Financing Activities							
Repayments of long-term debt	(451)						(451)
Borrowings under revolving loans					14,968		14,968
Repayments of revolving loans					(25,968)		(25,968)
Net change in accounts with affiliates	(21,655)	221	(1,072)		22,506		
Dividends					(1,000)		(1,000)
Repayment of equipment debt	411	(411)					
Repayment of capital lease debt	(1)						(1)
Net cash flows provided by (used in) financing activities	(21,696)	(190)	(1,072)		10,506		(12,452)
Net change in cash and cash equivalents	16,250	1,463	(38)				17,675
Cash and cash equivalents at beginning of period	2,834	194	213	9			3,250
Cash and cash equivalents at end of period	\$ 19,084	\$ 1,657	\$ 175	\$ 9	\$	\$	\$ 20,925

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE THREE MONTHS ENDED MARCH 31, 2009****UNAUDITED****(in thousands)**

	100%-Owned	Subsidiary Guarantors NASDI	Yankee	Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
Operating Activities							
Net cash flows provided by (used in) operating activities	\$ (13,550)	\$ (2,345)	\$ 192	\$	\$ (478)	\$	\$ (16,181)
Investing Activities							
Purchases of property and equipment	(3,600)	(1,493)					(5,093)
Dispositions of property and equipment	594	5					599
Acquisition of controlling interest in Yankee Environmental Services	(1,229)		(1,891)			1,891	(1,229)
Net cash flows used in investing activities	(4,235)	(1,488)	(1,891)			1,891	(5,723)
Financing Activities							
Repayments of long-term debt	(434)						(434)
Members' capital contribution to acquire assets of Yankee			1,891			(1,891)	
Borrowings under revolving loans					57,062		57,062
Repayments of revolving loans					(37,885)		(37,885)
Net change in accounts with affiliates	14,240	4,625	(166)		(18,699)		
Dividends	(994)						(994)
Distributions							
Repayment of equipment debt	418	(418)					
Repayment of capital lease debt	(36)						(36)
Net cash flows provided by (used in) financing activities	13,194	4,207	1,725		478	(1,891)	17,713
Net change in cash and cash equivalents	(4,591)	374	26				(4,191)
Cash and cash equivalents at beginning of period	10,357	116		5			10,478
Cash and cash equivalents at end of period	\$ 5,766	\$ 490	\$ 26	\$ 5	\$	\$	\$ 6,287

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
Statement Under the Private Securities Litigation Reform Act

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 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, will, would, 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 section of the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and in other securities filings by Great Lakes with the SEC.

Although the Company 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. The Company's future financial condition, results of operations and cash flows, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in the Company's Quarterly Report on Form 10-Q are made only as of the date hereof and the Company 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, which represented 17% of its dredging revenues for the first quarter of 2010, compared with the Company's three year average of 30%. 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 the navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. The U.S. dredging market consists of three primary types of work: capital, beach nourishment and maintenance, in which sectors we have experienced an average combined bid market share in the U.S. of 46% over the last three years, including 62%, 43% and 35% of the capital, beach nourishment and maintenance sectors, respectively. The Company's bid market is defined as the aggregate dollar value of domestic projects on which the Company bid or could have bid if not for capacity constraints (bid market).

The Company's largest domestic dredging customer is the 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 2010 first quarter, 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 68% of dredging revenues as compared with the Company's three year average of 54%.

The Company also owns a majority interest in NASDI, LLC (NASDI), a demolition service provider located in the Boston, Massachusetts area. In the 2010 first quarter, demolition revenues accounted for 8% of total revenues, compared with the prior three year average of 13%. NASDI's principal services consist of interior and exterior demolition of commercial and industrial buildings, salvage and recycling of related materials, and removal of hazardous substances and materials. The majority of NASDI's work has historically been performed in New England; however, NASDI is currently expanding its footprint; primarily, into New York. The Company also has a 65% interest in Yankee Environmental Services LLC (Yankee), a provider of environmental remediation services including asbestos abatement and removal of other hazardous materials for private and governmental entities predominantly in the Boston area.

The Company has a 50% ownership interest in Amboy Aggregates (Amboy). Amboy's primary business is mining sand from the entrance channel to the New York harbor in order to provide sand and aggregate for use in road and building construction. The Company and its Amboy

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

joint venture partner own a 50% interest in land that is adjacent to Amboy's property and may be used in conjunction with Amboy's operations. The Company's investment in Amboy is accounted for using the equity method.

Table of Contents

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

Results of Operations

The following table sets forth the components of net income (loss) attributable to Great Lakes Dredge & Dock Corporation and EBITDA, as defined below, as a percentage of contract revenues for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,	
	2010	2009
Contract revenues	100.0%	100.0%
Costs of contract revenues	(81.1)	(84.9)
Gross profit	18.9	15.1
General and administrative expenses	(6.8)	(5.8)
Amortization of intangible assets	(0.1)	(0.1)
Operating income	12.0	9.2
Interest expense, net	(2.0)	(2.4)
Equity in earnings (loss) of joint ventures	(0.4)	(0.3)
Income before income taxes	9.6	6.5
Income tax provision	(3.9)	(2.9)
Net income	5.7	3.6
Net income (loss) attributable to noncontrolling interests	0.1	0.5
Net income attributable to Great Lakes Dredge & Dock Corporation	5.8%	4.1%
EBITDA	17.5%	15.8%

EBITDA, as provided herein, represents net income (loss) attributable to Great Lakes Dredge & Dock Corporation, adjusted for net interest expense, income taxes, depreciation and amortization expense. The Company presents EBITDA as an additional measure by which to evaluate the Company's operating trends. The Company believes that EBITDA is a measure frequently used to evaluate performance of companies with substantial leverage and that its primary stakeholders (i.e. its bondholders, banks and investors) use EBITDA to evaluate the Company's period to period performance. Additionally, management believes that EBITDA provides a transparent measure of the Company's recurring operating performance and allows management to readily view operating trends, perform analytical comparisons and identify strategies to improve operating performance. For this reason, the Company uses a measure based upon EBITDA to assess performance for purposes of determining compensation under its incentive plan. EBITDA should not be considered an alternative to, or more meaningful than, amounts determined in accordance with accounting principles generally accepted in the United States of America (GAAP) including: (a) operating income as an indicator of operating performance; or (b) cash flows from operations as a measure of liquidity. As such, the Company's use of EBITDA, instead of a GAAP measure, has limitations as an analytical tool, including the inability to determine profitability or liquidity due to the exclusion of interest 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 its operating performance and uses EBITDA only as a supplement. EBITDA is reconciled to net income attributable to Great Lakes Dredge & Dock Corporation in the table of financial results as follows:

