

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock CORP

Form 10-K

March 01, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

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

For the transition period from _____ to _____

Commission file number: 001-33225

Great Lakes Dredge & Dock Corporation

(Exact name of registrant as specified in its charter)

Delaware 20-5336063
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

2122 York Road, Oak Brook, IL 60523
(Address of principal executive offices) (Zip Code)
(630) 574-3000

(Registrant's telephone number, including area code)

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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Title of Class Name of each exchange on which registered
Common Stock, (Par Value \$0.0001) Nasdaq Stock Market, LLC
Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 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

The aggregate market value of voting stock held by non-affiliates of the Registrant was \$330,554,110 at June 30, 2015. The aggregate market value was computed using the closing price of the common stock as of that date on the Nasdaq Stock Market. (For purposes of a calculating this amount only, all directors and executive officers of the registrant have been treated as affiliates.)

As of February 19, 2016, 60,431,841 shares of Registrant's Common Stock, par value \$.0001 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part of
10-K
Part III

Documents Incorporated by Reference
Portions of the Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2016 Annual Meeting of Stockholders.

TABLE OF CONTENTS

PART I

Item 1.	<u>Business</u>	2
Item 1A.	<u>Risk Factors</u>	12
Item 1B.	<u>Unresolved Staff Comments</u>	27
Item 2.	<u>Properties</u>	27
Item 3.	<u>Legal Proceedings</u>	28
Item 4.	<u>Mine Safety Disclosures</u>	29

PART II

	<u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity</u>	
Item 5.	<u>Securities</u>	30
Item 6.	<u>Selected Financial Data</u>	33
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	35
Item 7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	52
Item 8.	<u>Financial Statements and Supplementary Data</u>	52
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	54
Item 9A.	<u>Controls and Procedures</u>	54
Item 9B.	<u>Other Information</u>	58

PART III

Item 10.	<u>Directors and Executive Officers and Corporate Governance</u>	58
Item 11.	<u>Executive Compensation</u>	58
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	58
Item 13.	<u>Certain Relationships and Related Transactions and Director Independence</u>	58
Item 14.	<u>Principal Accounting Fees and Services</u>	58

PART IV

Item 15. Exhibits and Financial Statement Schedules

59

SIGNATURES

100

i

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K 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,” “would,” “could,” “should,” “seeks” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Great Lakes cautions investors that any forward-looking statements made by Great Lakes are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Great Lakes, include, but are not limited to, risks and uncertainties that are described in Item 1A. “Risk Factors” of this Annual Report on Form 10-K for the year ended December 31, 2015, and in other securities filings by Great Lakes with the SEC.

Although Great Lakes believes that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any forward-looking statements. Great Lakes’ future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Annual Report on Form 10-K are made only as of the date hereof and we do 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.

Availability of Information

You may read and copy any materials Great Lakes files with the SEC, including without limitation the Company’s Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials also can be obtained at the SEC’s website, www.sec.gov or by mail from the Public Reference Room of the SEC, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Great Lakes’ SEC filings are also available to the public, free of charge, on our corporate website, www.gldd.com, as soon as reasonably practicable after Great Lakes electronically files such material with, or furnishes it to, the SEC.

Part I

Item 1. Business

The terms “we,” “our,” “ours,” “us,” “Great Lakes” and “Company” refer to Great Lakes Dredge & Dock Corporation and its subsidiaries.

Organization

Great Lakes is the largest provider of dredging services in the United States and is the only U.S. dredging service provider with significant international operations. The Company was founded in 1890 as Lydon & Drews Partnership and performed its first project in Chicago, Illinois. The Company changed its name to Great Lakes Dredge & Dock Company in 1905 and was involved in a number of marine construction and landfill projects along the Chicago lakefront and in the surrounding Great Lakes region. Great Lakes now provides dredging services in the East, West, and Gulf Coasts of the United States and worldwide. The Company also owns specialty contracting service providers which primarily offer environmental, remediation and geotechnical services throughout the United States.

On November 4, 2014, the Company acquired the stock of Magnus Pacific Corporation, a leading provider of environmental remediation, geotechnical construction, demolition, and sediments and wetlands construction, headquartered outside of Sacramento, California, for an aggregate purchase price of approximately \$40 million. Magnus Pacific (“Magnus”) and Terra Contracting Services, LLC (“Terra”) comprise the environmental & remediation segment of the Company and working with our dredging segment, have the capabilities and geographic reach to perform work throughout the United States on land and in water. The Company operates in two reportable segments: dredging and environmental & remediation. The Company has three operating segments: dredging, Terra and Magnus, which were aggregated into two reportable segments: dredging and environmental & remediation. As Terra and Magnus have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment, they were aggregated into one reporting segment. The Company has determined that the operating segments are the Company’s three reporting units. Financial information about the Company’s reportable segments and operating revenues by geographic region is provided in Notes 10 and 17 to the Company’s consolidated financial statements.

Dredging Operations (80% of 2015 total revenues)

Dredging generally involves the enhancement or preservation of navigability of waterways or the protection of shorelines through the removal or replenishment of soil, sand or rock. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. The Company’s “bid market” is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints or other considerations. The Company experienced an average combined bid market share in the U.S. of 43% over the prior three years, including 46%, 50%, 28% and 60% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively.

Over its 125 year history, the Company has grown to be a leader in capital, coastal protection and maintenance dredging in the U.S. and is one of the oldest and most experienced dredging companies in the United States. In addition, the Company is the only U.S. dredging service provider with significant international operations. Over the prior three years, foreign dredging operations accounted for an average of 19% of the Company’s dredging revenues. The Company’s foreign projects are typically categorized in the capital work type, but are not included in the aforementioned bid market.

Capital (domestic is 30% of 2015 dredging revenues). Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal

restoration and land reclamations, trench digging for pipelines, tunnels and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. Although capital work can be impacted by budgetary constraints and economic conditions, these projects typically generate an immediate economic benefit to the ports and surrounding communities.

Foreign (21% of 2015 dredging revenues). Foreign capital projects typically involve land reclamations, channel deepening and port infrastructure development. The Company targets foreign opportunities that are well suited to the Company's equipment and where it faces reduced competition from its European competitors. Maintaining a presence in foreign markets has enabled the Company to diversify its customer base and take advantage of differences in global economic development. Over the last ten years, the Company has performed dredging work in the Middle East, Africa, India, Australia, the Caribbean and Central and South America. Most recently, the Company has focused its efforts on opportunities in Australia, the Middle East and South America.

Coastal protection (27% of 2015 dredging revenues). Coastal protection projects generally involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Beach erosion is a continuous problem that has intensified with

the rise in coastal development and has become an important issue for state and local governments concerned with protecting beachfront tourism and real estate. Coastal protection via beach nourishment is often viewed as a better response to erosion than trapping sand through the use of sea walls and jetties, or relocating buildings and other assets away from the shoreline. Generally, coastal protection projects take place during the fall and winter months to minimize interference with bird and marine life migration and breeding patterns as well as coastal recreation activities.

Maintenance (18% of 2015 dredging revenues). Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, many channels require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if adequate commercial navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging.

Rivers & lakes (4% of 2015 dredging revenues). Domestic rivers and lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects. Although the Mississippi River has a largest source of projects on which the Company bids, certain dredges used on these projects are more portable and able to be transported to take advantage of the fragmented market. In addition, many of our dredges can be transported to sites of waterway environmental remediation work to assist our environmental & remediation business on projects. Generally, inland river and lake projects in the northern U.S. take place in non-winter months because frozen waterways significantly reduce the Company's ability to operate and transport its equipment in the relevant geographies.

Dredging Demand Drivers

The Company believes that the following factors are important drivers of the demand for its dredging services:

- Deep port capital projects. Most of the East Coast and Gulf ports have expansion plans that include deepening and widening in order to better compete for international trade. International trade, particularly in the intermodal container shipping business, is undergoing significant change as a result of the Panama Canal expansion, which is expected to be completed in 2016. Many shipping lines have announced plans to deploy larger ships which, due to the channel dimension requirements, currently would not be able to use many U.S. ports. Miami's port deepening project was completed in 2015 and its port channels are now able to accommodate larger vessels. Dredging activities also commenced on the Savannah Harbor Expansion project during 2015. This project is scheduled for completion in 2018. These projects are expected to put more pressure on U.S. ports such as Jacksonville and Charleston to deepen in order to remain competitive. The ports of Los Angeles and Long Beach are resuming expansion efforts to remain competitive with deepened East Coast ports. In addition, the Water Resources Reform and Development Act (WRRDA) was signed in the second quarter of 2014 which authorized the U.S. Army Corps of Engineers (the "Corps") to begin dredging to deepen the Savannah River channel, noted above, as well as initiate studies to deepen the ports of Jacksonville, Boston and others in the Gulf Coast. The Company views the bill as a positive catalyst for the domestic dredging industry as it authorizes over thirty major projects for the Corps. The Company believes that port deepening and expansion work authorized under current and anticipated future legislation will continue to provide significant opportunities for the domestic dredging industry.
- Gulf coast restoration. There has been continued focus on restoring the barrier islands and wetlands that provide natural protection from storms in the Gulf Coast area. Many restoration projects have commenced to repair coastal areas. Several additional projects are being planned by state and local governments to restore natural barriers. The State of Louisiana has completed a master plan calling for a \$50 billion investment in its coastal infrastructure, with a significant portion involving dredging. Additionally, during October 2015, BP plc settled the final Deepwater Horizon oil spill claims for approximately \$20 billion. This amount reflects the preliminary agreement which was reached in the second quarter of 2015 and includes \$5.5 billion related to Clean Water Act penalties. Several state and local governments have already reached agreements that resolve their claims in the disaster. Many of the Gulf States previously committed to spending a portion of the fines received to repair the natural resources impacted by

the oil spill including on coastal restoration projects that include dredging. Although the bulk of the fines are to be paid over the next 15 to 18 years, the Company expects several coastal restoration projects envisioned by the Gulf States to come to fruition in the next couple of years providing a new source of domestic capital dredging projects on which the Company will bid. The annual bid market for domestic capital dredging, which includes deep port capital dredging and Gulf Coast restoration, averaged \$379 million over the prior three years.

· Substantial need for coastal protection. Beach erosion is a recurring problem due to the normal ebb and flow of coastlines as well as the effects of severe storm activity. Growing populations in coastal communities and vital beach tourism are drawing attention to the importance of protecting beachfront assets. Over the past few years, both the federal government and state and local entities have funded beach work recognizing the essential role these natural barriers play in absorbing storm energy and protecting public and private property. Superstorm Sandy highlighted the need for projects that clear the navigation channels, renourish damaged beaches and mitigate shore erosion from future storms. Since the beginning of

3

2013, the Corps has let for bid over \$900 million in projects to repair shorelines in New York and New Jersey damaged as a result of Superstorm Sandy. The annual bid market for coastal protection over the prior three years averaged \$414 million.

- Required maintenance of U.S. ports. The channels and waterways leading to U.S. ports have stated depths on which shippers rely when entering those ports. Due to naturally occurring sedimentation and severe weather, active channels require maintenance dredging to ensure that stated depths are at authorized levels. Consequently, the need to maintain channel depth creates a recurring source of dredging work that is non-deferrable if optimal navigability is to be preserved. The Corps is responsible for federally funded projects related to navigation and flood control of U.S. waterways. The maritime industry, including the ports, has repeatedly advocated for congressional efforts to ensure that a fully funded, recurring maintenance program is in place. The previously mentioned WRRDA calls for full use of the Harbor Maintenance Trust Fund (HMTF) for maintenance of ports and waterways within ten years for its intended purpose of maintaining future access to the waterways and ports that support our nation's economy. Through the increased appropriation of HMTF monies, the Company anticipates an increase in harbor projects to be let for bid throughout 2016 and beyond. The annual bid market for maintenance dredging over the prior three years averaged \$360 million.
- Need to maintain safe navigability of the U.S. river system. There are over twelve thousand miles of commercially navigable inland waterways that move more than 566 million tons of commercial goods. Transportation by barge requires less energy, and therefore is both better for the environment and costs less to move cargo than transportation by airplane, railcar or truck. Many industries rely on safe navigability of U.S. inland waterways as a primary means to transport goods and commodities such as coal, chemicals, petroleum, minerals, stones, metals and agricultural products. Natural sedimentation and other circumstances require that the inland waterway system be periodically dredged so that it can be used as intended. The Corps recognizes the need to maintain the safe navigability of U.S. waterways. The annual bid market for rivers and lakes dredging over the prior three years averaged \$93 million.
- Domestic and international energy transportation. The growth in demand for transportation of energy worldwide has driven the need for dredging to support new terminals, harbors, channels and pipelines. During 2014, Great Lakes completed dredging work on a project that will create a new shipping channel for a liquefied natural gas ("LNG") terminal being developed to export abundant energy resources from the west coast of Australia. Also during 2014, the Company widened the Freeport Harbor Ship Channel in Texas, which was sponsored by Freeport LNG. The Company was awarded a contract with Corpus Christi Liquefaction, LLC ("CCL") during 2015. CCL is developing an LNG export terminal at a site located on Corpus Christi Bay in Texas. Great Lakes' portion of the LNG project involves the dredging and slope protection of two LNG carrier ship berths, dredging of a material offloading and tug mooring basin, and expansion of an existing La Quinta Channel turning basin. The significant drop in crude oil prices in 2015 may lead to a slowdown in the development of LNG export plants; however, the Company continues to expect that future global energy demand will necessitate improvements in the infrastructure base around sources of rich resources and in countries that import global energy.
- Middle East market. Over the past ten years, the Middle East has been a strong market for dredging services. With substantial income from oil revenues and significant real estate development, these countries have been undergoing extensive infrastructure expansion. Historically lower oil prices and the contraction in Middle East commercial and real estate development have slowed the rate of the region's infrastructure development. During 2015, the Company completed the widening and deepening of a portion of the Suez Canal which expanded the seaborne cargo capacity of this important waterway. At December 31, 2015, the Company was low bidder on a large project in Saudi Arabia. This project will keep much of the Middle East-based fleet utilized through the first quarter of 2018.

Environmental & Remediation Operations (approximately 21% of 2015 total revenues)

The environmental & remediation segment provides construction services on soil, water and sediment for clients in both the public and private sectors in the United States. The segment's services include environmental and geotechnical construction, specifically, slurry wall construction, in-situ stabilization, large scale reclamation, and habitat restoration. In addition, the segment provides remediation services which involve the containment, immobilization or removal of contamination from an environment through the use of any combination of isolation, treatment, or exhumation techniques including off-site disposal based on the quantity and severity of the contamination. The Company had historically provided certain remediation services in conjunction with its historical

demolition business, which we divested in April 2014. The Company added additional environmental and remediation skillsets through its acquisition of Terra in December 2012 and Magnus Pacific in November 2014. The environmental & remediation segment leverages the Company's long term history of successfully executing projects on water and to offer turnkey environmental and infrastructure solutions in water and upland. In addition, the environmental & remediation segment performs abatement services, industrial cleaning, and waste transportation and disposal.

4

Environmental & Remediation Demand Drivers

The Company believes that the following factors are important drivers of the demand for its environmental & remediation services:

- Increasing requirements for environmental services. Both the dredging and environmental & remediation businesses have experienced requests for handling contaminated sediments, soils and other media at project sites. The Environmental Protection Agency (“EPA”) and several state agencies have begun to recognize the environmental hazards posed by stored industrial byproducts near waterways. The release of regulated pollutants into major waterways, inland lakes, groundwater and public and private lands requires the use of environmental remediation to remove the contaminated media.
- Government mandated remediation. The EPA mandates remediation initiatives that are paid for partially or in whole by responsible parties. The capability to provide the environmental clean-up of not only the waterway, but also the processing of the contaminated sediment or any contaminated soil from other brownfield sites as well as services related to new federal regulations over the storage and disposal of coal ash provides a targeted growth opportunity for Great Lakes. The Company anticipates additional contracting opportunities arising from the transformation of the U.S. energy infrastructure, specifically related to the remediation requirements as mandated by the EPA’s rule to regulate the disposal of coal combustion residuals from electric utilities promulgated in June 2015.

For additional details regarding Dredging Operations and Environmental & Remediation Operations, including financial information regarding our international and United States revenues and long-lived assets, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Item 8. “Financial Statements and Supplementary Data” in this Annual Report on Form 10-K, including Note 17 to the Company’s consolidated financial statements.

Customers

Dredging

The dredging industry’s customers include federal, state and local governments, foreign governments and both domestic and foreign private concerns, such as utilities, oil and other energy companies. Most dredging projects are competitively bid, with the award going to the lowest qualified bidder. Customers generally have few economical alternatives to dredging services. The Corps is the largest dredging customer in the U.S. and has responsibility for federally funded projects related to navigation and flood control. In addition, the U.S. Coast Guard and the U.S. Navy are responsible for awarding federal contracts with respect to their own facilities. In 2015, approximately 64% of the Company’s dredging revenues were generated from 46 different contracts with federal agencies or third parties operating under contracts with federal agencies.

Environmental & remediation

Environmental & remediation customers include general contractors, corporations, Superfund potentially responsible parties, environmental engineering and construction firms that commission projects and federal as well as municipal government agencies. This segment benefits from key relationships with certain customers in the general contracting and environmental engineering industries. In 2015, two of the environmental & remediation segment’s customers were responsible for approximately 26% and 11% of the environmental & remediation segment’s annual revenues; however, the loss of either or both of these customers would not have a material adverse effect on Great Lakes as a whole.

