

Great Lakes Dredge & Dock CORP
Form 10-Q/A
December 23, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from to

Commission file number: 001-33225

Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

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

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GREAT LAKES DREDGE & DOCK CORPORATION

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

EXPLANATORY NOTE

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

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

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

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

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

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

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Great Lakes Dredge & Dock Corporation and Subsidiaries

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

Securities Exchange Act of 1934

For the Quarterly Period ended June 30, 2010

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

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

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

See notes to unaudited condensed consolidated financial statements.

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

See notes to unaudited condensed consolidated financial statements.

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

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

See notes to unaudited condensed consolidated financial statements.

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

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

Supplemental Cash Flow Information

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

See notes to unaudited condensed consolidated financial statements.

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the Company or Great Lakes) and the notes thereto, included in the Company's Annual Report filed on Form 10-K for the year ended December 31, 2009. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature, that are necessary to present fairly the Company's financial position as of June 30, 2010 and its results of operations for the three and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009, have been included.

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

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

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

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

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

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. For the three and six months ended June 30, 2010, options to purchase 644,123 shares of common stock (NQSOs) and restricted stock units (RSUs) that are convertible into 122,716 shares of common stock were excluded from the computation of earnings per share (EPS), and for the three and six months ended June 30, 2009, 727,843 NQSOs and 145,736 RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive. The computations for basic and diluted earnings per share from continuing operations are as follows:

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

3. Fair value measurements

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

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

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

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

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

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

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)

Interest Rate Swaps

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

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

inputs.

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

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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

Fuel Hedge Contracts

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

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

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

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

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

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

Other financial instruments

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

4. Share-based compensation

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

5. Accounts receivable

Accounts receivable at the periods presented are as follows:

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

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

6. Contracts in progress

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

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

7. Accrued expenses

Accrued expenses at the periods presented are as follows:

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

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)****8. Segment information**

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

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

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

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

9. Commitments and contingencies**Commercial commitments**

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

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

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

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

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

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

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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

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

Legal proceedings and other contingencies

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

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

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

On October 19, 2006, Great Lakes and the other dredging companies filed in federal district court for exoneration or limitation of liability under the Limitation of Liability Act (the Limitation Action). The Limitation Action stays all outstanding Katrina Claims against Great Lakes in the district court, pending resolution of the Limitation Action. Approximately 40,000 claims by individuals, businesses, and the State of Louisiana

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

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

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

10. Supplemental condensed consolidating financial information

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

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

- (i) balance sheets as of June 30, 2010 and December 31, 2009;
- (ii) statements of operations for the three months and six months ended June 30, 2010 and June 30, 2009; and
- (iii) statements of cash flows for the six months ended June 30, 2010 and June 30, 2009.

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

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

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

AS OF JUNE 30, 2010

UNAUDITED

(in thousands)

	Subsidiary Guarantors			Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
	100%-Owned	NASDI	Yankee				
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 52,378	\$ 214	\$ 201	\$ 9	\$	\$	\$ 52,802
Accounts receivable net	122,195	11,896	876				134,967
Receivables from affiliates	20,054	3	1,069	2,744		(23,870)	
Contract revenues in excess of billings	9,276	3,711	229			(79)	13,137
Inventories	29,494						29,494
Prepaid expenses	2,704	20			130		2,854
Other current assets	6,518	238	7		6,539		13,302
Total current assets	242,619	16,082	2,382	2,753	6,669	(23,949)	246,556
PROPERTY AND EQUIPMENT Net	275,468	8,715	343				284,526
GOODWILL	76,575	21,224	250				98,049
OTHER INTANGIBLE ASSETS Net	290	203	326				819
INVESTMENTS IN SUBSIDIARIES	25,753				529,918	(555,671)	
INVENTORIES Noncurrent	25,537						25,537
INVESTMENTS IN JOINT VENTURES	7,090						7,090
OTHER ASSETS	2,318				5,179	(719)	6,778
TOTAL	\$ 655,650	\$ 46,224	\$ 3,301	\$ 2,753	\$ 541,766	\$ (580,339)	\$ 669,355
LIABILITIES AND EQUITY							
CURRENT LIABILITIES:							
Accounts payable	71,116	6,979	437				78,532
Payables to affiliates	291	11,571	1,410		10,650	(23,922)	
Accrued expenses	22,085	2,149	505		10,226		34,965
Billings in excess of contract revenues	24,543	2,512	62			(27)	27,090
Current portion of equipment debt		669					669
Total current liabilities	118,035	23,880	2,414		20,876	(23,949)	141,256
7 ³ / ₄ % SENIOR SUBORDINATED NOTES					175,000		175,000
DEFERRED INCOME TAXES	2				80,136	(719)	79,419
OTHER	7,695	231			2,942		10,868
Total liabilities	125,732	24,111	2,414		278,954	(24,668)	406,543
Total Great Lakes Dredge & Dock Corporation Equity	529,918	22,113	887	2,753	264,618	(555,671)	264,618
NONCONTROLLING INTERESTS					(1,806)		(1,806)

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

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

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

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED JUNE 30, 2010****UNAUDITED****(in thousands)**