	Three Months Ended March 31,		
	2010	2009	Change
	\$ 9,326	\$ 7,314	27.5%

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Net income attributable to Great Lakes Dredge & Dock Corporation				
Adjusted for:				
Interest expense, net	3,220	4,268	(24.6)%	
Income tax expense	6,239	5,171	20.7%	
Depreciation and amortization	9,439	11,646	(19.0)%	
EBITDA	\$ 28,224	\$ 28,399	(0.6)%	

Table of Contents

The following table sets forth, by segment and dredging type of work, the Company's contract revenues for each of the periods indicated:

Revenues (in thousands)	Three Months Ended		
	2010	March 31, 2009	Change
Dredging:			
Capital U.S.	\$ 44,087	\$ 54,478	(19)%
Capital foreign	25,572	44,255	(42)%
Beach	38,605	21,632	78%
Maintenance	40,777	45,947	(11)%
Demolition	12,359	12,891	(4)%
	\$ 161,400	\$ 179,203	(10)%

Total revenue for the quarter ended March 31, 2010 was \$161.4 million, down 10% from \$179.2 million during the first quarter of 2009. Most of this decline was attributable to a decrease in foreign dredging revenues compared with a very strong first quarter in 2009 for foreign operations. Domestically, a robust first quarter for beach work offset decreased capital and maintenance dredging revenues. Demolition revenue for the quarter was \$12.4 million, consistent with revenue a year ago.

Capital projects include large port deepenings and other infrastructure projects including land reclamations. Domestic capital dredging revenue decreased \$10.4 million, or 19%, in the first quarter of 2010, compared to the first quarter of 2009 as more equipment was occupied on beach projects. Domestic capital revenue in the quarter was primarily generated by projects in the ports of New York and New Jersey and a coastal restoration project in Louisiana. Foreign revenue decreased \$18.7 million, or 42%, in the first quarter of 2010 compared to the same quarter in 2009. Foreign revenue declined due to the slowdown of work in the Middle East region. Foreign revenue was driven by three projects in Bahrain.

Beach nourishment projects include rebuilding of shoreline areas that have been damaged by storm activity or ongoing erosion. Beach revenue in the first quarter of 2010 increased \$17.0 million, or 78%, compared to the same 2009 quarter. The beach bid market in the second half of 2009 was improved over the same period in 2008, which was impacted by permitting and funding delays. This resulted in a higher beach backlog for the Company to perform on in the first quarter of 2010. The Company worked on several beach projects in the 2010 first quarter, including projects in Florida, North Carolina and New Jersey.

Maintenance projects include routine dredging of ports, rivers and channels to remove the regular build up of sediment. Maintenance revenue in the first quarter of 2010 decreased by \$5.2 million, or 11%, compared to the first quarter of 2009. The Company worked on a number of projects in its backlog including projects along the East Coast and in the Gulf of Mexico. Funding coming from the American Recovery and Reinvestment Act (Stimulus) facilitated a backlog of maintenance projects that were put out to bid last year, a portion of which are still being worked on in 2010.

Gross profit for the first quarter of 2010 increased by 12.7% to \$30.5 million from \$27.0 million resulting in gross profit margin (gross profit divided by revenue) increasing to 18.9%, up from 15.1% in the first quarter of 2009. The increase in margin resulted from several factors, one of which was a greater weighting of domestic dredging work in the project mix for 2010. In addition, 2009 gross profit margin was negatively affected when a portion of the Company's Diyar contract in Bahrain was reclassified from backlog to an option, reducing the scope of the project and decreasing the overall project margin. Also, last year's gross profit for the demolition business was negatively impacted by a write-off related to a large development contract that had been delayed due to the economic downturn.

The Company's general and administrative (G&A) expenses totaled \$11.0 million for the three months ended March 31, 2010, an increase of \$0.6 million from the same period in 2009. The increase in G&A expense in the first quarter was primarily driven by an increase in payroll and employee benefit expense.

Operating income for the first quarter of 2010 increased by 18% to \$19.4 million versus \$16.4 million for the first quarter of 2009 as the higher gross profit more than offset a \$0.6 million increase in G&A costs.

Interest expense, net of \$3.2 million was down \$1.0 million in the quarter due to the decrease in borrowings on the Company's revolving credit facility and a non-cash gain of \$0.8 million due to the change in fair value of the Company's interest rate swaps. The Company had no interest

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

rate swaps in place during the first quarter of 2009.

Income tax expense for the first quarter of 2010 was \$6.2 million, compared to \$5.2 million for the first quarter of 2009. This increase was primarily as a result of the higher earnings generated in 2010. The effective tax rate for the first quarter of 2010 was 40.3%, down from 41.4% for the first quarter of 2009. The effective tax rate was lower in the first quarter of 2010 primarily due to the location of dredging projects during the period.

Net income attributable to Great Lakes Dredge & Dock Corporation for the quarter was \$9.3 million, or \$0.16 per diluted share, versus \$7.3 million, or \$0.13 per diluted share, a year ago.

Table of Contents

EBITDA (as defined on page 19) was relatively flat at \$28.2 million for the 2010 quarter compared with \$28.4 million in the prior year.

Results by segment

Dredging

Dredging revenues for the first of quarter of 2010 were \$149.0 million compared to \$166.3 million for first quarter of 2009. Dredging revenues in this period were driven by domestic projects as foreign revenues declined. An increase in beach work in the quarter offset the decline in capital and maintenance work. The dredging segment generated operating income of \$19.6 million for the first quarter of 2010 compared to operating income of \$19.0 million for the same period of 2009.

Demolition

Demolition revenues for the first quarter of 2010 totaled \$12.4 million compared to \$12.9 million for the same quarter in 2009. The demolition segment generated an operating loss of \$0.2 million for the first quarter of 2010 compared to an operating loss of \$2.6 million for same 2009 period. The 2009 first quarter margin was impacted by contract losses related to a large development project in downtown Boston that had been delayed due to the economic downturn.

Bidding Activity and Backlog

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

Backlog (in thousands)	March 31, 2010	December 31, 2009	March 31, 2009
Dredging:			
Capital U.S.	\$ 163,598	\$ 203,294	\$ 185,428
Capital foreign	40,968	35,715	120,583
Beach	36,917	63,390	1,478
Maintenance	54,213	63,335	36,074
Demolition	51,204	16,448	24,125
	\$ 346,900	\$ 382,182	\$ 367,688

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

During the first quarter of 2010, \$211 million of work was awarded in the domestic bid market which included two significant capital projects and numerous maintenance projects. The Company won the only beach project awarded in the quarter for \$10.4 million, as well as 29%, or \$22.4 million, of the maintenance work. This resulted in a 16% win percentage of the first quarter bid market, which is below the Company's average win rate of 46% over the last three years. However, 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.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

The Company's contracted dredging backlog as of March 31, 2010 was \$296 million compared with \$344 million as of March 31, 2009. While total dredging backlog has decreased \$48 million, or 14%, compared with total dredging backlog as of March 2009; domestic dredging backlog increased by 14%, primarily driven by increased beach activity. The March 31, 2010 dredging backlog does not reflect approximately \$35 million of domestic low bids pending award, additional phases (options) pending on projects currently in backlog and the remaining option on the Diyar contract. The March 31, 2009 dredging backlog does not reflect approximately \$63 million of domestic low bids pending award and options pending on projects then in backlog.