Bidding Process

Dredging

Most of the Company's dredging contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The types of equipment required to perform the specified service, project site conditions, the estimated project duration, seasonality, location and complexity of a project affect the cost of performing the contract and the price that dredging contractors will bid.

For contracts under its jurisdiction, the Corps typically prepares a fair and reasonable cost estimate based on the specifications of the project. To be successful, a bidder must be determined by the Corps to be a responsible bidder (i.e., a bidder that generally has the necessary equipment and experience to successfully complete the project as well as the ability to obtain a surety bid bond) and submit the lowest responsive bid that does not exceed 125% of the Corps' original estimate. Contracts for state and local governments are generally awarded to the lowest qualified bidder. Contracts for private customers are awarded based on the contractor's experience, equipment and schedule, as well as price. While substantially all of the Company's dredging contracts are competitively bid, some government contracts are awarded through a sole source procurement process involving negotiation between the contractor and the government, while other projects are bid by the Corps through a "request for proposal" process. The request for proposal

process benefits both Great Lakes and its customers as customers can award contracts based on factors beyond price, including experience, skill and specialized equipment.

Environmental & remediation

The majority of the environmental & remediation segment's projects are secured through competitive bidding. When the environmental & remediation segment bids on a project, it evaluates the contract specifications and develops a cost estimate to which it adds an acceptable margin. While there are numerous competitors in the environmental & remediation services market, the Company benefits from its size, relationships and reputation. Therefore, there are occasions where the Company is not the lowest bidder on a contract, but is still awarded the project based on its reputation and qualifications.

Bonding and Foreign Project Guarantees

Dredging

For most domestic projects and some foreign projects, dredging service providers are required to obtain three types of bonds: bid bonds, performance bonds and payment bonds. These bonds are typically provided by large insurance companies. A bid bond is required to serve as a guarantee so that if a service provider's bid is chosen, the service provider will sign the contract. The amount of the bond is typically 20% of the service provider's bid, with a range generally between \$1 and \$10 million. After a contract is signed, the bid bond is replaced by a performance bond, the purpose of which is to guarantee that the job will be completed. If the service provider fails to complete a job, the bonding company would be required to complete the job and would be entitled to be paid the contract price directly by the customer. Additionally, the bonding company would be entitled to be paid by the service provider for any costs incurred in excess of the contract price. A service provider's ability to obtain performance bonds with respect to a particular contract depends upon the size of the contract, as well as the size of the service provider and its financial position. A payment bond is required to protect the service provider's suppliers and subcontractors in the event that the service provider cannot make timely payments. Payment bonds are generally written at 100% of the contract value.

The Company has a bonding agreement (the "Zurich Bonding Agreement") with Zurich American Insurance Company ("Zurich") under which the Company can obtain performance, bid and payment bonds. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the "Additional Sureties"). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich Bonding Agreement. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America. Great Lakes has never experienced difficulty in obtaining bonding for any of its projects and Great Lakes has never failed to complete a marine project in its 125 year history. For most foreign dredging projects, letters of credit or bank guarantees issued by foreign banks are required as security for the bid, performance and, if applicable, advance payment guarantees. The Company obtains its letters of credit under the Credit Agreement (as defined below). Foreign bid guarantees are usually 2% to 5% of the service provider's bid. Foreign performance and advance payment guarantees are each typically 5% to 10% of the contract value.

Environmental & remediation

The environmental & remediation segment contracts with both private, non-governmental customers and governmental entities and may be required to secure bonding for projects with both governmental entities and non-governmental customers. Zurich and the Additional Sureties also provide bonds for the environmental & remediation segment.

Competition

Dredging

The U.S. dredging industry is highly fragmented with approximately 250 entities in the U.S. presently operating more than 850 dredges, primarily in maintenance dredging. Most of these dredges are smaller and service the inland, as opposed to coastal, waterways, and therefore do not generally compete with Great Lakes except in our rivers & lakes market. Competition is determined by the size and complexity of the job; equipment bonding and certification requirements; and government regulations. Competition on rivers & lakes projects is determined primarily based on geographic reach, project execution capability and price. Great Lakes and three other companies comprised over 80% of the Company's defined bid market related to domestic capital, coastal protection, maintenance and rivers & lakes over the prior three years. Within the Company's bid market, competition is determined primarily on the basis of price. In addition, the Foreign Dredge Act of 1906, or "Dredging Act," and Section 27 of the Merchant Marine Act of 1920, or "Jones Act," provide significant barriers to entry with respect to foreign competition. Together these two laws prohibit foreign-built, chartered or operated vessels from competing in the U.S. See "Business—Government Regulations" below.

Competition in the international market is dominated by four large European dredging companies all of which operate larger equipment and fleets that are more extensive than the Company's fleet. Recently, a large Chinese dredging company has emerged as a key player in the international market. In addition, there are several governmentally supported dredging companies that operate on a local or regional basis. The Company targets opportunities that are well suited to its equipment and where it can be most competitive. Most recently, the Company has focused on opportunities in the Middle East and Brazil where the Company has cultivated close customer relationships and has pursued contracts compatible with the size of the Company's vessels.

Environmental & remediation

The U.S. environmental & remediation and related services industry is highly fragmented and is comprised mostly of small regional companies. For larger projects, the Company will occasionally bid against larger engineering and construction firms. The environmental & remediation segment is able to perform both smaller and larger, more complex projects. The environmental & remediation segment competes in the specialty contracting services industry primarily on the basis of its experience, reputation, equipment, key client relationships and price. The ability to deliver a wide range of interdisciplinary capabilities under a single project team is another competitive attribute.

Equipment

Dredging

Great Lakes' fleet of dredges, material barges and other specialized equipment is the largest and most diverse in the U.S. The Company operates three principal types of dredging equipment: hopper dredges, hydraulic dredges and mechanical dredges.

Hopper Dredges. Hopper dredges are typically self-propelled and have the general appearance of an ocean-going vessel. The dredge has hollow hulls, or "hoppers," into which material is suctioned hydraulically through drag-arms. Once the hoppers are filled, the dredge sails to the designated disposal site and either (i) bottom dumps the material or (ii) pumps the material from the hoppers through a pipeline to a designated site. Hopper dredges can operate in rough waters, are less likely than other types of dredges to interfere with ship traffic, and can be relocated quickly from one project to another. Hopper dredges primarily work on coastal protection and maintenance projects.

Hydraulic Dredges. Hydraulic dredges remove material using a revolving cutterhead which cuts and churns the sediment on the channel or ocean floor and hydraulically pumps the material by pipe to the disposal location. These dredges are very powerful and can dredge some types of rock. Certain dredged materials can be directly pumped for miles with the aid of multiple booster pumps. Hydraulic dredges work with an assortment of support equipment, which help with the positioning and movement of the dredge, handling of the pipelines and the placement of the dredged material. Great Lakes operates the only two large electric hydraulic dredges in the U.S., which makes the Company particularly competitive in markets with stringent emissions standards, such as California and Houston. Unlike hopper dredges, relocating hydraulic dredges and all their ancillary equipment requires specialized vessels and additional time, and their operations can be impacted by ship traffic and rough waters. There is a wide range of hydraulic dredges from our smaller rivers & lakes vessels that use pipe sizes ranging from 10" to 22" and operate at between 365 and 3,200 total horsepower, while the Company's other hydraulic dredges use pipe sizes ranging from 18" to 36" and operate at between 1,900 and 20,300 total horsepower.

Mechanical Dredges. There are two basic types of mechanical dredges: clamshell and backhoe. In both types, the dredge uses a bucket to excavate material from the channel or ocean floor. The dredged material is placed by the bucket into material barges, or "scows," for transport to the designated disposal area. The scows are emptied by bottom-dumping, direct pump-out or removal by a crane with a bucket. Mechanical dredges are capable of removing hard-packed sediments, blasted rock and debris and can work in tight areas such as along docks or terminals. Clamshell dredges with specialized buckets are ideally suited to handle material requiring environmentally controlled

disposal. Additionally, the Company owns an electric clamshell dredge which provides an advantage in those markets with stringent emissions standards.

Scows. The Company has the largest fleet of material barges in the domestic industry, which provides cost advantages when dredged material is required to be disposed far offshore or when material requires controlled disposal. The Company uses scows with its hydraulic dredges and mechanical dredges. Scows are an efficient and cost effective way to move material and increase dredging production. The Company has twelve scows in its fleet with a capacity ranging from 5,000 to 8,800 cubic yards. The Company purchased two new scows in each of 2013 and 2014 to support its operations.

In addition, the Company has numerous pieces of smaller equipment that support its dredging operations. Great Lakes' domestic dredging fleet is typically positioned on the East and Gulf Coasts, with a smaller number of vessels occasionally positioned on the West Coast, and with many of the rivers & lakes dredges on inland rivers and lakes. The mobility of the fleet enables the Company to

move equipment in response to changes in demand. Great Lakes' fleet also includes vessels currently positioned in the Middle East and Brazil.

The Company continually assesses its need to upgrade and expand its dredging fleet to take advantage of improving technology and to address the changing needs of the dredging market. The Company is also committed to preventive maintenance, which it believes is reflected in the long lives of most of its equipment and its low level of unscheduled downtime on jobs. To the extent that market conditions warrant the expenditures, Great Lakes can prolong the useful life of its vessels. The Company has announced the construction of a dual mode articulated tug/barge trailing suction hopper dredge ("ATB") which is expected to be completed by the end of 2016.

Certification of equipment by the U.S. Coast Guard and establishment of the permissible loading capacity by the American Bureau of Shipping ("A.B.S.") are important factors in the Company's dredging business. Many projects, such as coastal protection projects with offshore sand borrow sites and dredging projects in exposed entrance channels or with offshore disposal areas, are restricted by federal regulations to be performed only by dredges or scows that have U.S. Coast Guard certification and a load line established by A.B.S. The certifications indicate that the dredge is structurally capable of operating in open waters. The Company has more certified dredging vessels than any of the Company's domestic competitors and makes substantial investments to maintain these certifications.

Environmental & remediation

The environmental & remediation segment owns and operates specialized remediation equipment, including a fleet of tracked excavators, haul trucks, dozers, and other earth moving equipment commonly used for remediation earthwork. The group also owns a wide range of specialty equipment commonly used for geotechnical slurry wall construction including long-stick excavators, slurry batch plants, de-sanders, and jet shear mixers as well as a number of mixing augers utilized for in-situ stabilization. Specialty demolition attachments used to support facility remediation includes a limited number of shears, pulverizers, processors, grapples and hydraulic hammers that facilitate processing of construction and demolition debris for recycling, reclamation and disposal. The Company also owns and maintains a large number of skid-steer loaders, high pressure vacuum equipment trucks, heavy-duty large-capacity loaders, off-highway hauling units and a fleet of tractor-trailers for transporting equipment and materials to and from job sites. The Company rents additional equipment on a project-by-project basis, which allows the Company flexibility to adjust costs to the level of project activity.

Seasonality

Seasonality generally does not have a significant impact on the Company's dredging operations. However, many East Coast coastal protection projects are limited by environmental windows that require work to be performed in winter months to protect wildlife habitats. The Company can mitigate the impact of these environmental restrictions to a certain extent because the Company has the flexibility to reposition its equipment to project sites, if available, that are not limited by these restrictions. In addition, rivers and lakes in the northern U.S. freeze during the winter, significantly reducing the Company's ability to operate and transport its equipment in the relevant geographies. Fish spawning and flooding can affect dredging operations as well.

The Company's environmental & remediation segment operates across a national footprint. Similar to the dredging segment, the environmental & remediation segment's projects are impacted by the freezing rivers and lakes in the northern climates during the winter and by the rainy season on the rivers and levees along the West Coast. The company's broad spectrum capability and geographical footprint should increasingly allow it to pursue and execute work in the warmer southern climates, eventually diminishing the effects of weather related seasonality.

Weather

The Company's ability to perform its contracts may depend on weather conditions. Inclement or hazardous weather conditions can delay the completion of a project, can result in disruption or early termination of a project, unanticipated recovery costs or liability exposure and additional costs. As part of bidding on fixed price contracts, the Company makes allowances, consistent with historical weather data, for project downtime due to adverse weather conditions. In the event that the Company experiences adverse weather beyond these allowances, a project may require additional days to complete, resulting in additional costs and decreased gross profit margins. Conversely, favorable weather can accelerate the completion of the project, resulting in cost savings and increased gross profit margins. Typically, Great Lakes is exposed to significant weather in the first and fourth quarters, and certain projects are required to be performed in environmental windows that occur during these periods. See "Business-Seasonality" above.

Weather is difficult to predict and historical records exist for only the last 100-125 years. Changes in weather patterns may cause a deviation from project weather allowances on a more frequent basis and consequently increase or decrease gross profit margin, as applicable, on a project-by-project basis. In a typical year, the Company works on many projects in multiple geographic locations

and experiences both positive and negative deviations from project weather allowances. Accordingly, it is unlikely that future climate change will have a material adverse effect on the Company's results of operations.

Backlog

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 environmental & remediation contracts, these estimates are based on the time and remaining costs required to complete the project, relative to total estimated project costs and project revenues agreed to with the applicable customer. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. 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. 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 components of the Company's backlog including dollar amount and other related information are addressed in more detail in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Bidding Activity and Backlog."

Employees

Dredging

During 2015, the Company employed an average of 449 full-time salaried personnel in the U.S., including those in a corporate function. In addition, the Company employs U.S. hourly personnel, most of whom are unionized, on a project-by-project basis. Crews are generally available for hire on relatively short notice. During 2015, the Company employed a daily average of 661 hourly personnel to meet domestic project requirements.

At December 31, 2015, the Company employed 18 expatriates, 15 foreign nationals and 72 local staff to manage and administer its Middle East operations. During 2015, the Company also employed a daily average of 200 hourly personnel to meet project requirements in the Middle East.

In addition, the Company employed approximately 4 expatriates and foreign nationals and 35 local staff to manage the operations in Brazil at December 31, 2015. During 2015, the Company also employed a daily average of 15 local hourly personnel to meet requirements on the projects in Brazil.

Environmental & remediation

At December 31, 2015, the environmental & remediation segment employed approximately 150 full-time salaried administrative employees, in addition to an average of 239 hourly employees, some of whom are unionized. The hourly employees are hired on a project-by-project basis and are generally available for hire on relatively short notice.

Safety

Safety of its employees is one of the highest priorities of Great Lakes. The Company employs behavioral and system based programs, with the dredging segment utilizing Incident & Injury Free (IIF) and the environmental & remediation segment utilizing Loss Prevention System (LPS). The Company's safety culture is committed to training,

behavioral based awareness and mutual responsibility for the wellbeing of its employees. The Company's goal is sustainable safety excellence. Incident prevention in all areas have top priority in the Company's business planning, in the overall conduct of its business, and in the operation and maintenance of our equipment (marine and land) and facilities.

Unions

The Company is a party to numerous collective bargaining agreements in the U.S. that govern its relationships with its unionized hourly workforce. However, two unions represent a large majority of our dredging employees - the International Union of Operating Engineers ("IUOE"), Local 25 and the Seafarers International Union. The Company's contracts with IUOE, Local 25 expire in September 2016 and September 2018. Our agreements with Seafarers International Union expire in February 2018. The Company has not experienced any major labor disputes in the past five years and believes it has good relationships with the unions that represent

a significant number of its hourly employees; however, there can be no assurances that the Company will not experience labor strikes or disturbances in the future.

Government Regulations

The Company is subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act, 1916, or "Shipping Act," and the vessel documentation laws set forth in Chapter 121 of Title 46 of the United States Code. These statutes require vessels engaged in dredging in the navigable waters of the United States to be documented with a coastwise endorsement, to be owned and controlled by U.S. citizens, to be manned by U.S. crews, and to be built in the United States. The U.S. citizen ownership and control standards require the vessel-owning entity to be at least 75% U.S. citizen owned and prohibit the chartering of the vessel to any entity that does not meet the 75% U.S. citizen ownership test.

Environmental Matters

The Company's operations, facilities and vessels are subject to various environmental laws and regulations related to, among other things: dredging operations; the disposal of dredged material; protection of wetlands; storm water and waste water discharges; demolition activities; asbestos removal; transportation and disposal of wastes and materials; air emissions; and remediation of contaminated soil, sediments, surface water and groundwater. The Company is also subject to laws designed to protect certain marine species and habitats. Compliance with these statutes and regulations can delay appropriation and/or performance of particular projects and increase related project costs. Non-compliance can also result in fines, penalties and claims by third parties seeking damages for alleged personal injury, as well as damages to property and natural resources.

Certain environmental laws such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, and the Oil Pollution Act of 1990 impose strict and, under some circumstances joint and several, liability on owners and operators of facilities and vessels for investigation and remediation of releases and discharges of regulated materials, and also impose liability for related damages to natural resources. The Company's past and ongoing operations involve the use, and from time to time the release or discharge, of regulated materials which could result in liability under these and other environmental laws. The Company has remediated known releases and discharges as deemed necessary, but there can be no guarantee that additional costs will not be incurred if, for example, third party claims arise or new conditions are discovered.

The Company's projects may involve remediation, demolition, excavation, transportation, management and disposal of hazardous waste and other regulated materials. Various laws strictly regulate the removal, treatment and transportation of hazardous water and other regulated materials and impose liability for human health effects and environmental contamination caused by these materials. The Company takes steps to limit its potential liability by hiring qualified subcontractors from time to time to remove such materials from our projects, and some project contracts require the client to retain liability for hazardous waste generation.