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

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE THREE MONTHS ENDED JUNE 30, 2009****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
	100%- Owned	NASDI	Yankee				
CONTRACT REVENUES	\$ 128,511	\$ 14,110	\$ 2,003	\$	\$	\$ (2,169)	\$ 142,455
COSTS OF CONTRACT REVENUES	(101,367)	(12,810)	(1,844)		(45)	2,169	(113,897)
GROSS PROFIT (LOSS)	27,144	1,300	159		(45)		28,558
OPERATING EXPENSES							
General and administrative expenses	(9,724)	(1,204)	(68)		(595)		(11,591)
Amortization of intangible assets	(36)	(37)	(120)				(193)
Total operating income (loss)	17,384	59	(29)		(640)		16,774
INTEREST EXPENSE (Net)	140	(94)	(35)		(4,741)		(4,730)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(99)				17,454	(17,355)	
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE	(9)						(9)
INCOME (LOSS) BEFORE INCOME TAXES	17,416	(35)	(64)		12,073	(17,355)	12,035
INCOME TAX (PROVISION) BENEFIT	38				(4,669)		(4,631)
NET INCOME (LOSS)	17,454	(35)	(64)		7,404	(17,355)	7,404
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					27		27
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	\$ 17,454	\$ (35)	\$ (64)	\$	\$ 7,431	\$ (17,355)	\$ 7,431

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2010****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor Subsidiary	GLDD Corporation	Eliminations	Consolidated Totals
	100%-Owned	NASDI	Yankee				
CONTRACT REVENUES	\$ 314,640	\$ 25,407	\$ 3,529	\$	\$	\$ (2,041)	341,535
COSTS OF CONTRACT REVENUES	(251,428)	(23,540)	(3,535)			2,041	(276,462)
GROSS PROFIT (LOSS)	63,212	1,867	(6)				65,073
OPERATING EXPENSES							
General and administrative expenses	(20,483)	(2,851)	(275)		(1,617)		(25,226)
Amortization of intangible assets	(71)	(75)	(72)				(218)
Total operating income (loss)	42,658	(1,059)	(353)		(1,617)		39,629
INTEREST EXPENSE (Net)	181	(185)	(37)		(6,174)		(6,215)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(1,634)				40,702	(39,068)	
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE	(853)						(853)
INCOME (LOSS) BEFORE INCOME TAXES	40,352	(1,244)	(390)		32,911	(39,068)	32,561
INCOME TAX (PROVISION) BENEFIT	350				(13,344)		(12,994)
NET INCOME (LOSS)	40,702	(1,244)	(390)		19,567	(39,068)	19,567
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					567		567
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	\$ 40,702	\$ (1,244)	\$ (390)	\$	\$ 20,134	\$ (39,068)	\$ 20,134

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****FOR THE SIX MONTHS ENDED JUNE 30, 2009****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%-Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
CONTRACT REVENUES	\$ 294,823	\$ 26,708	\$ 4,058	\$	\$	\$ (3,931)	321,658
COSTS OF CONTRACT REVENUES	(240,316)	(25,595)	(4,038)		(45)	3,931	(266,063)
GROSS PROFIT (LOSS)	54,507	1,113	20		(45)		55,595
OPERATING EXPENSES							
General and administrative expenses	(17,531)	(3,073)	(277)		(1,109)		(21,990)
Amortization of intangible assets	(71)	(75)	(240)				(386)
Total operating income (loss)	36,905	(2,035)	(497)		(1,154)		33,219
INTEREST EXPENSE (Net)	161	(161)	(35)		(8,963)		(8,998)
EQUITY IN EARNINGS (LOSS) OF SUBSIDIARIES	(2,728)				34,612	(31,884)	
EQUITY IN EARNINGS (LOSS) OF JOINT VENTURE	(565)						(565)
INCOME (LOSS) BEFORE INCOME TAXES	33,773	(2,196)	(532)		24,495	(31,884)	23,656
INCOME TAX (PROVISION) BENEFIT	839				(10,641)		(9,802)
NET INCOME (LOSS)	34,612	(2,196)	(532)		13,854	(31,884)	13,854
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS					891		891
NET INCOME (LOSS) ATTRIBUTABLE TO GREAT LAKES DREDGE & DOCK CORPORATION	\$ 34,612	\$ (2,196)	\$ (532)	\$	\$ 14,745	\$ (31,884)	\$ 14,745

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2010****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%- Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
Operating Activities							
Net cash flows provided by (used in) operating activities	\$ 98,911	\$ (195)	\$ 1,336	\$	\$ (24,407)	\$	\$ 75,645
Investing Activities							
Purchases of property and equipment	(12,332)	(641)					(12,973)
Dispositions of property and equipment	210						210
Net cash flows used in investing activities	(12,122)	(641)					(12,763)
Financing Activities							
Repayments of long-term debt	(11)	(683)					(694)
Borrowings under revolving loans					14,968		14,968
Repayments of revolving loans					(25,968)		(25,968)
Net change in accounts with affiliates	(37,602)	1,539	(1,348)		37,411		
Exercise of stock options	414						414
Dividends					(2,004)		(2,004)
Repayment of capital lease debt	(46)						(46)
Net cash flows provided by (used in) financing activities	(37,245)	856	(1,348)		24,407		(13,330)
Net change in cash and cash equivalents	49,544	20	(12)				49,552
Cash and cash equivalents at beginning of period	2,834	194	213	9			3,250
Cash and cash equivalents at end of period	\$ 52,378	\$ 214	\$ 201	\$ 9	\$	\$	\$ 52,802

Table of Contents**GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2009****UNAUDITED****(in thousands)**

	Subsidiary Guarantors			Non-Guarantor	GLDD		Consolidated
	100%-Owned	NASDI	Yankee	Subsidiary	Corporation	Eliminations	Totals
Operating Activities							
Net cash flows provided by (used in) operating activities	\$ 25,901	\$ 521	\$ (3,706)	\$	\$ (10,385)	\$	\$ 12,331
Investing Activities							
Purchases of property and equipment	(8,448)	(1,612)					(10,060)
Dispositions of property and equipment	984	(2)					982
Acquisition of controlling interest in Yankee Environmental Services	(1,229)		(1,891)			1,891	(1,229)
Net cash flows used in investing activities	(8,693)	(1,614)	(1,891)			1,891	(10,307)
Financing Activities							
Repayments of long-term debt		(829)					(829)
Borrowings under revolving loans					104,831		104,831
Repayments of revolving loans					(104,831)		(104,831)
Members' capital contribution to acquire assets of Yankee			1,891			(1,891)	
Net change in accounts with affiliates	(18,603)	2,318	3,911		12,374		
Dividends					(1,989)		(1,989)
Distributions	171	(171)					
Repayment of capital lease debt	(60)						(60)
Net cash flows provided by (used in) financing activities	(18,492)	1,318	5,802		10,385	(1,891)	(2,878)
Net change in cash and cash equivalents	(1,284)	225	205				(854)
Cash and cash equivalents at beginning of period	10,357	116		5			10,478
Cash and cash equivalents at end of period	\$ 9,073	\$ 341	\$ 205	\$ 5	\$	\$	\$ 9,624