Demolition services backlog at March 31, 2010 was \$51.2 million, compared with \$24.1 million at March 31, 2009. This increase reflects the success the demolition segment has achieved in expanding into other markets, specifically in New York.

Table of Contents

Market Outlook

United States. The Water Resources Development Act (WRDA) is the primary vehicle for authorizing federal capital projects to deepen the nation's ports. While WRDA authorizes capital projects, the budgeting process appropriates annual funding for projects. The President announced his budget for the fiscal year 2011. While it is down from the previous year, consistent with historical experience, the Company believes this budget is likely to increase. As discussions for next year's budget are starting early, there is a greater likelihood that a budget will be passed. Operating under an approved budget, as opposed to continuing resolutions, helps the Corps bid and manage dredging work more efficiently.

During 2009 the federal bid market was bolstered by the Stimulus. The Company believes that the majority of the work augmented by Stimulus funding has been awarded, however a portion of this work is being completed by the dredging industry in 2010.

While the Stimulus supplemented the Corps' efforts to return our nation's channels to their stated depths, the Company continues to believe that the long term solution for funding port maintenance involves the Harbor Maintenance Trust Fund (HMTF) initiative. Over the last 20 years, the HMTF has collected tax revenue annually that was originally designated to fund harbor maintenance. In recent years the gap between the amount collected under the tax and the amount allocated to harbor maintenance activities has grown significantly as the unallocated funds have been used for general budget purposes. Prior to 2009, maintenance dredging in our nation's ports had been underfunded for several years, leaving many ports at considerably less than their authorized depths. The maritime industry has formed an alliance that is working under the initiative referred to as RAMP, or Realize America's Maritime Promise, that continues to work toward assuring all future tax receipts collected under the HMTF will be spent on port maintenance projects. Through the efforts of RAMP, Congress has increasingly recognized the need to maintain our ports to enable more efficient movement of shipping traffic, thereby reducing costs and promoting economic growth. The allocation of 100% of the HMTF funds to their intended purpose should ensure our harbors are continually maintained at their authorized depths. Recently identical bills were introduced in the House and the Senate with strong support on both sides of the aisle. In addition, a new WRDA bill currently appears to be on track to be introduced and the HMTF legislation is likely to be attached to WRDA bill. The Company believes that the bill may be passed this fall. However, since the 2011 budget has been introduced, any additional funding provided by the passage of the HMTF legislation will not be included in the 2011 budget without the passage of a supplemental appropriations bill. Absent an additional appropriation bill, the dredging industry is unlikely to see the full funding impact from HMTF until the 2012 budget is passed. Nevertheless, the increased focus on infrastructure and port work is a positive sign that Congress and the Administration recognize the importance of funding these types of projects.

The expansion of the Panama Canal continues to heighten the need for the U.S. to deepen its East and Gulf Coast ports. Recently there has been increased discussion for expansion plans for several ports in addition to the \$350 million deepening project in the Delaware River, the first phase of which was bid last year, and the \$600 million deepening project that is planned in Jacksonville, Florida. The Company believes that deepening projects in Savannah, Georgia, Boston, Massachusetts and Miami, Florida are likely, although these projects may not be bid until 2012 or later. In the shorter term, the Company anticipates domestic capital projects to be bid, such as deepening another section of New York harbor, work for the Navy in Norfolk and Florida, and other deepening projects along the Gulf coast. These capital projects could add more than \$100 million to the domestic bid market by the end of this year.

The Supplemental Appropriations Act of 2009 appropriated \$400 million for barrier island and ecosystem restoration along the Mississippi Gulf Coast. The Corps is expected to schedule for bid the first project related to this legislation in the first quarter of 2011. There are currently several other sizable coastal restoration projects, primarily in Louisiana, that have been discussed but whether these projects will be bid this year or in 2011 is not known at this time.

The administration has indicated a willingness to reverse its previous opposition to funding beach projects. Given the Administration's position, and if Congress includes additional beach funding in its version of the budget, the Company expects a larger federal beach market than in recent years. Currently, the Company anticipates that \$100 million in beach projects will be scheduled to be bid in the next 12 months.

Middle East. The Company's current foreign dredging backlog is anticipated to keep the portion of the Company's fleet located in the Middle East busy into the third quarter of 2010. In addition, the Company believes that several additional potential dredging projects may be awarded in the near term. In the longer term, the Company is optimistic about its opportunities in the Middle East as the Company believes that customers in the Middle East are beginning to feel more confident in moving forward with infrastructure projects, although these projects are expected to be smaller in scope than historical Middle East projects. In order to position the Company to take advantage of these opportunities, the Company is upgrading its dredge Ohio to a world class cutter suction dredge. Plans to upgrade the Ohio were put on hold at the start of 2009 as the Company was uncertain whether there would be enough work for a dredge of this size.

Demolition. Demolition segment backlog exceeded \$50 million at the end of the first quarter of 2010. A significant portion of projects in backlog are located in the New York market. This is a sizable amount of work for the demolition segment to work off in 2010 and into 2011 may be an early sign of economic recovery in the construction market.

Table of Contents

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flow generated from operations and borrowings under its senior credit facility. The Company's principal uses of cash are to meet debt service requirements, finance its capital expenditures, provide working capital and meet other general corporate purposes.

The Company's net cash provided by (used in) operating activities for the quarters ended March 31, 2010 and 2009 totaled \$37.2 million, and \$(16.2) million, respectively. Normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities. In the first three months of 2010, lower activity in foreign operations (which usually experience longer collection periods) coupled with payments being made on a foreign account receivable that had been outstanding throughout 2009, drove the increase in cash generated. The opposite situation occurred in the first three months of 2009 with a high level of foreign work and delayed payment from our foreign customer.

The Company's net cash flows used in investing activities for the quarters ended March 31, 2010 and 2009 totaled \$7.0 million and \$5.7 million, respectively. Investing activities in both periods primarily relate to normal course upgrades and capital maintenance of our dredging fleet. In addition, in 2009 the Company invested \$1.2 million to acquire a 65% ownership interest in Yankee, an addition to the demolition segment.