Based on the Company's experience and available information, the Company believes that the future cost of compliance with existing environmental laws and regulations (and liability for known environmental conditions) will not have a material adverse effect on the Company's business, financial position, results of operations or cash flows. However, the Company cannot predict what environmental legislation or regulations will be enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to newly discovered conditions, such as future cleanup matters or other environmental claims.

Executive Officers

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

The following table sets forth the names and ages of all of the Company's executive officers and the positions and offices presently held by them.

Name	Age	Position
Jonathan W. Berger*	57	Chief Executive Officer and Director
Kyle D. Johnson	54	Executive Vice President and Chief Operating Officer
Mark W. Marinko	54	Senior Vice President - Chief Financial Officer
David E. Simonelli	59	President of Dredging Operations
Kathleen M. LaVoy	36	Vice President, Interim Chief Legal Counsel and Corporate Secretary
Christopher P. Shea	53	President of Environmental Operations

*Mr. Berger notified the Board on October 11, 2015 of his intention to retire, effective as of the earlier of April 13, 2017 and a date chosen by the Board.

Jonathan W. Berger, Chief Executive Officer

Mr. Berger was named Chief Executive Officer in September 2010. Mr. Berger was the managing partner at Tellurian Partners, LLC, a consulting firm, from August 2009 until September 2010. From January 2002 until July 2009, Mr. Berger was a managing director and co-head of Corporate Finance for Navigant Consulting, Inc. (“NCI”), a New York Stock Exchange-listed consulting firm. Mr. Berger was also President of Navigant Capital Advisors, LLC, the wholly owned broker-dealer of NCI during a portion of that time. From January 2000 to March 2001, Mr. Berger was President of DotPlanet.com, an Internet services provider. From 1983 to December 1999, Mr. Berger was employed by KPMG, LLP, an independent public accounting firm, where he served as a partner from August 1991 to December 1999; he was in charge of the national corporate finance practice for three of those years. Mr. Berger was a Director and Chair of the Audit and Compensation Committees of Boise, Inc. He is a Certified Public Accountant and holds a Bachelor of Science from Cornell University and an M.B.A. from Emory University.

Kyle D. Johnson, Executive Vice President and Chief Operating Officer

Mr. Johnson was promoted to Executive Vice President and Chief Operating Officer in 2013. He had served the Company as a Senior Vice President of Operations from 2010. Previously, he held the position of Vice President and Chief Contract Manager since 2006. He joined the Company in 1983 as a Mechanical Engineer and has since held positions of increasing responsibility in domestic and international engineering, operations and management. Mr. Johnson was named Vice President in 2002. Mr. Johnson earned a Bachelor of Science degree in Engineering from Purdue University and a Master’s of Science degree in Construction Engineering & Management from Stanford University.

Mark W. Marinko, Senior Vice President and Chief Financial Officer

Mr. Marinko has served as our Senior Vice President and Chief Financial Officer since June 2014. Mr. Marinko has a strong background in operations and finance working for TransUnion, LLC, a global information solutions company, through August 2013. Mr. Marinko was most recently President of the Consumer Services division at TransUnion leading the direct to consumer and business market, customer service, consumer compliance and marketing for the credit information company. Prior to his position as President, Mr. Marinko has been in increasing accounting and financial roles as Controller and Vice President of Finance at TransUnion since 1996. Prior to TransUnion, Mr. Marinko served as controller of Official Airline Guides. In his over 30 years of professional experience, Mr. Marinko has held roles specializing in accounting, finance, sales, systems and business operations. Mr. Marinko earned a Bachelor of Arts degree in Accounting and Business Administration from Augustana College.

David E. Simonelli, President of Dredging Operations

Mr. Simonelli was named President of Dredging Operations in April 2010. Mr. Simonelli has overall responsibility for the Dredging Division which includes safety, estimating, engineering, domestic and international operations and plant and equipment. He was named a Vice President of the Company in 2002 and Special Projects Manager in 1996. He joined the Company in 1978 as a Civil Engineer and has since held positions of increasing responsibility in domestic and international operations and project management. Mr. Simonelli earned a Bachelor of Science degree in Civil and Environmental Engineering from the University of Rhode Island. He is a member of the Hydrographic Society, the American Society of Civil Engineers and the Western Dredging Association.

Kathleen M. LaVoy, Vice President, Interim Chief Legal Counsel and Corporate Secretary

Ms. LaVoy has served as our Interim Chief Legal Counsel and Corporate Secretary since November 2015. Ms. LaVoy was appointed Vice President and General Counsel, Dredging Operations in July 2012. She joined the Company in 2007 as Assistant General Counsel. Ms. LaVoy received her J.D. cum laude from Northwestern University School of Law and was an associate in the litigation department of the Chicago law firm Winston & Strawn LLP following

graduation. Ms. LaVoy earned a Bachelor of Science degree with distinction in Business Administration from the University of North Carolina – Chapel Hill. She is a fourth generation dredger.

Christopher P. Shea, President of Environmental Operations

Mr. Shea was named President of Environmental Operations in November 2015. He has over 25 years of experience in global engineering, environmental services and construction management services. Prior to joining Great Lakes, Mr. Shea was at CH2M Hill, Inc., a global environmental and engineering consulting services firm, where he was most recently President of the Environmental and Nuclear Business Group. Prior to his nine year tenure at CH2M Hill, Mr. Shea was employed by Envirocon, Inc. as Senior Vice President of Business Development and Strategic Planning. Mr. Shea started his career at Waste Management (formerly Chemical Waste Management) in 1986. He received a BS in Chemistry from the University of Arizona.

Item 1A. Risk Factors

The following risk factors address the material risks and uncertainties concerning our business. You should carefully consider the following risks and other information contained or incorporated by reference into this Annual Report on Form 10-K when evaluating our business and financial condition and an investment in our common stock. Should any of the following risks or uncertainties develop into actual events, such developments could have material adverse effects on our business, financial condition, cash flows or results of operations. We have grouped our Risk Factors under captions that we believe describe various categories of potential risk. For the reader's convenience, we have not duplicated risk factors that could be considered to be included in more than one category.

Risks Related to our Business

The review of potential strategic alternatives by our Board of Directors may result in significant transaction expenses and unexpected liabilities.

On October 16, 2015, the Company announced that its Board of Directors began a review of potential strategic alternatives. The pursuit of potential strategic alternatives could result in the diversion of management's attention from our existing business; failure to achieve financial or operating objectives; incurrence of significant transaction expenses; failure to retain key personnel, customers or contracts; and volatility in the Company's stock price. There can be no assurance that the Company will be successful in entering into or consummating a transaction at this time, or in the future that any such strategic alternative will yield additional value for stockholders, or that the process will not have an adverse impact on our business, operations, revenues and profits.

We have not set a timetable for completion of this process and do not intend to discuss or disclose developments with respect to the process unless and until such time as our Board of Directors has approved a definitive course of action or otherwise concludes the review of strategic alternatives. As a consequence, perceived uncertainties related to the future of the Company may result in the loss of potential business opportunities and volatility in the price of our stock price, and may make it more difficult for us to attract and retain qualified personnel and business partners.

We depend on our ability to continue to obtain federal government dredging and other contracts, and are therefore impacted by the amount of government funding for dredging and other projects. A reduction in government funding for dredging or other contracts, or government cancellation of such contracts, could materially adversely affect our business operations, revenues and profits.

A substantial portion of our revenue is derived from federal government contracts, particularly dredging contracts. Revenues related to dredging contracts with federal agencies or companies operating under contracts with federal agencies and the percentage as a total of dredging revenue for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,		
	2015	2014	2013
Federal government dredging revenue (in US \$1,000)	\$437,072	\$487,647	\$329,185
Percent of dredging revenue from federal government	64	% 70	% 51

Amounts spent by the federal government on dredging and remediation are subject to the budgetary and legislative processes. We would expect the federal government to continue to improve and maintain ports as it has for many years, which will necessitate a certain level of federal spending. However, there can be no assurance that the federal government will allocate any particular amount or level of funds to be spent on dredging or remediation projects for any specified period.

In addition, potential contract cancellations, modifications, protests, suspensions or terminations may arise from resolution of these issues and could cause our revenues, profits and cash flows to be lower. Federal government contracts can be canceled at any time without penalty to the government, subject to, in most cases, our contractual right to recover our actual committed costs and profit on work performed up to the date of cancellation. Accordingly, there can be no assurance that the federal government will not cancel any federal government contracts that have been or are awarded to us. Even if a contract is not cancelled, the government may elect to not award further work pursuant to a contract. A significant reduction in government funding for dredging or remediation contracts, could materially adversely affect our business, operations, revenues and profits.

We depend on our ability to qualify as an eligible bidder under government contract criteria and to compete successfully against other qualified bidders in order to obtain government dredging and other contracts. Our inability to qualify or to compete successfully for certain contracts could materially adversely affect our business operations, revenues and profits.

The U.S. government and various state, local and foreign government agencies conduct rigorous competitive processes for awarding many contracts. Some contracts include multiple award task order contracts in which several contractors are selected as

eligible bidders for future work. We will face strong competition and pricing pressures for any additional contract awards from the U.S. government and other domestic and foreign government agencies, and we may be required to qualify or continue to qualify under various multiple award task order contract criteria. Our inability to qualify as an eligible bidder under government contract criteria could preclude us from competing for certain government contract awards. In addition, our inability to qualify as an eligible bidder, or to compete successfully when bidding for certain government contracts and to win those contracts, could materially adversely affect our business, operations, revenues and profits.

The nature of our contracts, particularly those that are fixed-price, subjects us to risks associated with cost over-runs, operating cost inflation and potential claims for liquidated damages. If we are unable to accurately estimate our costs to complete our projects, our profitability could suffer.

We conduct our business under various types of contracts where costs are estimated in advance of our performance. Most dredging contracts are fixed-price contracts where the customer pays a fixed price per unit (e.g., cubic yard) of material dredged. In addition, most of our environmental and remediation contracts carry similar risks as compared to our fixed-price dredging contracts that may be increased due to the fact that environmental and remediation contracts may not involve projects where we have historical knowledge at the same location or specific prior experience to draw from when estimating cost. Fixed-price contracts carry inherent risks, including risks of losses from underestimating costs, operational difficulties, and other changes that can occur over the contract period. If our estimates prove inaccurate, if there are errors or ambiguities as to contract specifications, or if circumstances change due to, among other things, unanticipated conditions or technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, inclement or hazardous weather conditions, changes in cost of equipment or materials, or our suppliers' or subcontractor's inability to perform, then cost over-runs and delays in performance are likely to occur. We may not be able to obtain compensation for additional work performed or expenses incurred, or may be delayed in receiving necessary approvals or payments. Additionally, we may be required to pay liquidated damages upon our failure to meet schedule or performance requirements of our contracts. Our failure to accurately estimate the resources and time required for fixed-price contracts or our failure to perform our contractual obligations within the expected time frame and costs could result in reduced profits or, in certain cases, a loss for that contract. If we were to significantly underestimate the costs on one or more significant contracts, the resulting losses could have a material adverse effect on our business, operating results, cash flows or financial condition.

Our results of operations depend on the award of new contracts and the timing of the performance of these contracts. As a result, our quarterly operating results may vary significantly.

Our quarterly and annual results of operations have fluctuated from period to period in the past and may continue to fluctuate in the future. Accordingly, you should not rely on the results of any past quarter or quarters as an indication of future performance in our business operations or valuation of our stock. Our operating results could vary greatly from period to period due to factors such as:

- the timing of contract awards and the commencement or progress of work under awarded contracts;
- inclement or hazardous weather conditions that may result in underestimated delays in dredging or remediation, disruption or early termination of projects, unanticipated recovery costs or liability exposure, and additional contract expenses;
- planned and unplanned equipment downtime;
- our ability to recognize revenue from pending change orders, which is not recognized until the recovery is probable and collectability is reasonably assured;
- environmental restrictions requiring that certain projects be performed in winter months to protect wildlife habitats; and
- equipment mobilization to and from projects.

If our results of operations from quarter to quarter fail to meet the expectations of public market analysts and investors, our stock price could be negatively impacted. See "Management's Discussion and Analysis of Financial

Condition and Results of Operations—Primary Factors that Determine Operating Profitability.”

If we fail to comply with government contracting regulations, our revenue could suffer, and we could be subject to significant potential liabilities.

Our contracts with federal, state local and foreign governmental customers are subject to various procurement regulations and contract provisions. These regulations also subject us to examinations by government auditors and investigators, from time to time, to ensure compliance and to review costs. Violations of government contracting regulations could result in the imposition of civil and criminal penalties, which could include termination of contracts, forfeiture of profits, imposition of payments and fines and suspension or debarment from future government contracting. If we fail to continue to qualify for or are suspended from work under a government contract for any reason, we could suffer a material adverse effect on our business, operating results, cash flows or financial condition

In addition, we may be subject to litigation brought by private individuals on behalf of the government relating to our government contracts, referred to in this annual report as “qui tam” actions, which could include claims for up to treble damages. Qui tam actions are sealed by the court at the time of filing. The only parties privy to the information in the complaint are the complainant, the U.S. government and the court. Therefore, it is possible that qui tam actions have been filed against us and that we are not aware of such actions or have been ordered by the court not to discuss them until the seal is lifted. Thus, it is possible that we are subject to liability exposure arising out of qui tam actions.

We are subject to risks related to our international dredging operations.

Revenue from foreign contracts and its percentage to total dredging revenue for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Year Ended December 31,					
	2015		2014		2013	
Foreign revenue (in US \$1,000)	\$139,945		\$155,000		\$138,436	
Percent of dredging revenue from foreign countries	21	%	22	%	22	%

The international dredging market is highly competitive and competition in the international market is dominated by four large European dredging companies, all of which operate larger equipment and fleets that are more extensive than the Company’s. In addition, there are several governmentally supported dredging companies that operate on a local or regional basis. Competing for international dredging projects requires a substantial investment of resources, skilled personnel and capital investment in equipment and technology, and may adversely affect our ability to deploy resources for domestic dredging projects.

International operations subject us to additional potential risks, including:

- uncertainties concerning import and export license requirements, tariffs and other trade barriers;
- political and economic instability and risks of terrorist activities;
- reduced demand as a result of fluctuations in the price of oil, the primary export in the Middle East;
- restrictions on repatriating foreign profits back to the United States;
- difficulties in enforcing contractual rights and agreements through certain foreign legal systems;
- requirements of, and changes in, foreign laws, policies and regulations;
- difficulties in staffing and managing international operations without additional expense;
- taxation issues;
- greater difficulty in accounts receivable collection and longer collection periods;
- compliance with the U.S. Foreign Corrupt Practices Act and international anticorruption laws;
- currency fluctuations;
- logistical and communication challenges; and
- inability to effectively insure against political, cultural and economic uncertainties, including acts of terrorism, civil unrest, war or other armed conflict.

In addition, our international operations are subject to U.S. and other laws and regulations regarding operations in foreign jurisdictions. These numerous and sometimes conflicting laws and regulations include anti-boycott laws, anti-competition laws, anti-corruption laws, tax laws, immigration laws, privacy laws and accounting requirements. There is a risk that some provisions may be breached, for example through inadvertence or mistake, fraudulent or negligent behavior of individual employees or of agents, or failure to comply with certain formal documentation requirements or otherwise. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to operate in one or more countries, and could have a material adverse effect on our business, results of operations or

financial condition. In addition, military action, terrorist activities or continued unrest in the Middle East could affect the safety of our personnel in the region and significantly increase the costs of, or disrupt our operations in, the region and could have a material adverse effect on our business, operating results, cash flows or financial condition.

A significant portion of our international revenue is earned from large, single customer contracts.

The Company earns significant revenue from governmental entities and private parties in the Middle East. Revenue from foreign projects has been concentrated in the Middle East which comprised 90%, 40% and 49% of our foreign dredging revenues in the years ended December 31, 2015, 2014 and 2013, respectively. A large, single customer contract was signed in Egypt with a local government agency in the fourth quarter of 2014. This contract represented 86% of the Company's foreign dredging revenue from all sources in the year ended December 31, 2015. The Company continues to maintain significant equipment in the Middle East region and continues to pursue additional contracts in the region.

Certain factors have occurred suggesting that future revenues from projects with governments in the Middle East could decrease. Historically lower oil prices and the contraction in Middle East commercial and real estate development have slowed the rate of the region's infrastructure development. If our commercial relationship with the government of Bahrain, Egypt or Saudi Arabia is significantly negatively impacted or terminated, the Company's international revenues would be materially and adversely impacted. If the government of Bahrain, Egypt or Saudi Arabia further curtails its infrastructure investment or diversifies its use of dredging vendors, our revenue from these customers could decline further.

Other Middle East governments have national dredging companies and may be incentivized to use the national dredging company of another Middle East government or have significant history with competitive dredging vendors other than the Company. The Company could lose future contracts for work in the Middle East to these competitors or could be forced to accept lower margins on contracts in order to utilize the equipment that is in the Middle East. In addition, the Company may be forced to shrink the workforce in place or relocate dredging assets from this region in reaction to lower contract earnings. Lower utilization, workforce reductions or asset relocations could have a material adverse effect on our business, operating results, cash flows or financial condition.

Regional instability in the Middle East may adversely affect business conditions and may disrupt our operations.