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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 include, 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, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, 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 12% of its dredging revenues for the first six months 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 first six months of 2010, 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 71% of dredging revenues as compared with the Company's three year average of 54%.

The Company also owns a 65% interest in NASDI, LLC (NASDI), a demolition service provider located in the Boston, Massachusetts area. In the first six months of 2010, 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.

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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 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.

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 and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(80.8)	(80.0)	(80.9)	(82.7)
Gross profit	19.2	20.0	19.1	17.3
General and administrative expenses	(7.9)	(8.1)	(7.4)	(6.8)
Amortization of intangible assets	(0.1)	(0.1)	(0.1)	(0.1)
Operating income	11.2	11.8	11.6	10.4
Interest expense, net	(1.7)	(3.3)	(1.8)	(2.8)
Equity in earnings (loss) of joint ventures	(0.1)		(0.2)	(0.2)
Income before income taxes	9.4	8.5	9.6	7.4
Income tax provision	(3.7)	(3.3)	(3.8)	(3.0)
Net income	5.7	5.2	5.8	4.4
Net loss attributable to noncontrolling interests	0.3		0.2	0.3
Net income attributable to Great Lakes Dredge & Dock Corporation	6.0%	5.2%	6.0%	4.7%
EBITDA	16.2%	15.9%	16.8%	15.9%

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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income attributable to Great Lakes Dredge & Dock Corporation	\$ 10,808	\$ 7,431	\$ 20,134	\$ 14,745
Adjusted for:				
Interest expense, net	2,995	4,730	6,215	8,998
Income tax expense	6,755	4,631	12,994	9,802

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Depreciation and amortization	8,554	5,836	17,993	17,482
EBITDA	\$ 29,112	\$ 22,628	\$ 57,336	\$ 51,027

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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			Six Months Ended		
	2010	June 30, 2009	Change	2010	June 30, 2009	Change
Dredging:						
Capital - U.S.	\$ 72,164	\$ 37,720	91%	\$ 116,251	\$ 92,198	26%
Capital - foreign	13,640	45,521	(70)%	39,212	89,776	(56)%
Beach	43,099	1,514	2,747%	81,704	23,146	253%
Maintenance	36,696	43,756	(16)%	77,473	89,703	(14)%
Demolition	14,536	13,944	4%	26,895	26,835	0%
	\$ 180,135	\$ 142,455	26%	\$ 341,535	\$ 321,658	6%

Total revenue for the 2010 second quarter was \$180.1 million, up 26% from revenue of \$142.5 million for the 2009 second quarter. Dredging revenue of \$165.6 million increased 29% from a year ago as strong performances from domestic capital and beach nourishment activities more than offset the decline in maintenance and foreign activities. Demolition revenue of \$14.6 million for the 2010 second quarter was comparable to \$13.9 million for the 2009 second quarter. Total revenue for the six-month period ended June 30, 2010 increased by 6% to \$341.5 million compared to \$321.7 million for the same 2009 period.

Capital projects include large port deepening and other infrastructure projects including land reclamations. Domestic capital dredging revenue nearly doubled to \$72.2 million in the 2010 second quarter compared to \$37.7 million for the same period in 2009. Domestic capital dredging revenue increased 26% to \$116.3 million for the six months ended June 30, 2010 from \$92.2 million for the same 2009 period. Domestic capital revenue in the quarter and year to date was primarily generated by projects in the Ports of New York, New Jersey and Jacksonville, Florida and coastal restoration in Louisiana. Foreign revenue decreased \$31.9 million and \$50.6 million, or 70% and 56%, in the 2010 second quarter and first half, respectively, compared to the same 2009 periods. Foreign revenue has declined due to the slowdown of work in the Middle East region since the middle of 2009. Foreign revenue was driven by three projects in Bahrain and one project in the United Arab Emirates.

Beach nourishment projects include rebuilding of shoreline areas that have been damaged by storm activity or ongoing erosion. Beach revenue in the 2010 second quarter increased by \$41.6 million, compared to the same 2009 quarter, which had minimal beach revenue. Year to date 2010 beach revenue increased \$58.6 million, to \$81.7 million compared to the first half of 2009. Beach work was higher during the first six months of 2010 because the Company worked on the project backlog that was awarded during the second half of 2009. During the 2009 first half, beach work was lower than historical levels as this sector experienced the effect of permitting and funding issues that hindered the ability of federal, state and local authorities to put projects out to bid. The Company worked on several beach projects in the 2010 second quarter, including projects in Florida, North Carolina and New Jersey.

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Maintenance projects include routine dredging of ports, rivers and channels to remove the regular build up of sediment. Maintenance revenue in the three and six months ended June 30, 2010 decreased \$7.1 million and \$12.2 million, respectively, compared to the same periods in 2009. In 2009, funding from the American Recovery and Reinvestment Act (Stimulus) increased the amount of maintenance projects that were put out to bid during the last year. Most of this Stimulus-funded work was completed by June 30, 2010. A number of maintenance projects contributed to this quarter s revenue, including projects in Mississippi, New York, New Jersey, and North Carolina.