The Company's net cash flows provided by (used in) financing activities for the quarters ended March 31, 2010 and 2009 totaled (\$12.5) million and \$17.7 million, respectively. The Company repaid \$11.0 million of revolving credit borrowings in the first quarter of 2010, accounting for most of the use of cash in financing activities. Cash flow in 2009 was primarily generated by \$19.2 million of revolving credit borrowings, offset by repayments of equipment debt and dividends.

The Company paid a \$1.0 million dividend in the 2010 first quarter. The declaration and payment of any future cash dividends will be at the discretion of the Company's Board of Directors and will depend on many factors, including general economic and business conditions, the Company's strategic plans, the Company's financial results and condition, legal requirements, including restrictions and limitations contained in the Company's senior credit facility and the indenture relating to its senior subordinated debt, and other factors the Board of Directors deems relevant. Accordingly the Company cannot make any assurances as to the size of any such dividend or that it will pay any such dividend in future quarters.

The Company's obligations under its bank credit facility and bonding agreement are secured by liens on a substantial portion of the Company's operating equipment. The Company's obligations under its international letter of credit facility are secured by the Company's foreign accounts receivable. The Company's 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 limitations on dividends, redemption and repurchases of capital stock, and the incurrence of indebtedness and requirements to maintain certain financial covenants. In late 2008, Lehman Brothers, a 6.5% participant in the Company's credit facility, filed for bankruptcy and stopped funding its share of the Company's revolver borrowings. As Lehman Brothers is a defaulting lender, the Company is no longer able to draw upon Lehman Brother's pro rata portion of their commitment. As of March 31, 2010, the Company had no amounts outstanding under its revolving credit facility. As such, Lehman Brothers' remaining \$10.0 million commitment has not been included in the Company's availability under its credit facility; however, as the Company has significant capacity on its revolver, this has not presently impacted the Company's ability to fund working capital needs. For additional detail, see Note 8 to Condensed Consolidated Financial Statements included in this report.

The Company believes its anticipated cash flows from operations and availability under its revolving credit facility will be sufficient to fund the Company's operations, capital expenditures, debt service requirements and pay any declared dividends for the next 12 months. Beyond the next 12 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 the bonding agreement, depends on its future operating performance and cash flow, which in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond the Company's control.

Critical Accounting Policies and Estimates

In preparing its consolidated financial statements, the Company follows accounting principles generally accepted in the United States of America. 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. There have been no material changes in the Company's critical accounting policies or estimates since December 31, 2009.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The market risk of the Company's financial instruments as of March 31, 2010 has not materially changed since December 31, 2009. The market risk profile of the Company on December 31, 2009 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, 2009.

Table of Contents

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, have 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, 2010. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act 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 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective in providing such 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 most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes during the three months ended March 31, 2010 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, 2009.

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

(a) None.

(b) None.

(c) None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Reserved

Item 5. Other Information

(a) None.

(b) Not applicable.

Item 6. Exhibits

31.1 Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) 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.

Table of Contents

SIGNATURE

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

Great Lakes Dredge & Dock Corporation

(registrant)

By: */s/* **BRUCE J BIEMECK**
Bruce J Biemeck

President and Chief Financial Officer

**(Principal Financial and Accounting Officer and Duly Authorized
Officer)**

Date: December 23, 2010

Table of Contents

EXHIBIT INDEX

Number	Document Description
31.1	Certification Pursuant to Rules 13a-14(a) and 15d-14(a) 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(a) and 15d-14(a) 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.

Table of Contents

NON 100%-OWNED SUBSIDIARY GUARANTOR FINANCIAL STATEMENTS

Great Lakes Dredge & Dock Corporation (GLDD) is required to provide stand-alone financial statements for its Non 100%-Owned Subsidiary Guarantors, NASDI, LLC (NASDI) and Yankee Environmental Services, LLC (Yankee), pursuant to Rule 3-10 of Regulation S-X. NASDI and Yankee, along with GLDD s 100%-Owned Subsidiary Guarantors, guarantee certain of GLDD s outstanding debt obligations. Note 11 of the condensed consolidated financial statements of GLDD, included under Part I of this Form 10-Q/A, contains condensed consolidating financial information for GLDD, NASDI, Yankee and GLDD s other subsidiaries. Stand-alone unaudited financial statements for NASDI and Yankee are presented on the following pages.

F-1

Table of Contents

INDEX TO NASDI, LLC UNAUDITED CONDENSED FINANCIAL STATEMENTS

	Page
Unaudited Financial Statements	
<u>Condensed Balance Sheets at March 31, 2010 and December 31, 2009</u>	F-3
<u>Condensed Statements of Operations for the Three Months ended March 31, 2010 and 2009</u>	F-4
<u>Condensed Statements of Cash Flows for the Three Months ended March 31, 2010 and 2009</u>	F-5
<u>Notes to Condensed Financial Statements</u>	F-6
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	F-9

Table of Contents**NASDI, LLC****Condensed Balance Sheets****(Unaudited)****(in thousands)**

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,657	\$ 194
Accounts receivable Net	12,710	10,194
Receivables from affiliate	3	
Contract revenues in excess of billings	1,818	1,989
Prepaid expenses and other current assets	590	129
Total current assets	16,778	12,506
PROPERTY AND EQUIPMENT Net	8,984	9,187
GOODWILL	21,224	21,224
OTHER INTANGIBLE ASSETS Net	241	279
TOTAL	47,227	43,196
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,548	\$ 7,623
Payables to parent	8,320	8,078
Payables to affiliate	2,190	1,067
Accrued expenses	1,337	1,457
Billings in excess of contract revenues	1,834	791
Current portion of equipment debt	910	1,200
Total current liabilities	24,139	20,216
Other	270	370
Total liabilities	24,409	20,586
COMMITMENTS AND CONTINGENCIES		
MEMBERS EQUITY	22,818	22,610
TOTAL	\$ 47,227	\$ 43,196

See notes to unaudited condensed financial statements.

Table of Contents

NASDI, LLC

Condensed Statements of Operations

(Unaudited)

(in thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Contract revenues	\$ 12,243	\$ 12,598
Costs of contract revenues	10,418	12,785
Gross profit (loss)	1,825	(187)
General and administrative expenses	1,486	1,869
Amortization of intangible assets	37	38
Operating income (loss)	302	(2,094)
Interest expense, net	(95)	(67)
Net income (loss)	\$ 207	\$ (2,161)

See notes to unaudited condensed financial statements.