Bahrain continues to experience civil unrest and political protests that could result in governmental instability. In response thereto, the government of Bahrain may institute measures, such as a national curfew, that may impact our ability to execute on projects in Bahrain. It is uncertain whether civil unrest will continue, whether the current protests and other activities may lead to any meaningful government changes, and what restrictions, if any, the Bahrain government may establish. In addition, such events may affect the Bahrain government's plans for infrastructure investment. If the government changes or significant restrictions are established, our Bahrain dredging operations, including the value of our assets related to such operations, may be adversely affected.

In addition, Egypt and Saudi Arabia have experienced political turbulence. Political uprisings and conflicts, including armed hostilities and civil unrest, may affect the political stability of the region. Deterioration in the political, economic, and social conditions or other relevant policies of the government, such as changes in laws or regulations, export restrictions, expropriation of our assets or resource nationalization, could materially and adversely affect our business, financial condition, and results of operations. Similar civil unrest and political turbulence has occurred in other countries in the region.

Our use of the percentage-of-completion method of accounting could result in a change in previously recorded revenue and profit.

We recognize contract revenue using the percentage-of-completion method. The majority of our work is performed on a fixed-price basis. Contract revenue is accrued based on engineering estimates for the physical percent complete for dredging and estimates of remaining costs to complete for environmental and remediation. We use generally accepted accounting principles in the United States relating to the percentage-of-completion method, estimating costs, revenue recognition, combining and segmenting contracts and change order/claim recognition. Percentage-of-completion

accounting relies on the use of estimates in the process of determining income earned. The cumulative impact of revisions to estimates is reflected in the period in which these changes are experienced or become known. Given the risks associated with the variables in these types of estimates, it is possible for actual costs to vary from estimates previously made, which may result in reductions or reversals of previously recorded net revenues and profits.

Our financial results include certain estimates and assumptions that may differ from actual results.

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, a number of estimates and assumptions are made by management that affect the amounts reported in the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of our financial statements is either dependent on future events or cannot be calculated with a high degree of precision from available data. In some instances, these estimates are particularly uncertain and we must exercise significant judgment. Estimates are primarily used in our assessment of the recognition of revenue for costs and estimated earnings under the percentage of completion method of accounting as discussed above, the fair value of reporting units for goodwill impairment analysis, the assessment of impairment of intangibles and other long-lived assets, the purchase price allocations of businesses acquired, accrued insurance claims, income taxes, asset lives used in computing depreciation and amortization, stock-based compensation expense for performance-based stock awards, and accruals for contingencies, including legal matters. At the time they are made, we believe that such estimates are fair when considered in

conjunction with our consolidated financial position and results of operations taken as a whole. However, actual results could differ from those estimates and such differences may be material to our financial statements.

Lapses in disclosure controls and procedures or internal control over financial reporting could materially and adversely affect our operations, profitability or reputation.

There can be no assurance that our disclosure controls and procedures will be effective in the future or that we will not experience a material weakness or significant deficiency in internal control over financial reporting. Any such lapses or deficiencies may materially and adversely affect our business, operating results, cash flows or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the lapses or deficiencies, expose us to regulatory or legal proceedings, including litigation brought by private individuals, subject us to fines, penalties or judgments, harm our reputation, or otherwise cause a decline in investor confidence and our stock price.

Many of our contracts have penalties for late completion.

In many instances, including in our fixed-price contracts, we guarantee that we will complete a project by a scheduled date. If we subsequently fail to complete the project as scheduled, we may be liable for any customer losses resulting from such delay, generally in the form of contractually agreed-upon liquidated damages. In addition, failure to maintain a required schedule could cause us to default on our government contracts, giving rise to a variety of potential damages. To the extent that these events occur, the total costs of the project could exceed our original estimates, and we could experience reduced profits or, in some cases, a loss for that project.

Force majeure events, including natural disasters and terrorists' actions, could negatively impact our business, which may affect our business, operations, revenues, cash flows and profits.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate. We typically negotiate contract language where we are allowed certain relief from force majeure events in private client contracts and review and attempt to mitigate force majeure events in both public and private client contracts. We remain obligated to perform our services after most extraordinary events subject to relief that may be available pursuant to a force majeure clause.

If a contract contains a force majeure provision, we may be able to obtain an extension of time to complete our obligations under such contract, but we will still be subject to our other contractual obligations in the event of such an extraordinary event. Because we cannot predict the length, severity or location of any potential force majeure event, it is not possible to determine the specific effects any such event may have on us. Depending on the specific circumstances of any particular force majeure event, or if we are unable to react quickly to such an event, our operations may be affected significantly, our productivity may be affected, our ability to complete projects in accordance with our contractual obligations may be affected, our payments from customers may be delayed and we may incur increased labor and materials costs, which could have a negative impact on our financial condition, relationships with customers or suppliers, and our reputation.

The amount of our estimated backlog is subject to change and not necessarily indicative of future revenues.

Our contract backlog represents our estimate of the revenues that we will realize 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 environmental and remediation contracts, these estimates are based on the time and remaining costs required to complete the project relative to total estimated project costs and project revenues agreed to with the customer. However, these estimates are necessarily

subject to variances based upon actual circumstances. From time to time, changes in project scope may occur with respect to contracts reflected in our backlog and could reduce the dollar amount of our backlog and the timing of the revenue and profits that we actually earn. Projects may remain in our backlog for an extended period of time because of the nature of the project and the timing of the particular services or equipment required by the project.

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 our dredging backlog (53% in 2015) relates to federal government contracts, which can be canceled at any time without penalty to the government, subject, in most cases, to our contractual right to recover our actual committed costs and profit on work performed up to the date of cancellation.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Below is our dredging backlog from federal government contracts as of December 31, 2015, 2014, and 2013 and the percentage of those contracts to total backlog as of the same date.

	Year Ended December 31,		
	2015	2014	2013
Federal government dredging backlog (in US \$1,000)	\$357,619	\$357,650	\$385,141
Percentage of dredging backlog from federal government	53	% 60	% 75

At times we may have backlog with foreign governments that use local laws and regulations to change terms of a contract in backlog or to limit our ability to receive payment on a timely basis. Other contracts in backlog are with state and local municipalities or private companies that may have funding constraints or impose restrictions on timing. The termination, modification or suspension of projects currently in backlog could have a material adverse effect on our business, operating results, cash flows or financial condition.

Our business would be adversely affected if we failed to comply with Section 27 of the Merchant Marine Act of 1920 (the "Jones Act") provisions on coastwise trade, or if those provisions were modified or repealed.

We are subject to the Jones Act and other federal laws that restrict dredging in U.S. waters and maritime transportation between points in the United States to vessels operating under the U.S. flag, built in the United States, at least 75% owned and operated by U.S. citizens and manned by U.S. crews. We are responsible for monitoring the ownership of our common stock to ensure compliance with these laws. If we do not comply with these restrictions, we would be prohibited from operating our vessels in the U.S. market, and under certain circumstances we would be deemed to have undertaken an unapproved foreign transfer, resulting in severe penalties, including permanent loss of U.S. dredging rights for our vessels, fines or forfeiture of the vessels.

In the past, interest groups have unsuccessfully lobbied Congress to modify or repeal the Jones Act to facilitate foreign flag competition for trades and cargoes currently reserved for U.S. flag vessels under the Jones Act. We believe that continued efforts may be made to modify or repeal the Jones Act or other federal laws currently benefiting U.S. flag vessels. If these efforts are ever successful, it could result in significantly increased competition and have a material adverse effect on our business, results of operations, cash flows or financial condition.

Our dependence on petroleum-based products increases our costs as the prices of such products increase, which could adversely affect our business, operations, revenues and profits.

Fuel prices fluctuate based on market events outside of our control. We use diesel fuel and other petroleum-based products to operate our equipment used in our dredging and environmental and remediation contracts. Fluctuations in supplies relative to demand and other factors can cause unanticipated increases in their cost. Most of our contracts do not allow us to adjust our pricing for higher fuel costs during a contract term and we may be unable to secure price increases reflecting rising costs when renewing or bidding contracts. Future increases in the costs of fuel and other petroleum-based products used in our business, particularly if a bid has been submitted for a contract and the costs of those products have been estimated at amounts less than the actual costs thereof, could result in a lower profit, or even a loss, on one or more contracts.

If we are unable, in the future, to obtain bonding or letters of credit for our contracts, our ability to obtain future contracts will be limited, thereby adversely affecting our business, operating results, cash flows or financial condition.

We are generally required to post bonds in connection with our domestic dredging or remediation contracts and bonds or letters of credit with our foreign dredging contracts to ensure job completion if we ever fail to finish a project. We

have entered into the Zurich Bonding Agreement with Zurich American Insurance Company (“Zurich”), pursuant to which Zurich acts as surety, issues bid bonds, performance bonds and payment bonds, and provides guarantees required by us in the day-to-day operations of our dredging business. However, under certain circumstances as specified in the agreement, Zurich is not obligated under the Zurich Bonding Agreement to issue future bonds for us. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the “Additional Sureties”). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich Bonding Agreement. Historically, we have had a strong bonding capacity, but surety companies issue bonds on a project-by-project basis and can decline to issue bonds at any time or require the posting of collateral as a condition to issuing any bonds. In addition to our bonds outstanding with Zurich and the Additional Sureties, we also have surety bonds outstanding with Travelers Casualty and Surety Company of America. With respect to our foreign dredging business, we generally obtain letters of credit under our Credit Agreement. However, access to our senior credit facility under our Credit Agreement may be limited by failure to meet certain financial requirements or other defined requirements. If we are unable to obtain bonds or letters of credit on terms reasonably acceptable to us, our ability to take on future work would be severely limited.

In connection with the sale of our historical demolition business, we were obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project. If there should be a default triggered under any of such surety bonds, it could have a material adverse effect on our ability to obtain bonds and on our business, results of operations, cash flows or financial condition.

Capital expenditures and other costs necessary to operate and maintain our vessels tend to increase with the age of the vessel and may also increase due to changes in governmental regulations, safety or other equipment standards, which could result in a decrease in our profits.

Capital expenditures and other costs necessary to operate and maintain our vessels tend to increase with the age of the vessel. Accordingly, it is likely that the operating costs of our vessels will increase.

The average age of our more significant vessels as of December 31, 2015, by equipment type, is as follows:

Type of Equipment	Quantity	Average Age in Years
Hydraulic Dredges	18	45
Hopper Dredges	7	33
Mechanical Dredges	5	40
Unloaders	1	31
Drillboats	2	39
Material and Other Barges	145	29
Total	178	36

Remaining economic life has not been presented because it is not reasonably quantifiable because, to the extent that market conditions warrant the expenditures, we can prolong the vessels' lives. In our domestic market, we operate in an industry where a significant portion of competitors' equipment is of a similar age. It is common in the dredging industry to make maintenance and capital expenditures in order to extend the economic life of equipment.

In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, standards imposed by vessel classification societies and customer requirements or competition, may require us to make additional expenditures. For example, if the U.S. Coast Guard enacts new standards, we may be required to incur expenditures for alterations or the addition of new equipment (e.g. more fuel efficient engines). Other new standard requirements could be significant. In order to satisfy any such requirement, we may need to take our vessels out of service for extended periods of time, with corresponding losses of revenues.

We may experience equipment or mechanical failures, which could increase costs, reduce revenues and result in penalties for failure to meet project completion requirements.

The successful performance of contracts requires a high degree of reliability of our vessels, barges and other equipment. The average age of our marine fleet as of December 31, 2015 was 36 years. Breakdowns not only add to the costs of executing a project, but they can also delay the completion of subsequent contracts, which are scheduled to utilize the same assets. We operate a scheduled maintenance program in order to keep all assets in good working order, but despite this, breakdowns can and do occur.

Our current business strategy may include acquisitions which present certain risks and uncertainties. There are integration and consolidation risks associated with acquisitions. Future acquisitions may result in significant transaction expenses, unexpected liabilities and risks associated with entering new markets, and we may be unable to profitably operate these businesses.

We may seek business acquisition activities as a means of broadening our offerings and capturing additional market opportunities by our business units. We may be exposed to certain additional risks resulting from these activities. Acquisitions may expose us to operational challenges and risks, including:

- the effects of valuation methodologies which may not accurately capture the value proposition;
- the failure to integrate acquired businesses into our operations, financial reporting and controls with the efficiency and effectiveness initially expected resulting in a potentially significant detriment to our financial results and our operations as a whole;
- the management of the growth resulting from acquisition activities;
- the inability to capitalize on expected synergies;

- the assumption of liabilities of an acquired business (for example, litigation, tax liabilities, environmental liabilities), including liabilities that were contingent or unknown at the time of the acquisition and that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- the assumption of unprofitable projects that pose future risks to our working capital needs, cash flows and the profitability of related operations;
- the risks associated with entering new markets;
- diversion of management's attention from our existing business;
- failure to retain key personnel, customers or contracts of any acquired business;
- potential adverse effects on our ability to comply with covenants in our existing debt financing;
- potential impairment of acquired intangible assets; and
- additional debt financing, which may not be available on attractive terms.

We may not have the appropriate management, financial or other resources needed to integrate any businesses that we acquire. Any future acquisitions may result in significant transaction expenses and unexpected liabilities.

Our realignment and integration activities may not be sufficient to bring our environmental & remediation segment back to profitability and could affect our project resourcing capabilities.

We acquired Terra in December 2012 and Magnus in November 2014. In 2015, we initiated activities in the environmental & remediation segment to align costs with anticipated revenues and improve project execution. These realignment activities consist primarily of reducing overhead costs and general and administrative costs. There can be no assurance that we will meet our cost reduction goals, although we currently believe that we will, or that our goals were aggressive enough in the context of the segment's needs to reduce expenses. Moreover, we may lose key personnel during the process and that could have a negative impact on our ability to deliver projects and, consequently, on our results of operations.

We continue to remain subject to risks and uncertainties associated with the environmental & remediation segment and the incurrence of additional indebtedness to fund the Magnus acquisition. There could be additional delays, disruptions or other unexpected challenges that arise in connection with our realignment activities which could make it difficult to realize the expected benefits of the acquisitions. We currently have a substantial amount of indebtedness, and if the environmental & remediation segment does not generate the earnings or cash flow we expect, our liquidity and ability to continue to service our indebtedness could be adversely impacted. There can be no assurance that we may not discover information that could affect our expectations of the environmental & remediation segment's ability to generate earnings and cash flow on a going forward basis. If the environmental & remediation segment's future results are different from the historical results provided to us during the acquisition process, our results of operations or liquidity could be adversely affected.

Moreover, although we completed the acquisitions because we believe that they will be beneficial to us and our stockholders, there is no assurance that we will be able to realign or integrate the operations of the environmental & remediation segment into our operations and achieve these benefits without encountering unexpected difficulties, including unanticipated costs, difficulty in retaining customers, challenges associated with information technology integration and failure to retain key employees.

We may in the future incur liabilities in connection with the disposition of our historical demolition business.

On April 24, 2014, the Company announced that it had completed the sale of its historical demolition business. In connection with the sale, the Company retained responsibility for various pre-closing liabilities and obligations and may incur costs and expenses related to these items and asset recoveries. It is possible that claims, which could be material, could be made against the Company pursuant to the agreement pursuant to which the Company's historical demolition business was sold. In connection with the sale of our historic demolition business, we were obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project. If there should be a default triggered under any of such surety bonds, it could have a material adverse effect

on our ability to obtain bonds and on our business, results of operations, cash flows or financial condition.

We could face liabilities and/or damage to our reputation as a result of certain legal and regulatory proceedings.

From time to time, we are subject to legal and regulatory proceedings in the ordinary course of our business. These include proceedings relating to aspects of our businesses that are specific to us and proceedings that are typical in the businesses in which we operate. We are currently a defendant in a number of litigation matters, including those described in Item 3. "Legal Proceedings" of this Annual Report on Form 10-K. In certain of these matters, the plaintiffs are seeking large and/or indeterminate amounts of damages. These matters are subject to many uncertainties, and it is possible that some of these matters could ultimately be decided,

resolved or settled adversely to the Company. An adverse outcome in a legal or regulatory matter could, depending on the facts, have an adverse effect on our business, results of operations, cash flows or financial condition.

In addition to its potential financial impact, legal and regulatory matters can have a significant adverse reputational impact. Allegations of improper conduct made by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, whether valid or not, may harm our reputation, which may be damaging to our business, results of operations, cash flows or financial condition.

Our current business strategy includes the construction of new vessels. There are substantial uncertainties associated with such construction, including the possibility of unforeseen delays and cost overruns.

We have previously disclosed our plans to build new vessels, including an ATB trailing suction hopper dredge. Our future revenues and profitability will be impacted to some extent by our ability to complete the construction of new vessels, secure financing for them and bring them into service. The Company contracts with shipyards to build new vessels and currently has vessels under construction. Construction projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, materials and skilled labor; lack of shipyard availability; unforeseen design and engineering problems; work stoppages; weather interference; unanticipated cost increases; unscheduled delays in the delivery of material and equipment; and financial and other difficulties at shipyards including labor disputes, shipyard insolvency and inability to obtain necessary certifications and approvals. A significant delay in the construction of new vessels or a shipyard's inability to perform under the construction contract could negatively impact the Company's ability to fulfill contract commitments and to realize timely revenues with respect to vessels under construction. Significant cost overruns or delays for vessels under construction could also adversely affect the Company's business, operating results, cash flows or financial condition. Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, could substantially increase the cost of such construction beyond what we currently expect such costs to be.

Specifically, with regard to our new ATB trailing suction hopper dredge, we cannot predict whether and to what extent there may be additional costs associated with building this dredge or further delays in its completion.