Gross profit for the 2010 second quarter, increased by 21% to \$34.6 million from \$28.6 million in 2009, primarily as a result of increased revenue. Gross profit margin (gross profit divided by revenue) decreased slightly to 19.2% from 20% for the same period last year primarily due to the reduced activity in the Middle East that resulted in certain vessels being idle. Gross profit for the six months ended June 30, 2010 increased by \$9.5 million to \$65.1 million from \$55.6 million from the same 2009 period and gross profit margin increased to 19.0% from 17.3%. The increase in gross profit margin resulted from several factors, including favorable project mix and good project execution. In addition, 2009 gross profit margin was negatively affected when a portion of the one of the Company s largecontracts in Bahrain was reclassified from backlog to an option, reducing the project scope and decreasing the overall project margin. The demolition unit s gross profit for the first six months improved as that unit s 2009 gross profit 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 expenses totaled \$14.2 million and \$25.2 million for the three and six months ended June 30, 2010, and except for severance expense of \$2.7 million related to the departure of the Company s former Chief Operating Officer in April 2010, were relatively flat from the same periods in 2009.

Operating income for the three and six months ended June 30, 2010 increased 21% and 19% to \$20.2 million and \$39.6 million, respectively, compared to the same periods of 2009 as a result of increased dredging revenue and resulting gross profit.

Net interest expense of \$3.0 million and \$6.2 million for the three and six months ended June 30, 2010 was down compared to \$4.7 million and \$9.0 million for the same 2009 periods, due partly to the lack of borrowings on the Company s revolving credit facility for most of 2010. In addition, the Company recorded gains on its interest rate swaps which were favorable by \$1.4 million and \$2.2 million for the three and six months ended June 30, 2010, respectively.

Income tax expense for the three and six months ended June 30, 2010 was \$6.8 million and \$13.0 million, respectively, compared to \$4.6 million and \$9.8 million for the same 2009 periods. The higher income tax expense was primarily the result of the increased earnings the Company generated in 2010. The effective tax rate for the six months ended June 30, 2010 was essentially unchanged at 39.9%, compared to 40.0% at June 30, 2009.

Net income attributable to Great Lakes Dredge & Dock Corporation was \$10.8 million and earnings per diluted share of \$0.18 for the 2010 second quarter in comparison to \$7.4 million and \$0.13 for the same 2009 period. Net income attributable to Great Lakes Dredge & Dock Corporation and earnings per diluted share for the six months ended June 30, 2010 was \$20.1 million and \$0.34, respectively, compared to \$14.7 million and \$0.25 for the same 2009 period.

EBITDA (as defined on page 22) was \$29.1 million and \$57.3 million for the three and six months ended June 30, 2010, respectively, compared with \$22.6 million and \$51.0 million in the same 2009 periods, increasing due to the strong operating performance in the Company s dredging segment.

Results by segment

Dredging

Dredging revenues for the three and six months ended June 30, 2010 were \$165.6 million and \$314.6 million, respectively, compared to \$128.5 million and \$294.8 million for the same periods of 2009. Dredging revenues for the six months ended June 30, 2010 were driven by increased beach and capital projects as foreign work and maintenance work declined. The dredging segment generated operating income of \$21.5 million and \$41.0 million for the three and six months ended June 30, 2010 compared to operating income of \$16.8 million and \$35.8 million for the same periods of 2009, due to increased revenue, favorable project mix and good project execution on a number of domestic capital dredging and beach nourishment projects.

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Demolition revenues for the three months and six months ended June 30, 2010 totaled \$14.5 million and \$26.9 million, respectively compared to \$13.9 million and \$26.8 million for the same 2009 periods. The demolition segment generated an operating loss of \$1.2 million and \$1.4 million for the three and six months ended June 30, 2010, respectively compared to an operating loss of \$0.04 million and \$2.6 million for the same periods of 2009. The 2010 operating loss was primarily attributable to unanticipated costs related to a bridge demolition project, one of the demolition segment's first projects of this type. Operating income in 2010 continues to be negatively impacted by the lower level of activity from the economic downturn relative to fixed costs. 2009 results include 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)	June 30, 2010	December 31, 2009	June 30, 2009
Dredging:			
Capital - U.S.	\$ 170,709	\$ 203,294	\$ 216,494
Capital - foreign	35,899	35,715	79,379
Beach	10,860	63,390	11,490
Maintenance	31,681	63,335	82,726
Dredging Backlog	249,149	365,734	390,089
Demolition	57,601	16,448	23,729
Total Backlog	\$ 306,750	\$ 382,182	\$ 413,818

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 contractual terms 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.

The domestic dredging bid market for the 2010 second quarter totaled \$91 million and was comprised of beach nourishment and maintenance work. As a result, \$303 million of work has been awarded in the first six months of 2010. The \$521 million domestic bid market for the first six months of 2009 was supplemented by Stimulus-funded maintenance projects. Great Lakes won all of the beach projects awarded to date in 2010 (a total of \$23.6 million), as well as 34% of the maintenance projects bid (a total of \$53.0 million). In the 2010 second quarter, the Company won 48% of the overall domestic bid market versus a 16% win rate in this year's first quarter. This range underscores the variability that can occur in the quarter to quarter bid results. Despite this variability, the Company's contract win rate for the last three years has averaged 46%.

The bid market data above excludes capital dredging work related to the construction of berms off the coast of Louisiana in response to the Deepwater Horizon oil spill in the Gulf of Mexico. BP has established a \$360 million escrow account to fund the construction of these berms. The berm construction project is being managed by Shaw Environmental & Infrastructure Inc. Great Lakes and other domestic dredging companies are working on this project under contracts with Shaw.