Table of Contents**NASDI, LLC****Condensed Statements of Cash Flows****(Unaudited)****(in thousands)**

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net income (loss)	\$ 207	\$ (2,161)
Adjustments to reconcile net income (loss) to net cash flows provided by operating activities:		
Depreciation and amortization	624	652
Gain on dispositions of property and equipment	(15)	
Changes in assets and liabilities:		
Accounts receivable	(2,519)	(3,138)
Contract revenues in excess of billings	171	1,483
Prepaid expenses and other current assets	(460)	370
Accounts payable and accrued expenses	2,938	683
Billings in excess of contract revenues	1,043	(64)
Other noncurrent assets and liabilities		(170)
Net cash flows provided by (used in) operating activities	1,989	(2,345)
INVESTING ACTIVITIES:		
Purchases of property and equipment	(336)	(1,493)
Dispositions of property and equipment		5
Net cash flows used in investing activities	(336)	(1,488)
FINANCING ACTIVITIES:		
Change in accounts with affiliates	221	4,625
Repayment of equipment debt	(411)	(418)
Net cash flows (used in) provided by financing activities	(190)	4,207
Net change in cash and cash equivalents	1,463	374
Cash and cash equivalents at beginning of period	194	116
Cash and cash equivalents at end of period	\$ 1,657	\$ 490
Supplemental Cash Flow Information		
Cash paid for interest	\$ 12	\$ 36
Non-cash Investing Activity		
Property and equipment purchased on equipment notes	\$ 32	\$

Table of Contents

NASDI, LLC

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of presentation

The unaudited condensed financial statements and notes herein of NASDI, LLC (NASDI) should be read in conjunction with NASDI's annual audited financial statements and the notes thereto. The condensed financial statements included herein have been prepared by NASDI 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 (except as otherwise noted), that are necessary to present fairly NASDI's financial position as of March 31, 2010 and its results of operations for the three months ended March 31, 2010 and 2009 and cash flows for the three months ended March 31, 2010 and 2009, have been included.

NASDI is a demolition service provider headquartered in the Boston, Massachusetts area. NASDI's principal services consist of interior and exterior demolition of commercial and industrial buildings, salvage and recycling of related materials, and removal of hazardous substances and materials.

NASDI Holdings Corporation (NASDI Holdings), a wholly owned subsidiary of Great Lakes Dredge & Dock Corporation (GLDD), is the owner of 100% of the Class A interests, which provide a \$28,000 liquidation preference with respect to proceeds upon disposition of NASDI. NASDI Holdings also owns 65% of the Class B interests, with the remaining 35% owned by Christopher A. Berardi, the president of NASDI Holdings. The holders of Class B interests are entitled to receive periodic distributions of profits based on available cash flows from operations on a pro rata basis in proportion to their percentage ownership interest.

The accompanying financial statements have been prepared from the records maintained by NASDI and GLDD and may not necessarily be indicative of the conditions that would have existed or the results of the operations that would have resulted if NASDI had been operated as an unaffiliated company. Portions of certain income and expenses represent allocations made from GLDD's income and expenses applicable to GLDD as a whole. GLDD has provided a letter to NASDI indicating that it will not demand NASDI repay the amounts payable to GLDD prior to January 2, 2012 even though such payables are due on demand.

The majority of NASDI's contracts for demolition services are fixed-price contracts, with others managed as time and materials or equipment rental projects. Substantially all of NASDI's contract revenues, including salvage revenues, are recognized under the percentage-of-completion method, using a cost-to-cost method to measure the extent of progress toward completion. Contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion of each project. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Claims for additional compensation due to NASDI are not recognized in contract revenues until such claims are settled. Billings on contracts are generally submitted after verification with the customers of physical progress and may not match the timing of revenue recognition. The difference between amounts billed and recognized as revenue is reflected in the balance sheet as either contract revenues in excess of billings or billings in excess of contract revenues. Change orders are often negotiated when a change in conditions from the original contract specifications is encountered, necessitating a change in project performance methodology. Such change orders are considered changes in the scope of the original projects to which they relate and the project estimates are adjusted accordingly.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and rentals), subcontracts, 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. Costs of salvage are inseparable from the costs of contract revenues. Contract revenues include revenues from salvage totaling \$569 for the three months ended March 31, 2010 and \$1,292 for the same period in 2009.

As of December 31, 2008, NASDI had contract revenues in excess of billings of \$6,463, of which \$2,359 related to a single project. Work at this project site ceased as the developer of the site postponed completion due to financial difficulties related to the project. Accordingly, during 2009, uncertainty arose as to when, if ever, NASDI would be able to resume work at this site, complete its work under the contract, and invoice the remaining contractual billings. Due to this uncertainty, NASDI realized a reduction in gross profit of approximately \$1,192 during the first three months of 2009. In the fourth quarter of 2009, NASDI ultimately concluded that it was unlikely that work at this project site would resume in the

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

foreseeable future under the same scope of work given the continued difficulty of the project developer to obtain project financing. Accordingly, for the full year of 2009, NASDI reduced gross profit by approximately \$2,500.

F-6

Table of Contents**NASDI, LLC****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(dollar amounts in thousands, except per share amounts or as otherwise noted)**

NASDI performed its most recent annual test of impairment as of July 1, 2009 for goodwill with no indication of goodwill impairment as of the test date. As of the measurement date, the fair value was \$1,751 above the carrying value. A more than insignificant decline in NASDI's future operating results or cash flow forecasts versus its current forecasts could potentially trigger a goodwill impairment charge in a future period. No test was performed in the first three months of 2010 as no triggering events which would require a test were deemed to have occurred, based on NASDI's current quarterly results and forecasts. NASDI will perform its next annual test of impairment during the third quarter of 2010.

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

2. Accounts receivable

Accounts receivable at the periods presented are as follows:

	March 31, 2010	December 31, 2009
Completed contracts	\$ 1,421	\$ 2,799
Contracts in progress	8,242	4,558
Retainage	3,547	3,337
	13,210	10,694
Allowance for doubtful accounts	(500)	(500)
Total accounts receivable net	\$ 12,710	\$ 10,194

3. Contracts in progress

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

	March 31, 2010	December 31, 2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 16,329	\$ 25,238
Amounts billed	(14,685)	(23,612)
Costs and earnings in excess of billings for contracts in progress	1,644	1,626
Costs and earnings in excess of billings for completed contracts	173	363
Total contract revenues in excess of billings	\$ 1,818	\$ 1,989

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Billings in excess of costs and earnings:		
Amounts billed	\$ (24,410)	\$ (13,903)
Costs and earnings for contracts in progress	22,576	13,112
Total billings in excess of contract revenues	\$ (1,834)	\$ (791)

F-7

Table of Contents**NASDI, LLC****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(dollar amounts in thousands, except per share amounts or as otherwise noted)****4. Accrued expenses**

Accrued expenses at the periods presented are as follows:

	March 31, 2010	December 31, 2009
Insurance	\$ 852	\$ 1,041
Payroll and employee benefits	311	214
Income and other taxes	100	100
Other	74	102
Total accrued expenses	\$ 1,337	\$ 1,457

5. Major customers and concentrations of risk

For the three months ended March 31, 2010 and 2009, 19% and 11%, respectively, of NASDI's revenues were derived from a single customer (which was a different entity in each period). At March 31, 2010 and December 31, 2009, approximately 9% and 8%, respectively, of accounts receivable, including contract revenues in excess of billings, was due on contracts with one customer.