We may become liable for the obligations of our joint ventures, partners and subcontractors.

Some of our projects are performed through joint ventures and similar arrangements with other parties. In addition to the usual liability of contractors for the completion of contracts and the warranty of our work, if work is performed through a joint venture or similar arrangement, we also have potential liability for the work performed by the joint venture or arrangement or a performance or payment default by another member of the joint venture or arrangement. In these projects, even if we satisfactorily complete our project responsibilities within budget, we may incur additional unforeseen costs due to the failure of the other party or parties to the arrangement to perform or complete work, fund expenditures, or make payments in accordance with contract specifications. In some joint ventures and similar arrangements, we may not be the controlling member. In these cases, we may have limited control over the actions of the joint venture. In addition, joint ventures or arrangements may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. To the extent the controlling member makes decisions that negatively impact the joint venture or arrangement or internal control problems arise within the joint venture or arrangement, it could have a material adverse impact on our business, results of operations, cash flows or financial condition.

Depending on the nature of work required to complete the project, we may choose to subcontract a portion of the project. In our industries, the prime contractor is often responsible for the performance of the entire contract, including subcontract work. Thus, we are subject to the risk associated with the failure of one or more subcontractors to perform as anticipated. In addition, in some cases, we pay our subcontractors before our customers pay us for the related services. If we choose, or are required, to pay our subcontractors for work performed for customers who fail to pay, or

delay paying us for the related work, we could experience a material decrease in profitability and liquidity.

Environmental regulations could force us to incur capital and operational costs.

Our industries, and more specifically, our operations, facilities and vessels and equipment, are subject to various environmental laws and regulations relating to, among other things: dredging operations; the disposal of dredged material; protection of wetlands; storm water and waste water discharges; environmental and remediation activities; asbestos removal; transportation and disposal of hazardous wastes and other regulated materials; air emissions; and disposal or remediation of contaminated soil, sediments, surface water and groundwater. We are also subject to laws designed to protect certain marine or land species and habitats. Compliance with these statutes and regulations can delay permitting and/or performance of particular projects and increase related project costs. These delays and increased costs could have a material adverse effect on our business, results of operations, cash flows or financial condition. Non-compliance can also result in fines, penalties and claims by third parties seeking damages for alleged personal injury, as well as damages to property and natural resources.

Certain environmental laws such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the Oil Pollution Act of 1990 impose strict and, under some circumstances, joint and several, liability on owners and lessees of land and facilities as well as owners and operators of vessels. Such obligations may include investigation and remediation of releases and discharges of regulated materials, and also impose liability for related damages to natural resources. Our past and ongoing operations, particularly the environmental and remediation operations of Terra and Magnus, involve the use, and from time to time the release or discharge, of regulated materials which could result in liability under these and other environmental laws. We have remediated known releases and discharges as deemed necessary, but there can be no guarantee that additional costs will not be incurred if, for example, third party claims arise or new conditions are discovered.

Our projects may involve excavation, remediation, demolition, transportation, management and disposal of hazardous waste and other regulated materials. Various laws strictly regulate the removal, treatment and transportation of hazardous waste and other regulated materials and impose liability for human health effects and environmental contamination caused by these materials. Our environmental and remediation business conducted by Terra and Magnus, for example, requires us to transport and dispose of hazardous substances and other wastes, such as asbestos. Services rendered in connection with hazardous substance and material removal and site development may involve professional judgments by licensed experts about the nature of soil conditions and other physical conditions, including the extent to which hazardous substances and materials are present, and about the probable effect of procedures to mitigate problems or otherwise affect those conditions. If the judgments and the recommendations based upon those judgments are incorrect, we may be liable for resulting damages, which may be material. The failure of certain contractual protections to protect us from incurring such liability, such as staying out of the ownership chain for hazardous waste and other regulated materials and securing indemnification obligations from our customers or subcontractors, could have a material adverse effect on our business, results of operations, revenues or profits.

Environmental requirements have generally become more stringent over time, for example in the areas of air emissions controls for vessels and ballast treatment and handling. New or stricter enforcement of existing laws, the discovery of currently unknown conditions or accidental discharges of regulated materials in the future could cause us to incur additional costs for environmental matters which might be significant.

Our business could suffer in the event of a work stoppage by our unionized labor force.

We are a party to numerous collective bargaining agreements in the U.S. that govern our industry's relationships with our unionized hourly workforce. However, two unions represent approximately 70% of our hourly dredging employees—the International Union of Operating Engineers (“IUOE”), Local 25 and the Seafarers International Union. The Company's contracts with IUOE, Local 25 expire in September 2016 and September 2018. Our agreements with Seafarers International Union expire in February 2018. The inability to successfully renegotiate contracts with these unions as they expire, or any future strikes, employee slowdowns or similar actions by one or more unions could have a material adverse effect on our ability to operate our business.

Our employees are covered by federal laws that may provide seagoing employees remedies for job-related claims in addition to those provided by state laws.

Substantially all of our maritime employees are covered by provisions of the Jones Act, the U.S. Longshore and Harbor Workers' Compensation Act, the Seaman's Wage Act and general maritime law. These laws typically operate to make liability limits established by state workers' compensation laws inapplicable to these employees and to permit these employees and their representatives to pursue actions against employers for job-related injuries in federal or state courts. Because we are not generally protected by the limits imposed by state workers' compensation statutes with respect to our seagoing employees, we have greater exposure for claims made by these employees as compared to industries whose employees are not covered by these provisions.

Our business is subject to significant operating risks and hazards that could result in damage or destruction to persons or property, which could result in losses or liabilities to us.

The dredging and environmental and remediation businesses are generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, encountering unusual or unexpected geological formations, cave-ins below water levels, collisions, disruption of transportation services and flooding. These risks could result in personal injury, damage to, or destruction of, dredges, barges transportation vessels, other maritime vessels, other structures, buildings or equipment, environmental damage, performance delays, monetary losses or legal liability to third parties. We may also be exposed to disruption of our operations, early termination of projects, unanticipated recovery costs and loss of use of our equipment that may materially adversely affect our business, results of operations, cash flows or financial condition.

Our safety record is an important consideration for our customers. Some of our customers require that we maintain certain specified safety record guidelines to be eligible to bid for contracts with these customers. Furthermore, contract terms may provide for automatic termination or forfeiture of some of our contract revenue in the event that our safety record fails to adhere to agreed-upon guidelines during performance of the contract. As a result, if serious accidents or fatalities occur or our safety record was to

deteriorate, we may be ineligible to bid on certain work, and existing contracts could be terminated or less profitable than expected. Adverse experience with hazards and claims could have a negative effect on our reputation with our existing or potential new customers and our prospects for future work.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates, or at all.

We maintain various insurance policies, including hull and machinery, pollution liability, general liability and personal injury. We partially self-insure risks covered by our policies. While we reserve for such self-insured exposures when appropriate for accounting purposes, we are not required to, and do not, specifically set aside funds for the self-insured portion of claims. We may not have insurance coverage or sufficient insurance coverage for all exposures potentially arising from a project. Furthermore, in situations where there is insurance coverage, if multiple policies are involved, we may be subject to a number of self-retention or deductible amounts which in the aggregate could have an adverse effect on our business, results of operations, cash flows or financial condition. At any given time, we are subject to Jones Act personal injury claims and claims from general contractors and other third parties for personal injuries. Our insurance policies may not be adequate to protect us from liabilities that we incur in our business. We may not be able to obtain similar levels of insurance on reasonable terms, or at all. Our inability to obtain such insurance coverage at acceptable rates or at all could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We could face adverse consequences if we are unable to attract and retain key personnel and skilled labor.

Our ability to attract and retain reliable, qualified personnel is a significant factor that enables us to successfully bid for and profitably complete our work. This includes members of our board of directors, management, project managers, estimators, skilled engineers, supervisors, foremen, equipment operators and laborers. The loss of the services of any of our management could have a material adverse effect on us. If we do not succeed in retaining our current key employees and attracting, developing and retaining new highly-skilled employees, our reputation may be harmed and our operations and future earnings may be negatively impacted. We may not be able to maintain an adequate skilled labor force necessary to operate efficiently and to support our growth strategy. We have from time to time experienced, and may in the future experience, shortages of certain types of qualified equipment operating personnel. The supply of experienced engineers, project managers, field supervisors and other skilled workers may not be sufficient to meet current or expected demand. If we are unable to hire employees with the requisite skills, we may also be forced to incur significant training expenses. The occurrence of any of the foregoing could have an adverse effect on our business, results of operations, cash flows or financial condition.

In addition, any abrupt changes in our management or board of directors may lead to concerns regarding the direction or stability of our business, which may be exploited by our competitors, result in the loss of business opportunities, cause concern to our current or potential customers or suppliers, or make it more difficult to retain existing personnel or attract and retain new personnel. Changes in management or the board could be time-consuming, result in significant additional costs to us and could be disruptive of our operations and divert the time and attention of management and our employees away from our business operations and executing on our strategic plan. The unexpected loss of any additional members of our Board of Directors or senior management team could be disruptive to our operations, jeopardize our ability to raise additional funding and have an adverse effect on our business. The failure of our directors or any new members of management to perform effectively could have a significant negative impact on our business, financial condition and results of operations.

We rely on information technology systems to conduct our business and disruption, failure or security breaches of these systems could adversely affect our business and results of operations.

We rely on information technology (IT) systems in order to achieve our business objectives. Our portfolio of hardware and software products, solutions and services and our enterprise IT systems may be vulnerable to damage or disruption caused by circumstances beyond our control such as catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, cyber attacks or other malicious software programs. The failure or disruption of our IT systems to perform as anticipated for any reason could disrupt our business and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, failure to properly estimate the work or costs associated with projects, litigation and the loss of customers or suppliers. A significant disruption or failure could have a material adverse effect on our business, operating results, cash flows or financial condition. We are incurring costs associated with designing and implementing a new enterprise resource planning software system (ERP) with the objective of gradually migrating to the new system. Capital expenditures and expenses for the ERP for 2016 and beyond will depend upon the pace of conversion. If implementation is not executed successfully, this could result in business interruptions. If we do not complete the implementation of the ERP timely and successfully, we may incur additional costs associated with completing this project and a delay in our ability to improve existing operations, support future growth and enable us to take advantage of new engineering and other applications and technologies.

We may be affected by market or regulatory responses to climate change.

Increased concern about the potential impact of greenhouse gases (GHG), such as carbon dioxide resulting from combustion of fossil fuels, on climate change has resulted in efforts to regulate their emission. For example, there is a growing consensus that new and additional regulations concerning GHG emissions including “cap and trade” legislation may be enacted, which could result in increased compliance costs for us. Legislation, international protocols, regulation or other restrictions on GHG emissions could also affect our customers. Such legislation or restrictions could increase the costs of projects for our customers or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services which could in turn have a material adverse effect on our operations and financial condition. Additionally, in our normal course of operations, we use a significant amount of fossil fuels. The costs of controlling our GHG emissions or obtaining required emissions allowances in response to any regulatory change in our industry could increase materially.

Risks Related to our Financing

We have indebtedness, which makes us more vulnerable to adverse economic and competitive conditions.

We currently have a substantial amount of indebtedness. As of (i) December 31, 2015, we had indebtedness of \$339.6 million, consisting of \$275.0 million of our senior subordinated notes, \$20.0 million of borrowings on our revolving credit facility, and \$44.6 million of senior secured debt under our term loan facility, in each case excluding approximately \$81.9 million of undrawn letters of credit and \$108.1 million of additional borrowing capacity under our revolving credit facility and excluding contingent obligations, including \$1.1 billion of performance bonds outstanding under the Company’s Zurich Bonding Agreement and agreements with the Additional Sureties. Our debt could:

- require us to dedicate a portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and capital expenditures, pay dividends and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and our industries;
- affect our competitiveness compared to our less leveraged competitors;
- increase our exposure to both general and industry-specific adverse economic conditions; and
- limit, among other things, our ability to borrow additional funds.

In addition, although a portion of the proceeds from our term loan facility will be used to refinance a portion of the construction cost of our new ATB trailing suction hopper dredge, we currently anticipate that additional financing may be required to finance or refinance additional construction and completed costs associated with the vessel. If we are unable to secure that financing due to our current debt levels, credit ratings, size of the vessel cost and uncertainty of market conditions, it could have a material effect on the Company’s results of operations, cash flows or financial condition in future periods.

We and our subsidiaries also may be able to incur substantial additional indebtedness in the future. The terms of our revolving credit facility, the indenture under which our senior subordinated notes are issued, and our term loan facility limit, but do not prohibit, us or our subsidiaries from incurring additional indebtedness. If new indebtedness is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

Covenants in our financing arrangements limit, and other future financing agreements may limit, our ability to operate our business.

The credit agreement governing our senior revolving credit facility, the indenture governing our senior subordinated notes, the term loan facility and any of our other future financing agreements, may contain covenants imposing operating and financial restrictions on our business.

For example, the credit agreement governing our senior revolving credit facility requires us to satisfy certain net leverage and fixed charge coverage ratios. If we fail to meet or satisfy any of these covenants (after applicable cure periods), we would be in default and the lenders (through the administrative agent or collateral agent, as applicable) could elect to declare all amounts outstanding to be immediately due and payable, enforce their interests in the collateral pledged and restrict our ability to make additional borrowings, as applicable. The covenants and restrictions in the credit agreement, the indenture and the term loan facility, subject to specified exceptions and to varying degrees, restrict our ability to, among other things:

- incur additional indebtedness;
- create, incur, assume or permit to exist any liens;

23

- enter into sale and leaseback transactions;
- make investments, loans and advancements; merge or consolidate with, or dispose of all or substantially all assets to, a third party;
- sell assets;
- make acquisitions;
- pay dividends;
- enter into transactions with affiliates;
- prepay other indebtedness; and
- issue capital stock.

These restrictions may interfere with our ability to obtain financings or to engage in other business activities, which could have a material adverse effect on our results of operations, cash flows or financial condition.

Adverse capital and credit market conditions may affect our ability to meet liquidity needs, access to capital and cost of capital.

The domestic and worldwide capital and credit markets may experience significant volatility, disruptions and dislocations with respect to price and credit availability. Should we need additional funds or to refinance our existing indebtedness, we may not be able to obtain such additional funds.

We need liquidity to pay our operating expenses, interest on our debt and dividends on our capital stock. Without sufficient liquidity, we will be forced to curtail our operations, and our business will suffer. The principal sources of our liquidity are cash flow from operations and borrowings under our senior revolving credit facility. Earnings from our operations and our working capital requirements can vary significantly from period to period based primarily on the mix of our projects underway and the percentage of project work completed during the period. Capital expenditures may also vary significantly from period to period, including as a result of the construction costs associated with our new ATB trailing suction hopper dredge. While we manage cash requirements for working capital and capital expenditure needs, unpredictability in cash collections and payments has required us in the past and may require us to borrow on our line of credit from time to time to meet the needs of our operations.

In the event these resources do not satisfy our liquidity needs, we may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if the level of our business activity decreased due to a market downturn. If internal sources of liquidity prove to be insufficient, we may not be able to successfully obtain additional financing on favorable terms, or at all.

We may be unable to amend or replace our credit facility or maintain or expand our credit capacity, which would adversely affect our operations and business.

We use credit facilities to support our working capital and acquisition needs. If we exhaust our borrowing capacity under our Credit Agreement, and cash flows from operations do not increase sufficiently, our ability to fund the working capital, capital expenditure and other needs of our existing operations could be constrained and our business and results of operations could be materially adversely affected. In addition, there is no guarantee that we can replace or continue to renew our credit facility on terms as favorable as those in our existing credit facility, which reaches maturity in 2017, and, if we are unable to do so, our costs of borrowing and our business may be adversely affected. Furthermore, if we experience operational difficulties or our operating results do not improve, we may need to increase our available borrowing capacity or seek amendments to the terms of our Credit Agreement. There can be no assurance that we will be able to secure any additional capacity or amendment to our Credit Agreement or to do so on terms that are acceptable to us, in which case, our costs of borrowing could rise and our business and results of operations could be materially adversely affected.

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 may enter into interest rate swap agreements to manage the interest rate paid with respect to our fixed rate indebtedness, foreign exchange forward contracts to hedge currency risk 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 Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Financial Reform Act”) provides for new statutory and regulatory requirements for derivative transactions, including foreign currency and other over-the-counter derivative hedging transactions.

Several rulemaking requirements in the Financial Reform Act have not promulgated into final rules and the Company could be negatively impacted by future rulemaking. The rules currently adopted from the Financial Reform Act may significantly reduce our ability to execute strategic hedges to manage our interest expense, reduce our fuel commodity uncertainty and hedge our currency risk thus protecting our cash flows. In addition, the banks and other derivatives dealers who are our contractual counterparties are required to comply with extensive new regulation under the Financial Reform Act. The cost of our counterparties' compliance will likely be passed on to customers such as ourselves, thus potentially decreasing the benefits to us of hedging transactions and potentially reducing our profitability.

We are subject to foreign exchange risks, and improper management of that risk could result in large cash losses.