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The Company's dredging backlog decreased to \$249 million as of June 30, 2010 from \$365 million at December 31, 2009 due to a combination of factors. First, with its strong operating performance during the first six months, the Company worked off a considerable portion of its previous backlog. Second, a lower level of new projects was generated by the domestic bid market to date. Finally, foreign contracts continue to be procured at a sluggish pace as customers await confirmation that the global economy has begun a sustainable recovery. The Company's June 30, 2010 backlog includes approximately 60 days worth of capital dredging for six dredges and other support equipment off the Louisiana coast. Backlog excludes low bids and options pending award of \$49.3 million and \$50.2 million at June 30, 2010 and December 31, 2009, respectively, and the option pending on the Diyar project in Bahrain.

Demolition services backlog at June 30, 2010 was \$57.6 million, compared with \$16.4 million at December 31, 2009. This increase reflects the continued success the demolition segment has achieved in expanding into neighboring markets, specifically in the New York area.

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. Despite President Obama's early announcement of his proposed budget for fiscal year 2011, it now appears that a budget will not be passed before the fiscal year begins on October 1, 2010. While this is not an ideal situation for the Corps, it has been the norm in recent years. The Company believes the Corps will continue to bid work in the second half of this year and into 2011. However, as in prior years, the Company has limited visibility as to future Corps projects.

The 2009 federal dredging bid market was bolstered by the Stimulus. The Company believes that the majority of the work augmented by Stimulus funding was awarded in 2009 and the remaining portion of this work was completed in the first six months of 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 and the amount allocated to harbor maintenance activities has grown significantly. 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 its intended purpose, primarily maintenance dredging. 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. The HMTF bill continues to progress as it was included in the new Water Resources Development Act (WRDA) legislation that was introduced in the House last week and is anticipated to be introduced in the Senate in the near term. The Company believes that the HMTF bill may be passed this fall. However, additional funding provided by the passage of the HMTF legislation will not be accessible in 2011 absent an addition to the 2011 budget stipulating the inclusion of the HMTF funds or the passage of a supplemental appropriations bill. Absent either of these, 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 Obama 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 Boston, Massachusetts and Miami, Florida are likely, although these projects may not be bid until 2012 or later. In the shorter term, another section of the New York harbor was bid in July, and was won by a joint venture of the Company's competitors. The Company anticipates other domestic capital projects to include work for the Navy in Norfolk and Florida, port deepening work in Savannah, Georgia and a couple of other port deepening contracts along the Gulf coast. These capital projects could add more than \$100 million to the domestic bid market over the next 12 months.

Due to the oil spill in the Gulf, it is likely that any coastal restoration projects that were expected to be bid in the second half of this year will be delayed into 2011. However, the current situation in the Gulf has highlighted the need for barrier islands and coastal restoration throughout the entire Gulf Coast region. President Obama has appointed Navy Secretary Ray Mabus to develop a long-term restoration plan for the Gulf area. It is expected that renewed focus on coastal restoration and the need for barrier islands will improve funding prospects and facilitate the bidding of these projects in a more consistent manner during the next year and beyond.

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The beach bid market came back in 2009 after experiencing funding and permitting delays in the prior two years. The Company currently believes there will be similar opportunities for beach work in the last half of 2010. Currently, the Company anticipates that \$100 million in beach projects will be scheduled for bid in the next 12 months.

International. The Company expects its June 30, 2010 foreign backlog to produce similar revenue to the first half of the year. Looking beyond 2010, the Company continues to expect that activity levels in the Middle East will increase during 2011 and provide opportunities for improved employment of the Company's equipment in the region. In order to position the Company to take advantage of these anticipated opportunities, the Company is upgrading its dredge Ohio to a world class cutter suction dredge.

In addition, the Company is now entering the Brazil market. During July 2010, the hopper dredge Reem Island was mobilized to Brazil to work on a deepening project in the Port of Natal. It is scheduled to reach Brazil in August and begin work in September. The Company currently has one contract signed and is negotiating other potential work in Brazil that may not only occupy the Reem Island but also could require other equipment to be redeployed there as well.

Demolition. There have been encouraging signs in the demolition business during the first half of the year as demolition services backlog grew to \$57.6 million at June 30, 2010, more than double the \$23.7 million level at June 30, 2009. This increase reflects the success the demolition business has had in expanding into new markets, specifically New York. While revenues did not increase during the first half of the year, the Company expects to see revenue gains in the second half as NASDI begins to execute on this new backlog.

Liquidity and Capital Resources

The Company's principal sources of liquidity are cash flow generated from operations and borrowings under its bank 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 operating activities for the six months ended June 30, 2010 and 2009 totaled \$75.6 million, and \$12.3 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 six months of 2010, lower activity in foreign operations (which usually experience longer accounts receivable collection periods) coupled with payments being made on foreign account receivable that had been outstanding throughout 2009, drove the increase in cash generated. The opposite situation occurred in the first six months of 2009 with a high level of foreign work and longer payment terms related to this foreign activity. Strong domestic operations in both periods helped drive the increase in cash.

The Company's net cash flows used in investing activities for the six months ended June 30 2010 and 2009 totaled \$12.8 million and \$10.3 million, respectively. Investing activities in both periods primarily relate to normal course upgrades and capital maintenance of our dredging fleet. In the current period the Company's expenditures included \$2.1 million on the upgrade of the dredge Ohio. 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 used in financing activities for the six months ended June 30, 2010 and 2009 totaled \$13.3 million and \$2.9 million, respectively. The Company's net repayment of \$11.0 million of revolving credit borrowings in the first quarter of 2010, accounted for most of the increase in the cash used for financing activities.

The Company paid a \$1.0 million dividend in each of the 2010 first and second quarters. 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 May 2010, the Company amended its credit facility to remove a defaulting lender, effectively reducing the facility from \$155 million to \$145 million.