6. Related party transactions

For the three months ended March 31, 2010 and 2009, NASDI incurred interest expense to GLDD totaling \$83 and \$32, respectively. The interest expense related primarily to working capital advances from GLDD to fund NASDI's working capital needs. The net of such amounts is shown as payables to parent in the balance sheet. The amount advanced by GLDD accrues interest at a per annum rate of not less than the higher of (a) the Prime Rate plus 1% or (b) 0.50% per annum above the Federal Funds Rate plus 1%, and is payable quarterly. The effective rate was 4.25% at March 31, 2010 and 2009.

NASDI is also charged a management fee by GLDD to compensate GLDD for certain administrative fees and services such as accounting and tax functions performed by GLDD on NASDI's behalf, as well as for any payroll and incentive compensation paid directly by GLDD. During the three months ended March 31, 2010 and 2009, NASDI incurred expense of \$114 and \$132, respectively, related to such charges. The amount payable to affiliate relates to the intercompany transactions for subcontract work performed by an affiliate of NASDI.

7. Commitments and contingencies***Commercial commitments***

NASDI, along with other subsidiaries of GLDD, has guaranteed the repayment of debt and interest under GLDD's \$145 million senior bank credit facility and \$175 million senior subordinated notes. As of March 31, 2010, GLDD had no outstanding borrowings and \$19,585 of letters of credit outstanding under its credit facility. GLDD's senior subordinated notes mature on December 15, 2013 and accrue interest at the rate of 7.75% annually.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

Performance and/or bid bonds are occasionally required for NASDI's demolition projects. NASDI obtains its performance and bid bonds through GLDD's bonding agreement with its surety company.

Legal proceedings and other contingencies

NASDI is a defendant in various legal proceedings. 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, where NASDI contracted 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, NASDI does not believe this claim will have a material adverse impact on the consolidated financial statements.

NASDI is also involved in property damage claims arising during a former project. During 2009 and early 2010, many of the claims settled, however, claims totaling approximately \$600 remain outstanding. NASDI is covered by insurance in this matter under GLDD's insurance programs and since the claims relate to a 2007 event, GLDD maintains all loss exposure related to this matter and NASDI therefore does not believe that such matter will materially affect its financial position, results of operations or cash flows.

Table of Contents**Management's Discussion and Analysis of Financial Condition and Results of Operations****General**

NASDI is a demolition service provider headquartered in the Boston, Massachusetts area. NASDI's principal services consist of interior and exterior demolition of commercial and industrial buildings, salvage and recycling of related materials, and removal of hazardous substances and materials. The majority of NASDI's work has historically been performed in New England. However, NASDI is currently expanding its footprint, primarily into New York.

Results of Operations

The following table sets forth the components of net income (loss) as a percentage of contract revenues for the three months ended March 31, 2010 and 2009:

	Three Months Ended	
	March 31,	
	2010	2009
Contract revenues	100.0%	100.0%
Costs of contract revenues	(85.1)	(101.5)
Gross profit (loss)	14.9	(1.5)
General and administrative expenses	(12.1)	(14.8)
Amortization of intangible assets	(0.3)	(0.3)
Operating income (loss)	2.5	(16.6)
Interest expense, net	(0.8)	(0.5)
Net income (loss)	1.7	(17.1)

Revenue of \$12.2 million for the 2010 first quarter was down slightly from \$12.6 million for the 2009 first quarter reflecting continued weak economic activity. NASDI continues to work on expansion into the New York market.

NASDI's gross profit for the three months ended March 31, 2010 improved as 2009 gross profit was negatively impacted by write-offs of \$1.5 million related to large projects that were delayed or canceled due to the economic downturn. Gross profit in 2010 has continued to be negatively impacted by the lower level of activity from the economic downturn relative to fixed costs, but did benefit in the quarter from the settlement of a \$0.3 million claim on a previously completed project.

NASDI's general and administrative expenses totaled \$1.5 million for the three months ended March 31, 2010, a decrease from \$1.9 million for the three ended March 31, 2009. The decrease was largely related to a decrease of salary and related expenses. General and administrative expense in 2009 was also negatively impacted by a bad debt write-off related to a project.

Operating income for the three months ended March 31, 2010 increased to \$0.3 million versus an operating loss of \$2.1 million in 2009. Operating income increased primarily as a result of the increased revenue and resulting gross profit.

Backlog

Backlog at March 31, 2010 was \$50.8 million, compared with \$16.2 million at December 31, 2009. This increase reflects the success NASDI has achieved in expanding into neighboring markets, specifically in the New York area, along with additional niche markets such as bridge demolition.

Liquidity and Capital Resources

NASDI's principal source of liquidity is cash flow from operations; however, in recent periods its principal source of liquidity has been advances from its parent, GLDD or an affiliate of GLDD. GLDD or an affiliate has advanced additional funds to NASDI when its operations are unable to

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

fully meet NASDI's cash needs. NASDI's principal uses of cash are to finance its capital expenditures, repay affiliate advances, provide working capital and meet other general corporate purposes.

F-9

Table of Contents

NASDI's net cash provided by operating activities for the three months ended March 31, 2010 totaled \$2.0 million. NASDI's net cash used in operating activities for the three months ended March 31, 2009 totaled \$2.3 million. Operational results, as well as normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from (or used in) operating activities.

NASDI's net cash flows used in investing activities for the three months ended March 31, 2010 and 2009 totaled \$0.3 million and \$1.5 million, respectively. Investing activities in 2010 consisted largely of leasehold improvements to NASDI's operating facility while activities in same period of 2009 included purchases of new demolition equipment.

NASDI's net cash flows used in financing activities for the three months ended March 31, 2010 totaled \$0.2 million. NASDI's net cash provided by financing activities for the three months ended March 31, 2009 totaled \$4.2 million. In the 2009 first quarter, NASDI borrowed \$4.6 million from GLDD versus \$0.2 million in the 2010 first quarter.