We are exposed to market risk associated with changes in foreign currency exchange rates. The primary foreign currencies to which the Company has exposure are the Bahraini dinar and the Brazilian real. Our international contracts may be denominated in foreign currencies, which will result in additional risk of fluctuating currency values and exchange rates, hard currency shortages and controls on currency exchange. Changes in the value of foreign currencies could increase our U.S. dollar costs for, or reduce our U.S. dollar revenues from, our foreign operations. Any increased costs or reduced revenues as a result of foreign currency fluctuations could affect our profits. The value of the Bahraini dinar has historically been pegged to the value of the U.S. dollar, which has effectively eliminated the foreign currency risk with respect to that currency. However, if the dinar were no longer to be so pegged, whether due to civil unrest in Bahrain or otherwise, the Company could become subject to additional, and substantial, foreign currency risk.

Changes in macroeconomic indicators, the overall business climate, and other factors could lead to our goodwill and other intangible assets becoming impaired, which may require us to take significant non-cash charges against earnings.

Under current accounting guidelines, we must assess, at least annually and potentially more frequently, whether the value of our goodwill and other intangible assets have been impaired. Any impairment of goodwill or other intangible assets as a result of such analysis would result in a non-cash charge against earnings, which charge could materially adversely affect our business, operating results, cash flows or financial condition. We test goodwill annually for impairment in the third quarter of each year, or more frequently should circumstances dictate. A significant and sustained decline in our future cash flows, a significant adverse change in the economic environment, slower growth rates or our stock price falling below our net book value per share for a sustained period could result in the need to perform additional impairment analysis in future periods. If we were to conclude that a future write-down of goodwill or other intangible assets is necessary, then we would be required to record a non-cash charge against earnings, which, in turn, could have a material adverse effect on our business, results of operations, cash flows or financial condition.

We have made and may continue to make debt or equity investments in privately financed projects in, or may accept extended payment terms for, privately financed projects in which we could sustain significant losses.

We have participated and may continue to participate in privately financed projects that enable state and local governments and other customers to finance dredging, demolition and remediation projects, such as dredging of local navigable waterways and lakes, coastal protection and environmental and remediation projects. These projects typically include the facilitation of non-recourse financing and the provision of dredging, demolition, remediation and related services. We may incur contractually reimbursable costs and may accept extended payment terms, extend debt financing and/or make an equity investment in an entity prior to, in connection with, or as part of project financing, and in some cases we may be the sole or primary source of the project financing. Project financing may also involve the use of real estate, environmental, wetlands or similar credits. If a project is unable to obtain other financing on terms acceptable to it in amounts sufficient to repay or redeem our investments, we could incur losses on our investments and any related contractual receivables. After completion of these projects, the return on our equity investments can be dependent on the operational success of the project and market factors or sale of the

aforementioned credits, which may not be under our control. As a result, we could sustain a loss of part or all of our equity investments in such projects or have to recognize the value of the credits at a lower amount than expected in the contract bid.

Risks Related to our Stock

Our common stock is subject to restrictions on foreign ownership.

We are subject to government regulations pursuant to the Dredging Act, the Jones Act, the Shipping Act and the vessel documentation laws set forth in Chapter 121 of Title 46 of the United States Code. These statutes require vessels engaged in the transport of merchandise or passengers or dredging in the navigable waters of the U.S. to be owned and controlled by U.S. citizens. The U.S. citizenship ownership and control standards require the vessel-owning entity to be at least 75% U.S.-citizen owned. Our certificate of incorporation contains provisions limiting non-citizenship ownership of our capital stock. If our board of directors determines that persons who are not citizens of the U.S. own more than 22.5% of our outstanding capital stock or more than 22.5% of our voting power, we may redeem such stock. The required redemption price could be materially different from the current price of our common stock or the price at which the non-citizen acquired the common stock. If a non-citizen purchases our common stock,

there can be no assurance that he will not be required to divest the shares and such divestiture could result in a material loss. Such restrictions and redemption rights may make our equity securities less attractive to potential investors, which may result in our common stock having a lower market price than it might have in the absence of such restrictions and redemption rights.

Delaware law and our charter documents may impede or discourage a takeover that you may consider favorable.

The provisions of our certificate of incorporation and bylaws may deter, delay or prevent a third-party from acquiring us. These provisions include:

- limitations on the ability of stockholders to amend our charter documents, including stockholder supermajority voting requirements;
- the inability of stockholders to call special meetings;
- a classified board of directors with staggered three-year terms;
- advance notice requirements for nominations for election to the board of directors and for stockholder proposals; and
- the authority of our board of directors to issue, without stockholder approval, up to 1,000,000 shares of preferred stock with such terms as the board of directors may determine and to issue additional shares of our common stock.

We are also subject to the protections of Section 203 of the Delaware General Corporation Law, which prevents us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless board or stockholder approval was obtained.

These provisions could have the effect of delaying, deferring or preventing a change in control of our company, discourage others from making tender offers for our shares, lower the market price of our stock or impede the ability of our stockholders to change our management, even if such changes would be beneficial to our stockholders.

Our stockholders may not receive dividends because of restrictions in our debt agreements, Delaware law and state regulatory requirements.

Our ability to pay dividends is restricted by the agreements governing our debt, including our Credit Agreement, our bonding agreements and the indenture governing our senior unsecured notes. In addition, under Delaware law, our board of directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the Delaware General Corporation Law, or, if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. To the extent we do not have adequate surplus or net profits, we will be prohibited from paying dividends.

The market price of our common stock may fluctuate significantly, and this may make it difficult for holders to resell our common stock when they want or at prices that they find attractive.

The price of our common stock on the NASDAQ Global Market constantly changes. We expect that the market price of our common stock will continue to fluctuate. The market price of our common stock may fluctuate as a result of a variety of factors, many of which are beyond our control. These factors include:

- changes in market conditions;
- quarterly variations in our operating results;
 - operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our future financial performance;
- announcements of strategic developments, significant contracts, acquisitions and other material events by us or our competitors;
- the operating and securities price performance of other companies that investors believe are comparable to us;

- future sales of our equity or equity-related securities;
- changes in the economy and the financial markets;
- departures of key personnel;
- changes in governmental regulations; and
- geopolitical conditions, such as acts or threats of terrorism, political instability, civil unrest or military conflicts.

26

In addition, in recent years, global stock markets have experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance. These broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating results.

Volatility in the financial markets could cause a decline in our stock price, which could trigger an impairment of the goodwill of individual reporting units that could be material to our consolidated financial statements. A significant drop in the price of our stock could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company owns or leases the properties described below. The Company believes that its existing facilities are adequate for its operations.

Dredging

The Company's headquarters are located at 2122 York Road, Oak Brook, Illinois 60523, with approximately 64,275 square feet of office space that it leases with a term expiring in 2019. As of December 31, 2015 the Company owns or leases the following additional facilities:

Dredging

Location	Type of			Leased or
	Facility	Size		Owned
Staten Island, New York	Yard	4.4 Acres		Owned
Morgan City, Louisiana	Yard	6.4 Acres		Owned
Norfolk, Virginia	Yard	15.3 Acres		Owned
Chickasaw, AL	Yard	2.0 Acres		Leased
Kingwood, Texas	Office	750 Square feet		Leased
Cape Girardeau, Missouri	Office	726 Square feet		Leased
Cape Girardeau, Missouri	Storage	7,200 Square feet		Leased
Cape Girardeau, Missouri	Yard	18.4 Acres		Leased
Orange Park, Florida	Office	1,700 Square feet		Leased

Environmental & remediation

Location	Type of		Leased or	
	Facility	Size		Owned
Bear Lake, Michigan	Office	6,100	Square feet	Leased
Bear Lake, Michigan	Yard	38.0	Acres	Leased
Centennial, Colorado	Office	5,464	Square feet	Leased
Kalamazoo, Michigan*	Office	6,758	Square feet	Leased
Kalamazoo, Michigan*	Office	3,600	Square feet	Leased
Kalamazoo, Michigan*	Storage	12.0	Acres	Leased
Kalkaska, Michigan	Office	8,200	Square feet	Leased
Kalkaska, Michigan	Yard	7.0	Acres	Leased
Rocklin, CA†	Office	12,623	Square feet	Leased
Rocklin, CA†	Yard	5.0	Acres	Leased
Rocklin, CA†	Storage	14,731	Square feet	Leased
Romulus, Michigan	Storage	35,250	Square feet	Leased
Cushing, Oklahoma	Office	1,200	Square feet	Leased
Cushing, Oklahoma	Yard	2.5	Acres	Leased
Plymouth Meeting, Pennsylvania	Office	4,106	Square feet	Leased
Roswell, Georgia	Office	1,494	Square feet	Leased
San Antonio, Texas	Storage	6,000	Square feet	Leased

*The environmental & remediation segment leases the Kalamazoo, Michigan facilities from the President of Terra Contracting Services, LLC who was also the former owner of Terra Contracting, LLC, pursuant to leases expiring in 2016 and 2025. See Note 15 to the Company's consolidated financial statements.

†The environmental & remediation segment leases the Rocklin, California facilities from the former shareholders of Magnus pursuant to leases expiring in 2019. See Note 16 to the Company's consolidated financial statements.

Item 3. Legal Proceedings

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

On April 23, 2014, the Company completed the sale of NASDI, LLC ("NASDI") and Yankee Environmental Services, LLC ("Yankee"), which together comprised the Company's historical demolition business, to a privately owned demolition company. Under the terms of the divestiture, the Company retained certain pre-closing liabilities relating to the disposed business. Certain of these liabilities and a legal action brought by the Company to enforce the buyer's obligations under the sale agreement are described below.

In 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. The Company believes that the Massachusetts Attorney General is investigating waste disposal activities at an allegedly unpermitted disposal site owned by a third

party with whom NASDI contracted for the disposal of waste materials in 2007 and 2008. Per the Massachusetts Attorney General's request, NASDI executed a tolling agreement regarding the matter in 2009 and engaged in further discussions with the Massachusetts Attorney General's office. On or about February 5, 2016 the parties agreed to a tentative settlement in the amount of \$0.3 million, subject to final documentation.

On January 14, 2015, the Company and our subsidiary, NASDI Holdings, LLC, brought an action in the Delaware Court of Chancery to enforce the terms of the Company's agreement to sell NASDI and Yankee. Under the terms of the agreement, the Company received cash of \$5.3 million and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close. The Company seeks specific performance of buyer's obligation to collect and to remit the additional proceeds, and other related relief. Defendants have filed counterclaims alleging that the Company misrepresented the quality of its contracts and receivables prior to the sale. The Company denies defendants' allegations and intends to vigorously defend against the counterclaims.

The Company is currently engaged in discussions with the Environmental Protection Agency (“EPA”) relating to a project we performed at the Mayport Naval Station from 2010-2012. The EPA is alleging violations of Section 105 of the Marine Protection, Research, and Sanctuaries Act (“MPRSA”) and failure to report violations of the MPRSA. The Company has not accrued any amounts with respect to the above matters as the Company does not believe, based on information currently known to it, that a loss relating to these matters is probable, and an estimate of a range of potential losses relating to these matters cannot reasonably be made.

Item 4. Mine Safety Disclosures

Not applicable

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded under the symbol “GLDD” on the NASDAQ Global Market. The table below sets forth, for the calendar quarters indicated, the high and low sales prices of the common stock as reported by NASDAQ from January 1, 2014 through December 31, 2015.

	Common Stock	
	High	Low
First Quarter 2014	\$9.44	\$7.45
Second Quarter 2014	\$9.20	\$7.36
Third Quarter 2014	\$8.29	\$6.16
Fourth Quarter 2014	\$8.73	\$5.84

	Common Stock	
	High	Low
First Quarter 2015	\$8.64	\$5.53
Second Quarter 2015	\$6.30	\$5.33
Third Quarter 2015	\$6.17	\$5.00
Fourth Quarter 2015	\$5.88	\$3.66

	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Great Lakes Dredge & Dock Corp	76.49	127.47	131.32	122.19	56.53
Peer Average (see below)	89.25	109.42	148.88	131.63	133.43
NASDAQ Composite Index	98.20	113.82	157.44	178.53	188.75

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

The graph above shows the cumulative total return to stockholders of the Company's common stock during a five year period ending December 31, 2015, the last trading day of our 2015 fiscal year, compared with the return on the NASDAQ Composite Index and a group of our peers which we use internally as a benchmark for our performance. The graph assumes initial investments of \$100 each on December 31, 2009, in GLDD stock (assuming reinvestment of all dividends paid during the period), the NASDAQ Composite Index and the peer group companies, collectively. The peer group is comprised of the following member companies:

Company	Ticker
Dycom Industries, Inc.	DY
Global Industries, Ltd. (prior to its purchase on September 9, 2011 by Technip S.A.)	GLBL
Granite Construction Inc.	GVA
Aegion Corporations, successor to Insituform Technologies, Inc.	AEGN
Layne Christensen Company	LAYN
MasTec, Inc.	MTZ
Matrix Service Company	MTRX
MYR Group Inc.	MYRG
Orion Marine Group, Inc.	ORN
Pike Electric Corporation (prior to merger with Court Square Capital Partners on December 22, 2014)	PIKE
Primoris Services Corp	PRIM
Sterling Construction Company, Inc.	STRL
Team, Inc.	TISI
Willbros Group, Inc.	WG

Given the historical usage of this peer group for compensation purposes and the fact that each peer is a capital intensive business, the Company deems it appropriate to also use this peer group for showing the comparative cumulative total return to stockholders of Great Lakes.

Holders of Record

As of February 19, 2016, the Company had approximately 31 shareholders of record of the Company's common stock. A substantial number of holders of the Company's common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

The Company does not currently pay dividends to its common stockholders. The declaration and payment of future dividends will be at the discretion of Great Lakes' board of directors and depends on many factors, including general economic and business conditions, the Company's strategic plans, financial results and condition, legal requirements including restrictions and limitations contained in the Company's senior credit agreement, bonding agreements and the indenture relating to the senior unsecured notes and other factors the board of directors deems relevant. Accordingly, the Company cannot ensure the size of any such dividend or that the Company will pay any future dividend.

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of the Company's common stock by the Company during the quarter ended December 31, 2015:

Period	Total Number of Shares Purchased (shares in thousands)	Average Price Paid per Share	Total Aggregate Amount Dollar Value of Purchases That Part of Publicly Announced Plans or Programs (a)	
			(dollars in thousands)	(dollars in thousands)
September 1, 2015 - September 30, 2015	213	\$ 5.16	\$1,101	\$ 13,899
November 1, 2015 - November 30, 2015	65	\$ 5.02	\$324	\$ 13,575
December 1, 2015 - December 31, 2015	—	\$ —	\$—	\$ 13,575

(a) On September 11, 2015, the Company announced a share repurchase program approved by the Board of Directors of the Company, authorizing, but not obligating, the repurchase of up to an aggregate amount of \$15,000,000 of its common stock from time to time through December 31, 2016.

Item 6. Selected Financial Data

The following table sets forth selected financial data and should be read in conjunction with Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Company’s audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected financial data presented below have been derived from the Company’s consolidated financial statements; items may not sum due to rounding.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions except shares in thousands and per share data)				
Contract revenues	\$856.9	\$806.8	\$731.4	\$588.4	\$520.1
Costs of contract revenues	761.0	714.3	631.1	510.3	437.5
Gross profit	95.9	92.5	100.3	78.2	82.6
General and administrative expenses	71.1	67.9	68.0	45.7	40.9
Proceeds from loss of use claim	—	—	(13.4)	—	—
Impairment of goodwill	2.8	—	—	—	—
(Gain) loss on sale of assets — net	(0.9)	0.7	(5.8)	(0.2)	(11.7)
Operating income	23.0	23.9	51.4	32.6	53.5
Interest expense — net	(24.4)	(20.0)	(21.9)	(20.9)	(21.4)
Equity in earnings (loss) of joint ventures	(6.1)	2.9	1.2	0.1	(0.4)
Gain on bargain purchase agreement	—	2.2	—	—	—
Other income (expense)	(1.2)	0.2	(0.4)	(0.1)	(0.3)
Loss on extinguishment of debt	—	—	—	—	(5.1)
Income from continuing operations before income taxes	(8.7)	9.2	30.3	11.7	26.3
Income tax provision	2.5	11.5	(10.5)	(5.4)	(9.9)
Income from continuing operations	(6.2)	20.7	19.9	6.3	16.3
Income (loss) from discontinued operations, net of income taxes	—	(10.4)	(54.9)	(9.6)	0.9
Net income (loss)	(6.2)	10.3	(35.0)	(3.3)	17.3
Net (income) loss attributable to noncontrolling interests	—	—	0.6	0.6	(0.7)
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(6.2)	\$10.3	\$(34.4)	\$(2.7)	\$16.5
Basic earnings per share attributable to income from continuing operations (1)	\$(0.10)	\$0.35	\$0.33	\$0.11	\$0.28
Basic loss per share attributable to loss on discontinued operations, net of income taxes	—	(0.17)	(0.91)	(0.15)	0.00
Basic earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(0.10)	\$0.18	\$(0.58)	\$(0.04)	\$0.28
Basic weighted average shares	60,410	59,938	59,495	59,195	58,891
Diluted earnings per share attributable to income from continuing operations (1)	\$(0.10)	\$0.34	\$0.33	\$0.11	\$0.28
Diluted loss per share attributable to loss on discontinued operations, net of income taxes	—	(0.17)	(0.90)	(0.15)	0.00
Diluted earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(0.10)	\$0.17	\$(0.57)	\$(0.04)	\$0.28
Diluted weighted average shares	60,410	60,522	60,101	59,673	59,230

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in millions)				
Other Data:					
Adjusted EBITDA from continuing operations (2)	\$83.0	\$77.1	\$98.9	\$74.7	\$90.1
Net cash flows from operating activities	29.1	48.8	74.8	(1.9)	24.6
Net cash flows from investing activities	(73.1)	(116.7)	(46.3)	(63.4)	(16.7)
Net cash flows from financing activities	15.9	35.1	22.5	(23.6)	57.4
Depreciation and amortization	64.6	50.1	46.6	37.4	37.3
Maintenance expense	55.6	57.4	49.5	51.8	43.1
Capital expenditures	89.3	92.1	62.0	76.3	22.9

(1) Refer to Note 2 in the Company's consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 and above information for additional details regarding these calculations.