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For additional detail, see Note 9 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 twelve months. Beyond the next twelve months, the Company's ability to fund its working capital needs, planned capital expenditures, scheduled debt payments and dividends, if any, and to comply with all the financial covenants under the credit agreement and 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.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

The market risk of the Company's financial instruments as of June 30, 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.

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 June 30, 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.

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PART II Other Information

Item 1. Legal Proceedings

See Note 9 Commitments and Contingencies in the Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

The following risk factor updates the risk factors that are included in our 2009 Annual Report on Form 10-K:

The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business.

We enter into interest rate swap agreements to manage the interest rate paid with respect to our 7.75% senior subordinated notes and heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash flows associated with our domestic dredging contracts. The United States Congress has passed, and the President has signed into law, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Financial Reform Act). The Financial Reform Act provides for new statutory and regulatory requirements for derivative transactions, including foreign currency hedging transactions. The Financial Reform Act requires the Commodities Futures and Trading Commission to promulgate rules relating to the Financial Reform Act. Until the rules relating to the Financial Reform Act are established, we do not know how these regulations will affect us. The rules adopted by the by the Commodities Futures and Trading Commission may in the future significantly reduce our ability to execute strategic hedges to manage our interest expense and reduce our heating oil commodity uncertainty and thus protect cash flows. In addition, the banks and other derivatives dealers who are our contractual counterparties will be required to comply with the Financial Reform Act's new requirements, and the costs of their compliance will likely be passed on to customers such as ourselves, thus decreasing the benefits to us of swap and hedging transactions and reducing our profitability.

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 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.

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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

Date: December 23, 2010

President and Chief Financial Officer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

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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.

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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 10 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.

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

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 214	\$ 194
Accounts receivable Net	11,896	10,194
Receivables from affiliate	3	
Contract revenues in excess of billings	3,711	1,989
Prepaid expenses & other current assets	258	129
Total current assets	16,082	12,506
PROPERTY AND EQUIPMENT Net	8,715	9,187
GOODWILL	21,224	21,224
OTHER INTANGIBLE ASSETS Net	203	279
TOTAL	\$ 46,224	\$ 43,196
LIABILITIES AND MEMBERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,979	\$ 7,623
Payables to parent	10,450	8,078
Payables to affiliate	1,121	1,067
Accrued expenses	2,149	1,457
Billings in excess of contract revenues	2,512	791
Current portion of equipment debt	669	1,200
Total current liabilities	23,880	20,216
OTHER	231	370
Total liabilities	24,111	20,586
COMMITMENTS AND CONTINGENCIES		
MEMBERS EQUITY	22,113	22,610
TOTAL	\$ 46,224	\$ 43,196

See notes to unaudited condensed financial statements.

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

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Contract revenues	\$ 13,619	\$ 14,110	\$ 25,862	\$ 26,708
Costs of contract revenues	13,122	12,810	23,540	25,595
Gross profit	497	1,300	2,322	1,113
General and administrative expenses	1,365	1,204	2,851	3,073
Amortization of intangible assets	38	37	75	75
Operating income (loss)	(906)	59	(604)	(2,035)
Interest expense, net	(90)	(94)	(185)	(161)
Net loss	\$ (996)	\$ (35)	\$ (789)	\$ (2,196)

See notes to unaudited condensed financial statements.

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

	Six Months Ended June 30	
	2010	2009
OPERATING ACTIVITIES:		
Net loss	\$ (789)	\$ (2,196)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Depreciation and amortization	1,246	1,247
(Gain) loss on dispositions of property and equipment	(26)	118
Changes in assets and liabilities:		
Accounts receivable	(1,702)	(4,817)
Contract revenues in excess of billings	(1,722)	867
Prepaid expenses and other current assets	(129)	153
Accounts payable and accrued expenses	1,223	4,958
Billings in excess of contract revenues	1,721	136
Other noncurrent assets and liabilities	(17)	55
Net cash flows used in (provided by) operating activities	(195)	521
INVESTING ACTIVITIES:		
Purchases of property and equipment	(641)	(1,612)
Dispositions of property and equipment		(2)
Net cash flows used in investing activities	(641)	(1,614)
FINANCING ACTIVITIES:		
Change in payables to affiliate	1,539	2,318
Repayments of equipment debt	(683)	(829)
Distributions		(171)
Net cash flows provided by financing activities	856	1,318
Net change in cash and cash equivalents	20	225
Cash and cash equivalents at beginning of period	194	116
Cash and cash equivalents at end of period	\$ 214	\$ 341
Non-cash Investing Activity		
Property and equipment purchased on equipment notes	\$ 32	\$ 100

See notes to unaudited condensed financial statements.

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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 June 30, 2010 and its results of operations for the three and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009, have been included.

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 \$1,014 and \$1,583 for the three and six months ended June 30, 2010, respectively and \$1,863 and \$3,115 for the same periods 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 six

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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 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.

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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 six 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:

	June 30, 2010	December 31, 2009
Completed contracts	\$ 1,022	\$ 2,799
Contracts in progress	7,711	4,558
Retainage	3,663	3,337
	12,396	10,694
Allowance for doubtful accounts	(500)	(500)
Total accounts receivable net	\$ 11,896	\$ 10,194

3. Contracts in progress

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

	June 30, 2010	December 31, 2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 24,700	\$ 25,238
Amounts billed	(21,178)	(23,612)
Costs and earnings in excess of billings for contracts in progress	3,522	1,626
Costs and earnings in excess of billings for completed contracts	189	363
Total contract revenues in excess of billings	\$ 3,711	\$ 1,989

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Billings in excess of costs and earnings:		
Amounts billed	\$ (14,872)	\$ (13,903)
Costs and earnings for contracts in progress	12,360	13,112
Total billings in excess of contract revenues	\$ (2,512)	\$ (791)

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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:

	June 30, 2010	December 31, 2009
Insurance	\$ 910	\$ 1,041
Payroll and employee benefits	502	214
Other taxes	100	100
Other	637	102
Total accrued expenses	\$ 2,149	\$ 1,457

5. Major customers and concentrations of risk

For each of the six months ended June 30, 2010 and 2009, 26% and 14%, respectively, of NASDI's revenues were derived from a single customer (which was a different entity in each period). At June 30, 2010 and December 31, 2009, approximately 26% 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 six months ended June 30, 2010 and 2009, NASDI incurred interest expense to GLDD totaling \$165 and \$99, 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 June 30, 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 six months ended June 30, 2010 and 2009, NASDI incurred expense of \$229 and \$176, 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 June 30, 2010, GLDD had no outstanding borrowings and \$16,566 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.