Table of Contents

INDEX TO YANKEE ENVIRONMENTAL SERVICES, LLC UNAUDITED CONDENSED FINANCIAL STATEMENTS

	Page
Unaudited Financial Statements	
<u>Condensed Balance Sheets at March 31, 2010 and December 31, 2009</u>	F-12
<u>Condensed Statements of Operations for the Three Months ended March 31, 2010 and 2009</u>	F-13
<u>Condensed Statements of Cash Flows for the Three Months ended March 31, 2010 and 2009</u>	F-14
<u>Notes to Condensed Financial Statements</u>	F-15
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	F-18

Table of Contents**Yankee Environmental Services, LLC****Condensed Balance Sheets****(Unaudited)****(in thousands)**

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 175	\$ 213
Accounts receivable	251	1,627
Accounts receivable affiliate	2,310	1,918
Contract revenues in excess of billings	92	26
Prepaid expenses and other current assets		38
Total current assets	2,828	3,822
PROPERTY AND EQUIPMENT Net	396	450
GOODWILL	250	250
OTHER INTANGIBLE ASSETS Net	361	398
TOTAL	\$ 3,835	\$ 4,920
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 329	\$ 395
Payables to affiliate	1,686	2,758
Accrued expenses	560	538
Billings in excess of contract revenues	289	200
Total liabilities	2,864	3,891
COMMITMENTS AND CONTINGENCIES		
MEMBERS EQUITY	971	1,029
TOTAL	\$ 3,835	\$ 4,920

See notes to unaudited condensed financial statements

Table of Contents

Yankee Environmental Services, LLC

Condensed Statements of Operations

(Unaudited)

(in thousands)

	Three Months Ended	
	March 31,	
	2010	2009
Contract revenues	\$ 1,666	\$ 2,055
Costs of contract revenues	1,510	2,194
Gross profit (loss)	156	(139)
General and administrative expenses	158	209
Amortization of intangible assets	37	120
Operating loss	(39)	(468)
Interest expense, net	(19)	
Net loss	\$ (58)	\$ (468)

See notes to unaudited condensed financial statements.

Table of Contents**Yankee Environmental Services, LLC****Condensed Statements of Cash Flows****(Unaudited)****(in thousands)**

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net loss	\$ (58)	\$ (468)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Depreciation and amortization	91	173
Changes in assets and liabilities:		
Accounts receivable	984	(21)
Contract revenues in excess of billings	(66)	(530)
Prepaid expenses and other current assets	38	15
Accounts payable and accrued expenses	(44)	615
Billings in excess of contract revenues	89	245
Other noncurrent assets and liabilities		163
Net cash flows provided by operating activities	1,034	192
INVESTING ACTIVITIES:		
Acquisition of business		(1,891)
Net cash flows provided by (used in) investing activities		(1,891)
FINANCING ACTIVITIES:		
Contributions from members		1,891
Change in payables to affiliates	(1,072)	(166)
Net cash flows used in (provided by) financing activities	(1,072)	1,725
Net change in cash and cash equivalents	(38)	26
Cash and cash equivalents at beginning of period	213	
Cash and cash equivalents at end of period	\$ 175	\$ 26

See notes to unaudited condensed financial statements.

Table of Contents

YANKEE ENVIRONMENTAL SERVICES, LLC

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of presentation

The unaudited condensed financial statements and notes herein of Yankee Environmental Services, LLC (Yankee) should be read in conjunction with Yankee s annual financial statements and the notes thereto. The condensed financial statements included herein have been prepared by Yankee 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 (except as otherwise noted), that are necessary to present fairly Yankee s financial position as of March 31, 2010 and its results of operations and cash flows for the three months ended March 31, 2010 and 2009 have been included.

Yankee is a provider of environmental remediation services including asbestos abatement and removal of other hazardous materials in the Boston area. Yankee s principal services consist of lead paint and asbestos abatement along with demolition services to private and government entities including schools, universities, hospitals and other businesses.

NASDI Holdings Corporation (NASDI Holdings), a wholly owned subsidiary of Great Lakes Dredge & Dock Corporation (GLDD), is the owner of 100% of the Class A interests which represent 65% of Yankee s common equity. The Class B interests are held by third parties, one of which is Christopher A. Berardi, the president of NASDI Holdings, and represent 35% of Yankee s common equity. The holders of the Class A and Class B interests are entitled to receive periodic distributions of profits based on available cash flows from operations on a pro rata basis in proportion to their percentage ownership interest.

The accompanying financial statements have been prepared from the records maintained by Yankee and GLDD and may not necessarily be indicative of the conditions that would have existed or the results of the operations that would have resulted if Yankee had been operated as an unaffiliated company. Portions of certain income and expenses represent allocations made from GLDD s income and expenses applicable to GLDD as a whole.

The majority of Yankee s contracts for asbestos abatement services are fixed-price contracts, with others managed as time and materials. Substantially all of Yankee s contract revenues are recognized under the percentage-of-completion method, using a cost-to-cost method to measure the extent of progress toward completion. Contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion of each project. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Claims for additional compensation due to Yankee are not recognized in contract revenues until such claims are settled. Billings on contracts are generally submitted after verification with the customers of physical progress and may not match the timing of revenue recognition. The difference between amounts billed and recognized as revenue is reflected in the balance sheet as either contract revenues in excess of billings or billings in excess of contract revenues. Change orders are often negotiated when a change in conditions from the original contract specifications is encountered, necessitating a change in project performance methodology. Such change orders are considered changes in the scope of the original projects to which they relate and the project estimates are adjusted accordingly.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance, and 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.

Yankee performed its most recent annual test of impairment as of July 1, 2009 for goodwill with no indication of goodwill impairment as of the test date. Yankee will perform its next scheduled annual test of impairment during the third quarter of 2010, should no triggering events occur which would require a test prior to the next annual test.

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

Table of Contents**YANKEE ENVIRONMENTAL SERVICES, LLC****NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(dollar amounts in thousands, except per share amounts or as otherwise noted)****2. Accounts receivable**

Accounts receivable at the periods presented are as follows:

	March 31, 2010	December 31, 2009
Completed contracts	\$ 1,952	\$ 1,849
Contracts in progress	112	1,318
Retainage	497	378
	2,561	3,545
Allowance for doubtful accounts		
Total accounts receivable net	\$ 2,561	\$ 3,545

3. Contracts in progress

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

	March 31, 2010	December 31, 2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 1,445	\$ 26
Amounts billed	(1,353)	
Costs and earnings in excess of billings for contracts in progress	92	26
Costs and earnings in excess of billings for completed contracts		
Total contract revenues in excess of billings	\$ 92	\$ 26
Billings in excess of costs and earnings:		
Amounts billed	\$ (294)	\$ (1,353)
Costs and earnings for contracts in progress	5	1,153
Total billings in excess of contract revenues	\$ (289)	\$ (200)

4. Accrued expenses

Accrued expenses at the periods presented are as follows:

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-Q/A

	March 31, 2010	December 31, 2009
Insurance	338	270
Accrued loss on uncompleted contract	119	234
Payroll and employee benefits	103	34
Total accrued expenses	\$ 560	\$ 538

F-16

Table of Contents

YANKEE ENVIRONMENTAL SERVICES, LLC

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

5. Major customers and concentrations of risk

For the three months ended March 31, 2010 and 2009, 69% and 98%, respectively, of Yankee's revenues were derived from one customer, NASDI, LLC (NASDI), an affiliate. At March 31, 2010 and December 31, 2009, approximately 90% and 63%, respectively, of accounts receivable, including contract revenues in excess of billings, was due on contracts with NASDI.