(2) See definition of Adjusted EBITDA from continuing operations in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

	As of December 31,				
	2015	2014	2013	2012	2011
	(in millions)				
Balance Sheet Data:					
Cash and cash equivalents	\$14.2	\$42.4	\$75.3	\$24.4	\$113.3
Working capital	124.0	141.7	167.2	127.7	195.3
Total assets	901.6	893.2	852.6	826.5	788.5
Long term debt, promissory notes and subordinated notes	349.3	324.4	285.0	263.0	255.0
Total stockholder's equity	252.2	256.0	242.1	273.4	292.5

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Overview

The Company is the largest provider of dredging services in the United States and a major provider of environmental and remediation services. In addition, the Company is the only U.S. dredging service provider with significant international operations. The Company operates in two reportable segments: dredging and environmental & remediation.

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. Domestically, our work generally is performed in coastal waterways and deep water ports. The U.S. dredging market consists of four primary types of work: capital, coastal protection, maintenance and rivers & lakes. Capital dredging consists primarily of port expansion projects, which involve the deepening of channels and berthing basins to allow access by larger, deeper draft ships and the provision of land fill used to expand port facilities. In addition to port work, capital projects also include coastal restoration and land reclamations, trench digging for pipelines, tunnels, and cables, and other dredging related to the construction of breakwaters, jetties, canals and other marine structures. Coastal protection projects involve moving sand from the ocean floor to shoreline locations where erosion threatens shoreline assets. Maintenance dredging consists of the re-dredging of previously deepened waterways and harbors to remove silt, sand and other accumulated sediments. Due to natural sedimentation, most channels generally require maintenance dredging every one to three years, thus creating a recurring source of dredging work that is typically non-deferrable if optimal navigability is to be maintained. In addition, severe weather such as hurricanes, flooding and droughts can also cause the accumulation of sediments and drive the need for maintenance dredging. Rivers & lakes dredging and related operations typically consist of lake and river dredging, inland levee and construction dredging, environmental restoration and habitat improvement and other marine construction projects.

On November 4, 2014, the Company acquired the stock of Magnus Pacific Corporation, a leading provider of environmental remediation, geotechnical construction, demolition, and sediments and wetlands construction, headquartered outside of Sacramento, California, for an aggregate purchase price of approximately \$40 million. Magnus Pacific ("Magnus") and Terra Contracting Services, LLC ("Terra") comprise the environmental & remediation segment of the Company and working with our dredging segment, have the capabilities and geographic reach to perform work throughout the United States on land and in water.

The Company's bid dredging market is defined as the aggregate dollar value of domestic dredging projects on which the Company bid or could have bid if not for capacity constraints or other considerations ("bid market"). The Company experienced an average combined bid market share in the U.S. of 43% over the prior three years, including 46%, 50%, 28% and 60% of the domestic capital, coastal protection, maintenance and rivers & lakes sectors, respectively. The bid market for environmental & remediation work is highly fragmented and similar bid market statistics are not easily available.

In 2015, dredging revenues accounted for 79% of the Company's revenue. The Company's fleet of 30 dredges, of which seven are deployed internationally, 23 material transportation barges, two drillboats, and numerous other support vessels is the largest and most diverse fleet of any U.S. dredging company. For the dredging segment, the Company's fleet of dredging equipment can be utilized on one or many types of work and in various geographic locations. This flexible approach to the Company's fleet utilization, driven by the project scope and equipment, enables us to move equipment in response to changes in demand for dredging services to take advantage of the most attractive opportunities.

The Company's largest domestic dredging customer is the U.S. Army Corps of Engineers (the "Corps"), which has responsibility for federally funded projects related to navigation and flood control of U.S. waterways. Multi-jurisdictional cost sharing arrangements are allowing the Corps to utilize funds from sources other than the federal budget to prioritize additional projects where waterway infrastructure improvements can have an impact to

large regions. Although some of a project's funding may ultimately be derived from multiple sources, the Corps maintains the authority over the project and is the Company's customer. In 2015, 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 64% of dredging revenues, up slightly from the Company's prior three year average of 63%.

In 2015, environmental & remediation revenues accounted for 21% of total revenue. The Company's environmental & remediation segment provides soil, water and sediment environmental remediation for the state, local and private party markets. Remediation involves the retrieval and removal of contamination from an environment through the use of separation techniques or disposal based on the quantity and severity of the contamination. In addition, the environmental & remediation segment performs industrial cleaning, abatement services and hazardous waste removal. Our acquisition of Magnus Pacific Corporation expands the geographic footprint of our environmental operations to include the U.S. West Coast and broadens our suite of services to include geotechnical contracting capabilities and other environmental solutions.

The Company and a New Jersey aggregates company each own 50% of Amboy Aggregates ("Amboy"). Amboy was formed in December 1984 to mine sand from the entrance channel to New York Harbor to provide sand and aggregate for use in road and

building construction and for clean land fill. Amboy sold its interest in a stone import business and its holdings in land during 2014 and is winding down operations.

In addition, the Company and a New Jersey aggregates company each own 50% of Lower Main Street Development, LLC ("Lower Main"). Lower Main was organized in February 2003 to hold land for development or sale. This land owned in conjunction with Amboy was sold in 2014. Lower Main is winding down operations.

The Company and a European based remediation company each own 50% of TerraSea Environmental Solutions LLC ("TerraSea"), a remediation business. TerraSea provides water and land based environmental services in the area of clean up and remediation of sediments, soil and groundwater for both marine and land based projects. The Company has commenced the wind down of TerraSea with its joint venture partner.

On April 24, 2014, the Company announced that it had completed the sale of NASDI, LLC and Yankee Environmental Services, LLC, which together comprised the Company's historical demolition business, to a privately owned demolition company for \$5.3 million plus retention of certain assets and preclosing liabilities. The historical demolition business has been retrospectively presented as discontinued operations and is no longer reflected in continuing operations. See Note 16 to our consolidated financial statements included in Item 15 of this Annual Report on Form 10-K.

Contract Revenues

Most of the Company's contracts are obtained through competitive bidding on terms specified by the party inviting the bid. The types of equipment required to perform the specified service, project site conditions, the estimated project duration, seasonality, location and complexity of a project affect the cost of performing the contract and the price that contractors will bid.

The Company recognizes contract revenues under the percentage-of-completion method based on the Company's engineering estimates of the physical percentage completed for dredging projects and based on costs incurred to date compared to total estimated costs for environmental & remediation projects. For dredging projects, costs of contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion of each dredging project. For environmental & remediation projects, contract revenues are adjusted to reflect the estimated gross profit percentage. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Change orders are not recognized in revenue until the recovery is probable and collectability is reasonably assured. Claims for additional compensation due to the Company 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. Contract modifications may be negotiated when a change from the original contract specifications is encountered, necessitating a change in project scope or performance methodology and/or material disposal. Significant expenditures incurred incidental to major contracts are deferred and recognized as contract costs based on contract performance over the duration of the related project. These expenditures are reported as prepaid expenses.

Costs and Expenses

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor generally is hired on a project-by-project basis. Much of our domestic dredging hourly labor force is represented by labor unions with collective bargaining agreements that expire at various dates during 2016 through 2018, which historically have been extended without disruption. The environmental & remediation segment's hourly labor force is made up of union and non-union employees. Project costs, excluding labor, have averaged approximately 20% to 22%

of total costs of contract revenues over the prior three years.

During the year, both dredging 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 dredging revenues recognized over the year to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual dredging revenues earned to date on the Company's dredging contracts to expected annual revenues and recognizes dredging equipment costs on the same proportionate basis. In the fourth quarter, any over or under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year. As a result of this methodology, the recorded expense in any interim period may be higher or lower than the actual equipment costs incurred in that interim period.

For some environmental & remediation contracts, the Company has entered into unincorporated construction joint ventures under which certain portions of a larger project are performed. These investments are accounted for under the proportionate consolidation method for income statement reporting and under the equity method for balance sheet reporting. The Company's interests in any profits and assets and proportionate share in any losses and liabilities are recognized based on the Company's stated

percentage partnership interest in the project. For projects related to proportionately consolidated joint ventures, we include only the Company's percentage ownership of each joint venture's backlog.

Primary Factors that Determine Operating Profitability

Dredging. The Company's results of operations for its dredging segment for a calendar or quarterly period are generally determined by the following three factors:

- Bid wins and dredge employment—The Company's dredging segment generates revenues when the Company wins a bid for a dredging contract and starts that project. Although the Company's dredging equipment is subject to downtime for scheduled periodic maintenance and repair, the Company seeks to maximize its revenues by employing its dredging equipment on a full-time basis, allowing for scheduled down time and mobilization. If a dredge is idle (i.e., the dredge is not employed on a dredging project or undergoing scheduled periodic maintenance and repair), the Company does not earn revenue with respect to that dredge during the time period for which it is idle.
- Project and dredge mix —The Company's domestic dredging projects generally involve domestic capital, maintenance and coastal protection work and its foreign dredging projects generally involve capital work. In addition, the Company's dredging projects vary in duration and, in general, projects of longer duration result in less dredge downtime in a given period. Moreover, the Company's dredges have different physical capabilities and typically work on certain types of dredging projects. Accordingly, the Company's dredges have different daily revenue generating capacities.

The Company generally expects to achieve different levels of gross profit margin (i.e., gross profit divided by revenues) for work performed on the different types of dredging projects and for work performed by different types of dredges. The Company's expected gross margin for a project is based upon the Company's estimates at the time of the bid. Although the Company seeks to bid on and win projects that will maximize its gross margin, the Company cannot control the type of dredging projects that are available for bid from time to time, the type of dredge that is needed to complete these projects, the competitive landscape at the time of bid or the time schedule upon which these projects are required to be completed. As a result, in some quarters the Company works on a mix of dredging projects that, in the aggregate, have relatively high expected gross margins (based on project type and dredges employed) and in other quarters, the Company works on a mix of dredging projects that, in the aggregate, have relatively low expected gross margins (based on project type and dredges employed).

- Project execution—The Company seeks to execute all of its dredging projects consistent with or at a higher production than its as-bid project estimates. In general, the Company's ability to achieve its project estimates depends upon many factors including soil conditions, weather, variances from estimated project conditions, equipment mobilization time periods, unplanned equipment downtime or other events or circumstances beyond the Company's control. If the Company experiences any of these events and circumstances, the completion of a dredging project will often be accelerated or delayed, as applicable, and, consequently, the Company will experience project results that are better or worse than its estimates. The Company does its best to estimate for events and circumstances that are not within its control; however, these situations are inherent in dredging.

Environmental & remediation. The Company's environmental & remediation segment generates revenues when the Company is awarded a contract and starts the project. The Company's revenues from its environmental & remediation segment increase or decrease based upon market demand. Like the Company's dredging segment, results of operations for the Company's environmental & remediation segment fluctuate based upon project mix and the Company's ability to execute its projects consistent with its estimates. Environmental & remediation margins are based upon the specified service, the estimated project duration, seasonality, location and complexity of a project.

Critical Accounting Policies and Estimates

Our significant accounting policies are discussed in the Notes to the consolidated financial statements. The application of certain of these policies requires significant judgments or an estimation process that can affect the Company's

results of operations, financial position and cash flows, as well as the related footnote disclosures. The Company bases its estimates on historical experience and other assumptions that it believes are reasonable. If actual amounts are ultimately different from previous estimates, the revisions are included in the Company's results of operations for the period in which the actual amounts become known. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results.

Percentage-of-completion method of revenue recognition—The Company's contract revenues are recognized under the percentage-of-completion method, which is by its nature based on an estimation process. For dredging projects, the Company uses engineering estimates of the physical percentage of completion. For environmental & remediation projects, the Company uses estimates of costs incurred to date compared to total estimated costs to determine the percentage of project completion. In preparing

estimates, the Company draws on its extensive experience in the dredging and environmental & remediation businesses. In its dredging segment, the Company utilizes its database of historical dredging information and technical computations to ensure that its estimates are as accurate as possible, given current circumstances. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Change orders are not recognized in revenue until the recovery is probable and collectability is reasonably assured. Claims for additional compensation are not recognized in contract revenues until such claims are settled. Cost and profit estimates are reviewed on a periodic basis to reflect changes in expected project performance.

Impairment of goodwill—Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. The Company believes that this estimate is a critical accounting estimate because: (i) goodwill is a material asset and (ii) the impact of an impairment could be material to the consolidated balance sheet and consolidated statement of operations. The Company performs its annual impairment test as of July 1 each year. The Company has three operating segments: dredging, Terra and Magnus, which were aggregated into two reportable segments: dredging and environmental & remediation. As Terra and Magnus have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment, they were aggregated into one reporting segment. The Company has determined that the operating segments are the Company's three reporting units.

The Company assesses the fair values of its reporting units using both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, appropriate discount rates and other variables. The estimates are based on assumptions that the Company believes to be reasonable, but such assumptions are subject to unpredictability and uncertainty. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA. The Company analyzes companies that performed similar services or are considered peers. Due to the fact that there are no public companies that are direct competitors, the Company weighs the results of this approach less than the income approach.

In the second quarter of 2015, due to a decline in the overall financial performance and declining cash flows of the Terra reporting unit, the Company concluded there was a triggering event that required an interim impairment test for the reporting unit and recorded an impairment charge of \$2.8 million. The Company performed its annual goodwill impairment test for the remaining reporting units in the third quarter and no additional impairment was recorded for the year ended December 31, 2015. As of the test date, the fair value of the remaining reporting units was substantially in excess of their carrying values. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2016 should no triggering events occur which would require a test prior to the next annual test. At both December 31, 2015 and 2014, the dredging segment's goodwill was \$76.6 million. At December 31, 2015 and 2014, the environmental & remediation segment's goodwill was \$7.0 million and \$9.8 million, respectively.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Results of Operations—Fiscal Years Ended December 31, 2015, 2014 and 2013

The following table sets forth the components of net income attributable to common stockholders of Great Lakes Dredge & Dock Corporation and Adjusted EBITDA from continuing operations, as defined below, as a percentage of contract revenues for the years ended December 31:

	2015	2014	2013
Contract revenues	100.0%	100.0%	100.0%
Costs of contract revenues	(88.8)	(88.5)	(86.3)
Gross profit	11.2	11.5	13.7
General and administrative expenses	(8.3)	(8.4)	(9.3)
Proceeds from loss of use claim	—	—	1.8
Impairment of goodwill	(0.3)	—	—
Gain (loss) on sale of assets—net	0.1	(0.1)	0.8
Operating income	2.7	3.0	7.0
Interest expense—net	(2.9)	(2.5)	(3.0)
Equity in earnings (loss) of joint ventures	(0.7)	0.4	0.2
Gain on bargain purchase acquisition	—	0.3	—
Other income	(0.1)	—	—
Income (loss) from continuing operations before income taxes	(1.0)	1.2	4.2
Income tax (provision) benefit	0.3	1.4	(1.4)
Income (loss) from continuing operations	(0.7)	2.6	2.8
Loss from discontinued operations, net of income taxes	—	(1.3)	(7.5)
Net income (loss)	(0.7)	1.3	(4.7)
Net loss attributable to noncontrolling interests	—	—	0.1
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	(0.7)%	1.3 %	(4.6)%
Adjusted EBITDA from continuing operations	9.7 %	9.6 %	13.5 %

Adjusted EBITDA from continuing operations

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

	Year Ended December 31,		
	2015	2014	2013
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(6,189)	\$10,295	\$(34,361)
Loss from discontinued operations, net of income taxes	—	(10,423)	(54,850)
Net loss attributable to noncontrolling interest	—	—	632
Income (loss) from continuing operations	(6,189)	20,718	19,857
Adjusted for:			
Interest expense—net	24,365	19,967	21,941
Income tax provision (benefit)	(2,497)	(11,530)	10,460
Depreciation and amortization	64,585	50,129	46,622
Impairment of goodwill	2,750	—	—
Gain on bargain purchase acquisition	—	(2,197)	—
Adjusted EBITDA from continuing operations	\$83,014	\$77,087	\$98,880

Components of Contract Revenues

The following table sets forth, by segment and type of work, the Company's contract revenues for the years ended December 31, (in thousands):

Revenues	2015	2014	2013
Dredging:			
Capital—U.S.	\$207,058	\$195,635	\$153,781
Capital—foreign	139,945	155,000	138,436
Coastal protection	184,060	194,219	228,868
Maintenance	120,055	123,923	90,833
Rivers & lakes	30,137	28,934	30,684
Total dredging revenues	681,255	697,711	642,602
Environmental & remediation*	181,710	114,412	94,840
Intersegment revenue	(6,087)	(5,292)	(6,024)
Total revenues	\$856,878	\$806,831	\$731,418

*Environmental & remediation revenue in 2014 includes Magnus which did not operate as part of the Company prior to November 4, 2014.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Total revenue was \$856.9 million in 2015, an increase of \$50.1 million, or 6.2%, from 2014 total revenue of \$806.8 million. The increase was largely attributable to higher domestic capital dredging revenues and increases in rivers & lakes and environmental & remediation revenues. These increases were partially offset by declines in foreign capital, coastal protection and maintenance revenues. The Company categorizes revenue by service type to understand the market in which the Company operates and to assess how the Company is performing on bidding work or projects and is generating revenue from backlog.