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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 loss as a percentage of contract revenues for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(96.4)	(90.8)	(91.0)	(95.8)
Gross profit	3.6	9.2	9.0	4.2
General and administrative expenses	(10.0)	(8.5)	(11.0)	(11.5)
Amortization of intangible assets	(0.3)	(0.3)	(0.3)	(0.3)
Operating income (loss)	(6.7)	0.4	(2.3)	(7.6)
Interest expense, net	(0.7)	(0.7)	(0.7)	(0.6)
Net loss	(7.3)%	(0.2)%	(3.1)%	(8.2)%

Revenue of \$13.6 million for the 2010 second quarter decreased by 3% from \$14.1 million for the 2009 second quarter. Revenue for the six-month period ended June 30, 2010 decreased by 3% to \$25.9 million compared to \$26.7 million for the same 2009 period. Revenue in 2010 has continued to be negatively impacted by the lower level of activity from the economic downturn.

NASDI's gross profit for the six months ended June 30, 2010 improved as 2009 gross profit was negatively impacted by write-offs of \$1.9 million related to large projects that were delayed or canceled due to the economic downturn. Gross profit for the three months ended June 30, 2010 decreased 62% from \$1,300 in the same period of 2009. As with the lower level of revenue noted above, gross profit in 2010 has also continued to be negatively impacted relative to fixed costs. Gross profit in 2010 was also negatively impacted by unanticipated costs of \$0.5 million related to a large bridge demolition project, one of NASDI's first projects of this type.

NASDI's general and administrative expenses totaled \$1.4 million and \$2.9 million for the three and six months ended June 30, 2010, comparable to \$1.2 million and \$3.1 million for the three and six months ended June 30, 2009.

Operating results for the three months ended June 30, 2010 decreased to an operating loss of \$0.9 million versus an operating income of \$0.1 million in 2009. Operating loss for the six months ended June 30, 2010 was \$0.6 million, versus an operating loss of \$2.0 million for the same period of 2009. The change in operating income (loss) is primarily attributable to the fluctuations in gross profit described above.

Backlog

Backlog at June 30, 2010 was \$55.9 million, compared with \$16.2 million at December 31, 2009. This increase reflects the continued 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

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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 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.

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NASDI's net cash used in operating activities for the six months ended June 30, 2010 totaled \$0.2 million. NASDI's net cash provided by operating activities for the six months ended June 30, 2009 totaled \$0.5 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 six months ended June 30, 2010 and 2009 totaled \$0.6 million and \$1.6 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 provided by financing activities for the six months ended June 30, 2010 and 2009 totaled \$0.9 million and \$1.3 million, respectively, and consist primarily of advances from GLDD. In the 2010 first six months NASDI borrowed \$1.5 million from GLDD versus \$2.3 million borrowed during the first six months of 2009.

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

	June 30, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 201	\$ 213
Accounts receivable	876	1,627
Accounts receivable - affiliate	1,069	1,918
Contract revenues in excess of billings	168	26
Prepaid expenses and other current assets	7	38
Total current assets	2,321	3,822
PROPERTY AND EQUIPMENT Net	343	450
GOODWILL	250	250
OTHER INTANGIBLE ASSETS Net	326	398
TOTAL	\$ 3,240	\$ 4,920
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 437	\$ 395
Payables to parent	1,410	2,758
Accrued expenses	530	538
Billings in excess of contract revenues	87	200
Total liabilities	2,464	3,891
COMMITMENTS AND CONTINGENCIES		
MEMBERS EQUITY	776	1,029
TOTAL	\$ 3,240	\$ 4,920

See notes to unaudited condensed financial statements

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Yankee Environmental Services, LLC

Condensed Statements of Operations

(Unaudited)

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
Contract revenues	\$ 1,777	\$ 2,003	\$ 3,443	\$ 4,058
Costs of contract revenues	1,802	1,844	3,312	4,038
Gross profit (loss)	(25)	159	131	20
General and administrative expenses	117	68	275	277
Amortization of intangible assets	35	120	72	240
Operating loss	(177)	(29)	(216)	(497)
Interest expense, net	(18)	(35)	(37)	(35)
Net loss	\$ (195)	\$ (64)	\$ (253)	\$ (532)

See notes to unaudited condensed financial statements

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

	Six Months Ended June 30	
	2010	2009
OPERATING ACTIVITIES:		
Net loss	\$ (253)	\$ (532)
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	179	349
Changes in assets and liabilities:		
Accounts receivable	1,600	(3,021)
Contract revenues in excess of billings	(142)	(1,170)
Prepaid expenses and other current assets	31	2
Accounts payable and accrued expenses	34	365
Billings in excess of contract revenues	(113)	140
Other noncurrent assets and liabilities		161
Net cash flows provided by (used in) operating activities	1,336	(3,706)
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	(1,348)	3,911
Net cash flows (used in) provided by financing activities	(1,348)	5,802
Net change in cash and cash equivalents	(12)	205
Cash and cash equivalents at beginning of period	213	
Cash and cash equivalents at end of period	\$ 201	\$ 205

See notes to unaudited condensed financial statements

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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 June 30, 2010 and its results of operations for the three and six months ended June 30, 2010 and 2009 and cash flows for the six months ended June 30, 2010 and 2009, have been included.