6. Related party transactions

As noted above, Yankee's largest customer is NASDI. In addition, for the three months ended March 31, 2010 and 2009, Yankee incurred interest expense to GLDD totaling \$19 and \$0, respectively. The interest expense relates primarily to debt for periodic advances from GLDD to fund Yankee's working capital needs. The net of such amounts is shown as payables to parent in the balance sheet. The amount advanced by GLDD accrues interest at a per annum rate of not less than the higher of (a) the Prime Rate plus 1% or (b) 0.50% per annum above the Federal Funds Rate plus 1%, and is payable quarterly. The effective rate was 4.25% at March 31, 2010 and 2009.

Yankee is also charged a management fee by GLDD to compensate GLDD for certain administrative fees and services such as accounting and tax functions performed by GLDD on Yankee's behalf, as well as for any payroll and incentive compensation paid directly by GLDD. During three months ended March 31, 2010 and 2009, Yankee incurred expense of \$7 and \$10, respectively, related to such charges.

7. Commitments and contingencies

Yankee, along with other subsidiaries of GLDD, has guaranteed the repayment of debt and interest under GLDD's \$145 million senior bank credit facility and \$175 million senior subordinated notes. As of March 31, 2010, GLDD had no outstanding borrowings and \$19,585 of letters of credit outstanding under its credit facility. GLDD's senior subordinated notes mature on December 15, 2013 and accrue interest at the rate of 7.75% annually.

Table of Contents**Management's Discussion and Analysis of Financial Condition and Results of Operations****General**

Yankee is a provider of environmental remediation services including asbestos abatement and removal of other hazardous materials in the Boston area. Yankee's principal services consist of lead paint and asbestos abatement along with demolition services to private and government entities including schools, universities, hospitals and other businesses.

A wholly owned subsidiary of GLDD is the owner of 100% of Yankee's Class A membership interests. Yankee's Class B membership interests are held by third parties, one of which is Mr. Christopher A. Berardi, an employee of GLDD's wholly-owned subsidiary. The holder of the Class A membership interest owns 65% of Yankee's common equity interests and the holders of Yankee's Class B membership interests own 35% of Yankee's common equity.

NASDI Holdings also has a 65% interest in NASDI, LLC (NASDI), a demolition service provider headquartered in the Boston, Massachusetts area.

Results of Operations

The following table sets forth the components of net loss as a percentage of contract revenues for the three months ended March 31, 2010 and 2009:

	Three Months Ended	
	March 31,	
	2010	2009
Contract revenues	100.0%	100.0%
Costs of contract revenues	(90.6)	(106.8)
Gross profit (loss)	9.4	(6.8)
General and administrative expenses	(9.5)	(10.2)
Amortization of intangible assets	(2.2)	(5.8)
Operating loss	(2.3)	(22.8)
Interest expense, net	(1.1)	
Net loss	(3.4)	(22.8)

Revenue of \$1.7 million for the 2010 first quarter was below \$2.1 million for the 2009 first quarter. NASDI has accounted for \$1.3 million or 68.7% of Yankee's revenues for the first three months of 2010. Contract revenues from NASDI were \$2.0 million or 97.5% in the first three months of 2009.

Yankee's gross profit for the three months ended March 31, 2010 was \$0.2 compared to a gross loss of \$0.1 million for the same period in 2009. Gross profit in 2010 was aided by one project generating a gross margin of 86% or \$0.2 million due to cost savings on the project occurring in the first quarter. Gross profit in 2009 was impacted by one project incurring a loss of \$0.1 million due to additional disposal costs.

Yankee's general and administrative expenses totaled \$0.2 million for the three months ended March 31, 2010 and 2009. General and administrative expenses consist largely of salary and related expenses.

Operating loss for the three months ended March 31, 2010 was \$0.04 million versus \$0.5 million for the same period in 2009 reflecting the improved gross profit in 2010 and an approximately \$0.1 million reduction in intangible asset amortization in 2010 versus 2009.

Interest expense for the three months ended March 31, 2010 was essentially flat versus the same period in 2009.

Net loss for the three months ended March 31, 2010, was \$0.1 million. Net loss for the three months ended March 31, 2009 was \$0.5 million. The change in net loss is primarily attributable to the fluctuations in gross profit described above.

Backlog

Backlog was \$0.8 million at March 31, 2010 and December 31, 2009. This is a result of Yankee and NASDI's continued efforts to expand its customer base throughout the Boston area, together with improving business conditions in the Boston area.

Table of Contents

Liquidity and Capital Resources

Yankee's principal source of liquidity is cash flow from operations, however in recent periods its principal source of liquidity has been advances from its parent, GLDD or an affiliate of GLDD. GLDD or an affiliate has advanced additional funds to Yankee when its operations are unable to fully meet Yankee's cash needs. Yankee's principal uses of cash are to finance its capital expenditures, provide working capital, repay affiliate advances and meet other general corporate purposes.

Yankee's net cash provided by operating activities for the three months ended March 31, 2010 and 2009 totaled \$1.0 million and \$0.2 million, respectively. Operational results, as well as normal increases or decreases in the level of working capital relative to the level of operational activity impact cash flow from operating activities, with the collection of receivables outstanding at December 31, 2009 driving the increase in operating cash flow in the 2010 period.

Yankee had no net cash flows used in investing activities for the three months ended March 31, 2010. Yankee's net cash flows used in investing activities for the three months ended March 31, 2009 were \$1.9 million, for the acquisition of the business.

Yankee's net cash flows used in financing activities for the three months ended March 31, 2010 totaled \$1.1 million, and represented net repayments by Yankee of its advances from affiliates. Yankee's net cash flow provided by financing activities for the three months ended March 31, 2009 totaled \$1.7 million, and represented \$1.9 million of contributions from members to fund the acquisition of the business and net repayments to affiliates of \$0.2 million.