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.

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:

	June 30, 2010	December 31, 2009
Completed contracts	\$ 322	\$ 1,849
Contracts in progress	1,230	1,318
Retainage	393	378
	1,945	3,545
Allowance for doubtful accounts		
Total accounts receivable net	\$ 1,945	\$ 3,545

3. Contracts in progress

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

	June 30, 2010	December 31, 2009
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$ 1,576	\$ 26
Amounts billed	(1,408)	
Costs and earnings in excess of billings for contracts in progress	168	26
Costs and earnings in excess of billings for completed contracts		
Total contract revenues in excess of billings	\$ 168	\$ 26
Billings in excess of costs and earnings:		
Amounts billed	\$ (857)	\$ (1,353)
Costs and earnings for contracts in progress	770	1,153
Total billings in excess of contract revenues	\$ (87)	\$ (200)

4. Accrued expenses

Accrued expenses at the periods presented are as follows:

	June 30, 2010	December 31, 2009
Insurance	\$ 410	\$ 270
Payroll and employee benefits	92	34
Accrued loss on uncompleted contract	25	234
Other	3	
Total accrued expenses	\$ 530	\$ 538

5. Major customers and concentrations of risk

For the six months ended June 30, 2010 and 2009, 58% and 97%, respectively, of Yankee's revenues were derived from one customer, NASDI, LLC, an affiliate. At June 30, 2010 and December 31, 2009, approximately 53% and 63%, respectively, of accounts receivable, including contract revenues in excess of billings, was due on contracts with NASDI.

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YANKEE ENVIRONMENTAL SERVICES, LLC

NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

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

6. Related party transactions

As noted above, Yankee's largest customer is NASDI. In addition, for the six months ended June 30, 2010 and 2009, Yankee incurred interest expense to GLDD totaling \$37 and \$35, 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 June 30, 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 six months ended June 30, 2010 and 2009, Yankee incurred expense of \$14 and \$10, respectively, related to such charges.

7. Commitments and contingencies

Commercial commitments

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 June 30, 2010, GLDD had no outstanding borrowings and \$16,566 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.

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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 and six months ended June 30, 2010 and 2009:

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
Contract revenues	100.0%	100.0%	100.0%	100.0%
Costs of contract revenues	(101.4)	(92.1)	(96.2)	(99.5)
Gross profit (loss)	(1.4)	7.9	3.8	0.5
General and administrative expenses	(6.6)	(3.4)	(8.0)	(6.8)
Amortization of intangible assets	(2.0)	(6.0)	(2.1)	(5.9)
Operating loss	(10.0)	(1.4)	(6.3)	(12.2)
Interest expense, net	(1.0)	(1.7)	(1.1)	(0.9)
Net loss	(11.0)%	(3.2)%	(7.3)%	(13.0)%

Revenue of \$1.7 million for the 2010 second quarter was 15% lower than revenue of \$2.0 million for the 2009 second quarter. Revenue for the six month period ended June 30, 2010 of \$3.5 million declined 13% compared to \$4.1 million for the same 2009 period. NASDI, Yankee's largest customer has accounted for \$2.0 million or 58% of Yankee's revenues for the first six months of 2010. Contract revenues from NASDI were \$3.9 million or 97% in the first six months of 2009.

Yankee's gross loss for the three months ended June 30, 2010 was \$0.02 million compared to a gross profit of \$0.2 million for the same periods in 2009. Approximately half of the decline in the second quarter of 2010 was due to a single project, for which Yankee determined in the second quarter that the project would result in an overall loss and accordingly recorded the full amount of the expected loss. Gross profit for the six months ended June 30, 2010 increased by \$0.1 compared with the same period for 2009. Gross profit in 2010 has continued to be negatively impacted by the low level of activity from the economic downturn relative to fixed costs.

Yankee's general and administrative expenses totaled \$0.1 million and \$0.3 million for the three and six months ended June 30, 2010 and 2009. General and administrative expenses consist largely of salary and related expenses.

Operating loss for the three months ended June 30, 2010 was \$0.2 million versus a negligible loss for the same period in 2009. Operating loss for the six months ended June 30, 2010 was \$0.2 million, versus an operating loss of \$0.5 for the same period of 2009.

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Interest expense for the three months and six months ended June 30, 2010 was essentially flat versus the same periods in 2009.

Net loss for the three and six months ended June 30, 2010, was \$0.2 million and \$0.3 million respectively. Net loss for the three and six months ended June 30, 2009 was \$0.1 million and \$0.5 million respectively.

Backlog

Backlog at June 30, 2010 was \$3.7 million, compared with \$0.8 million at December 31, 2009. This increase is a result of Yankee's efforts to expand its customer base throughout the Boston area, together with improving business conditions in the Boston area.

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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 six months ended June 30, 2010 totaled \$1.3 million. Yankee's net cash used in operating activities for the six months ended June 30, 2009 totaled \$3.7 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 operating activities.

Yankee had no net cash flows used in investing activities for the six months ended June 30, 2010. Yankee's net cash flows used in investing activities for the six months ended June 30, 2009 were \$1.9 million, for the acquisition of the business.

Yankee's net cash flows used in financing activities for the six months ended June 30, 2010 were \$1.3 million. Yankee's net cash provided by financing activities for the six months ended June 30, 2009 totaled \$5.8 million. In the 2010 first six months Yankee repaid \$1.3 million of borrowings to GLDD. In the first six months of 2009, Yankee borrowed \$3.9 million from GLDD, along with contributions from members of \$1.9 to fund the acquisition of the business.