Domestic capital dredging revenues increased \$11.5 million, or 5.9%, to \$207.1 million in 2015 compared to 2014 revenues of \$195.6 million. The increase in domestic capital dredging revenue was primarily attributable to work on the Savannah Harbor deepening project, a coastal restoration project in Louisiana and two LNG projects in Texas. These increases were partially offset by a greater portion of work performed on the PortMiami deepening project and on the Delaware River in the prior year. Deepening projects in New York and Maryland also contributed to revenues for the year ended December 31, 2015. In 2015, the Company earned 100% of its backlog carried forward from December 31, 2014.

Revenues from foreign dredging operations in 2015 totaled \$139.9 million, a decrease of \$15.1 million, or 9.7%, from 2014 revenues of \$155.0 million. Foreign dredging revenue was driven by a project to widen and deepen the Suez Canal, a large project in Bahrain and four projects in Brazil. These six projects in our foreign operations comprise approximately 99% of the foreign dredging revenue earned. In comparison, 2014 revenue was driven the Wheatstone LNG project in Western Australia, two large projects in the Middle East and a greater amount of revenue earned on projects in Brazil. The Company earned 98% of its backlog carried forward from December 31, 2014.

Coastal protection revenues were \$184.1 million in 2015, a decrease of \$10.1 million, or 5.2%, from \$194.2 million in 2014. For the year ended December 31, 2015, coastal protection revenue included a large number of projects in New York and New Jersey for the repair of shorelines damaged as a result of Superstorm Sandy as well as projects in Florida and Virginia. The increase in work related to Superstorm Sandy was offset by revenue earned on large coastal protection projects in North Carolina, South Carolina and Georgia for the year ended December 31, 2014 which did

not repeat during the current year. The Company earned 67% of its backlog carried forward from December 31, 2014.

Revenues from maintenance dredging projects in 2015 were \$120.1 million, a decrease of \$3.8 million, or 3.1%, from \$123.9 million in 2014. The Company's maintenance revenues in 2015 were driven by work performed on large projects in Georgia, Texas and Louisiana as well as significant harbor work in Florida and North Carolina. These increases in maintenance revenue were offset by a greater amount of revenue earned on projects in New York in the prior year as well as revenue earned on projects in Tennessee and Mississippi that did not repeat during the year ended December 31, 2015. The Company earned 100% of its backlog from December 31, 2014.

Rivers & lakes revenues were \$30.1 million for 2015, an increase of \$1.2 million, or 4.2%, from \$28.9 million in 2014. Revenue for the year ended December 31, 2015 was driven by work on a large lake project in Illinois as well as projects in Iowa and Florida. These project increases were partially offset by revenue earned on a private company project in Florida which did not repeat during the current year. The Company earned 30% of its backlog carried forward from December 31, 2014.

The environmental & remediation segment recorded revenues of \$181.7 million for the year ended December 31, 2015, up 58.8% compared to \$114.4 million for the year ended December 31, 2014. The increase is mostly attributable to revenue earned by Magnus which did not become part of the Company until the fourth quarter of 2014. Environmental & remediation revenue included work on a mine project in Washington as well as a geotechnical slurry wall construction project in California. This increase was partially offset by the completion of a remediation project in Michigan that had been part of the Company's environmental & remediation business in 2014, but did not continue during the current year. The Company earned 80% of its backlog carried forward from December 31, 2014.

Consolidated gross profit for the year ended December 31, 2015 increased by \$3.4 million, or 3.7%, to \$95.9 million from \$92.5 million for the year ended December 31, 2014. Gross profit margin (gross profit divided by revenue) for the full year 2015 was 11.2%, slightly below the prior year gross profit margin of 11.5%. The lower gross profit margin for 2015 was driven by uncontrollable circumstances that led to project delays on two of the environmental & remediation segment's largest projects during the year. During the year ended December 31, 2015, the environmental & remediation segment experienced losses and delays on several projects, with one project accounting for \$6.9 million of the losses. A decline in the amount of work executed and increased operating overhead costs, including \$6.5 million of increased labor and benefits costs due to the inclusion of Magnus for the full year, in the environmental & remediation segment also negatively impacted the gross profit margin as compared to the same period in the prior year. The decreases were mostly offset by strong contract margins in the dredging segment, particularly on our Suez Canal project and domestic coastal protection work, and higher absorption of fixed costs due to improved utilization of our fleet, leading to strong margins in our dredging segment.

General and administrative expenses totaled \$71.1 million for the year ended December 31, 2015, up from \$67.9 million for the year ended December 31, 2014. The higher general and administrative expense for the full year 2015 is mostly attributable to increases in payroll and benefit expenses of \$6.5 million, increased amortization expense of \$5.0 million, primarily related to the Magnus acquisition and increases in state and local taxes of \$0.6 million. These increases were partially offset by a reduction in the value of the Magnus seller note payable of \$7.0 million as well as decreases in other office expenses of \$0.8 million, legal and professional fees of \$0.5 million and technical and consulting fees of \$0.4 million.

Operating income for the year ended December 31, 2015 was \$23.0 million compared to \$23.9 million for the year ended December 31, 2014. In addition to the increase in gross profit offset by higher general and administrative expenses described above, the Company recorded a \$2.8 million goodwill impairment charge at the Terra reporting unit which further added to the decline in operating income. The decrease in operating income was slightly offset by gains from sales of underutilized assets for the year ended December 31, 2015.

Equity in loss of joint ventures for the year ended December 31, 2015 was \$6.1 million compared to equity in earnings of joint ventures of \$2.9 million for the year ended December 31, 2014. The Company incurred a \$3.9 million loss related to the TerraSea joint venture and a \$2.3 million loss related to the wind down of the Amboy joint venture during 2015. In comparison, 2014 was driven by a \$15.1 million gain on sale of real estate owned jointly by our Amboy and Lower Main joint ventures, partially offset by a \$10.2 million loss related to the TerraSea joint venture.

The Company's net interest expense for 2015 totaled \$24.4 million compared with \$20.0 million in 2014. The increase is primarily due to interest expense associated with the additional senior notes issued in November 2014 and the senior secured term loan facility ("Term Loan Facility"). These expenses were slightly offset by lower interest expense related to the Company's revolving credit facility during the year ended December 31, 2015.

Income tax benefit in 2015 was \$2.5 million compared to \$11.5 million in 2014. This \$9.0 million change is attributable to a tax benefit related to liquidation of a domestic subsidiary which allowed the Company to claim a worthless stock deduction on its federal income tax return in the prior year. The Company utilized part of the benefit to offset income in 2014 and will carry forward the remainder as a net operating loss to offset future income. Accordingly, this benefit is characterized as a component of our continuing operations.

For the year ended December 31, 2015, net loss from continuing operations was \$6.2 million compared to net income from continuing operations of \$20.7 million for the year ended December 31, 2014. The decrease in net income from continuing operations was attributable to the decrease in operating income, the losses incurred at the Company's joint ventures and the income tax benefit in the prior year that did not repeat in the current year, as described above. Further, prior year income from continuing operations benefited from a \$2.2 million noncash bargain purchase gain recognized during the year.

Adjusted EBITDA from continuing operations (as defined and reconciled on page 40) was \$83.0 million and \$77.1 million for the years ended December 31, 2015 and 2014, respectively. The increase of \$5.9 million, or 7.7%, is largely attributable to higher depreciation and amortization expenses, increased interest expense and a lower tax benefit during 2015. The Company recorded \$64.6 million of depreciation and amortization expense that is included as a component of operating income, but is excluded for the

purposes of calculating Adjusted EBITDA from continuing operations. The depreciation and amortization expense recorded in 2014 was \$50.1 million. These changes were slightly offset by the change in net loss from continuing operations, as described above.

Results by segment

Dredging

Dredging revenues for the year ended December 31, 2015 were \$681.3 million a decrease of \$16.4 million, or 2.4%, compared to \$697.7 million for the year ended December 31, 2014. The decrease was attributable to lower foreign capital, maintenance and coastal protection revenues as compared to the prior year. These decreases were partially offset by higher domestic capital revenues, which included work on the Savannah Harbor deepening project, a coastal restoration project in Louisiana, and two LNG projects in Texas, and an increase in rivers & lakes revenues. Dredging revenues for the year ended December 31, 2015 also included a project to widen and deepen the Suez Canal, several projects in New York and New Jersey for the repair of shorelines damaged as a result of Superstorm Sandy, large maintenance projects in Georgia, Texas and Louisiana as well as significant harbor work in Florida and North Carolina. Dredging revenue for the year ended December 31, 2014 was driven by a greater portion of work performed on the PortMiami deepening project, the Wheatstone LNG project in Western Australia, large coastal protection projects in North Carolina, South Carolina and Georgia and a greater amount of maintenance revenue earned on projects in New York as compared to the current year.

Dredging segment gross profit in 2015 increased 23.7% to \$111.7 million from \$90.3 million in 2014, and dredging segment gross profit margin (dredging gross profit divided by dredging revenue) was 16.4% in 2015, an increase from 12.9% in 2014. The increase in dredging segment gross profit was driven by strong contract margins, particularly on our Suez Canal project and domestic coastal protection work, and higher absorption of fixed costs due to improved utilization of our fleet, leading to strong margins on projects in the dredging segment. In comparison, dredging segment gross profit in 2014 was driven by completion of the Wheatstone LNG dredging project in Australia, which finished with strong contract margin commensurate with such a large and complex energy project. The strong margins on the Wheatstone LNG project in the second half of 2014 offset the negative margin impacts from our idle Middle East fleet during the first half of 2014.

Dredging segment operating income for 2015 increased 54.1% to \$64.1 million, from \$41.6 million in 2014 as a result of the strong margins, particularly on our Suez Canal project and domestic coastal protection work, as described above. Further, dredging segment operating income benefited from gains from sales of underutilized assets during the current year as compared to a loss on the sales of assets in the prior year.

Environmental & remediation

The environmental & remediation segment recorded revenues in 2015 of \$181.7 million, a \$67.3 million, or 58.8%, increase from \$114.4 million in 2014. The increase is attributable to revenue earned by Magnus which did not become part of the Company until the fourth quarter of 2014. Environmental & remediation revenue included work on a mine project in Washington as well as a geotechnical slurry wall construction project in California. This increase was partially offset by the completion of a remediation project in Michigan that had been part of the Company's environmental & remediation business in 2014 that did not continue during the current year.

The environmental & remediation segment experienced negative gross profit of \$15.8 million for year ended December 31, 2015, down \$18.0 million from gross profit of \$2.2 million in the year ended December 31, 2014, with a negative gross profit margin of 8.7% and gross profit margin of 1.9%, respectively. During the year ended December 31, 2015, the environmental & remediation segment experienced losses and delays on several projects, with one project accounting for \$6.9 million of the losses. A decline in the amount of work executed and increased operating overhead costs, including \$6.5 million of increased labor and benefits costs due to the inclusion of Magnus for the full

year, also negatively impacted the gross profit margin as compared to the prior year.

Environmental & remediation segment operating loss was \$41.1 million for 2015, compared to \$17.8 million in 2014. This operating loss was mostly attributable to the lower segment gross profit described above and additional amortization expense of \$5.0 million, primarily related to the Magnus acquisition. These negative impacts on operating income were partially offset by a reduction in the value of the Magnus seller note payable of \$7.0 million.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Total revenue was \$806.8 million in 2014, an increase of \$75.4 million, or 10.3%, from 2013 total revenue of \$731.4 million. The increase was largely attributable to higher domestic capital dredging revenues, which included a port deepening project in Miami and an LNG project in Texas, and maintenance dredging revenues, which included a large maintenance project in New York. Increases in foreign capital dredging and environmental & remediation revenues, which are attributable to the acquisition of Magnus,

also contributed to the overall increase in 2014. These increases were partially offset by declines in coastal protection and river & lakes revenues. The Company categorizes revenue by service type to understand the market in which the Company operates and to assess how the Company is performing on bidding work or projects and is generating revenue from backlog.

Domestic capital dredging revenues increased \$41.8 million, or 27.2%, to \$195.6 million in 2014 compared to 2013 revenues of \$153.8 million. The increase in domestic capital dredging revenue was primarily attributable to the port deepening project in Miami and an LNG project in Texas. These increases were partially offset by two 2013 coastal restoration projects in Louisiana that did not repeat in the following year. Deepening projects in New York and on the Delaware River also contributed to increased revenues in 2014. In 2014, the Company earned 80% of its backlog carried forward from December 31, 2013.

Revenues from foreign dredging operations in 2014 totaled \$155.0 million, an increase of \$16.6 million, or 12.0%, from 2013 revenues of \$138.4 million. Foreign dredging revenue was driven by the Wheatstone LNG Project in Western Australia, three projects in the Middle East and a project in Brazil. These five projects in our foreign operations comprise approximately 91% of the foreign dredging revenue earned. In comparison, 2013 revenue was driven by a significant project in Qatar as well as the mobilization and commencement of dredging activities for the Wheatstone LNG Project. The Company earned 100% of its backlog carried forward from December 31, 2013.

Coastal protection revenues were \$194.2 million in 2014, a decrease of \$34.7 million, or 15.2%, from \$228.9 million in 2013. A large number of projects in New York and New Jersey for the repair of shorelines damaged as a result of Superstorm Sandy continued to add to revenue during the year ended December 31, 2014; however, the dollar value of these Superstorm Sandy projects was lower than the year ended December 31, 2013. In addition, the Company worked on large beach projects in South Carolina, North Carolina and Florida which contributed to revenue for the year ended December 31, 2014. The Company earned approximately 90% of its backlog carried forward from December 31, 2013.

Revenues from maintenance dredging projects in 2014 were \$123.9 million, an increase of \$33.1 million, or 36.4%, from \$90.8 million in 2013. The Company's maintenance revenues in 2014 were driven by work performed on a large project in New York as well as significant harbor work in New York, Maryland and Georgia. In comparison, the Company worked on maintenance projects in Florida, Maryland, Georgia and Tennessee during the year ended December 31, 2013. The Company earned 100% of its backlog carried forward from December 31, 2013.

Rivers & lakes revenues were \$28.9 million for 2014, a decrease of \$1.8 million, or 5.9%, from \$30.7 million in 2013. The decrease in rivers & lakes revenues was mostly attributable to work on a remediation project in the Midwest and a large municipal lake project in Texas in 2013 that did not repeat during 2014. Rivers & lakes revenue for the year ended December 31, 2014 was driven by a large lake project in Illinois, as well as river projects in Nebraska and Mississippi and a private company project in Florida. The Company earned nearly half of its backlog carried forward from December 31, 2013.

The environmental & remediation segment recorded revenues of \$114.4 million for the year ended December 31, 2014, up 20.7% compared to \$94.8 million for the year ended December 31, 2013. The increase is attributable to the acquisition of Magnus, which accounted for \$15.3 million of revenue, during the fourth quarter of 2014 as well as a greater number of environmental & remediation projects for the year ended December 31, 2014, including large remediation projects in New Jersey and Michigan. Additionally, the environmental & remediation segment teamed with the dredging segment to work on a large lake project in Illinois during 2014. The Company earned approximately 75% of its backlog carried forward from December 31, 2013.

Consolidated gross profit for the year ended December 31, 2014 decreased by \$7.8 million, or 7.8%, to \$92.5 million from \$100.3 million for the year ended December 31, 2013. Gross profit margin (gross profit divided by revenue) for the full year 2014 was 11.5%, below the prior year gross profit margin of 13.7%. The lower gross profit margin for

2014 was attributable to lower gross profit at our environmental & remediation segment related to cost overruns on a project and higher plant expenses. Gross profit margin at the dredging segment remained flat year over year.

General and administrative expenses totaled \$67.9 million for the year ended December 31, 2014, down slightly from \$68.0 million for the year ended December 31, 2013. Increases in payroll and benefit expenses of \$2.1 million and technical and consulting fees of \$0.9 million were offset by a reduction in the value of the Magnus contingent seller note payable of \$1.1 million, a decrease in legal and professional fees of \$1.6 million and the reversal of a bad debt provision, for which we received payment, of \$1.0 million.

Operating income for the year ended December 31, 2014 was \$23.9 million compared to \$51.4 million for the year ended December 31, 2013. In addition to lower gross profit described above, the lower operating income as compared to 2013 is due to the \$13.4 million in proceeds from a loss of use claim received during the 2013 second quarter and \$5.8 million of gains from the sales of underutilized assets in 2013.

Equity in earnings of joint ventures for the year ended December 31, 2014 was \$2.9 million compared to \$1.2 million for the year ended December 31, 2013. The increase in equity in earnings of joint ventures in 2014 was driven by a \$15.1 million gain on sale of real estate owned jointly by our Amboy and Lower Main joint ventures. During 2014, the Company incurred a \$10.2 million loss related to the TerraSea joint venture, which partially offset the gain on sale of real estate. The loss at TerraSea is the result of the Company's share of losses on two projects which experienced site condition delays. Additionally, there were cost overruns resulting from start-up delays that prevented the job from being completed in one season, as originally estimated, forcing the joint venture to demobilize and remobilize the equipment. These additional costs caused the project estimate to forecast a loss for the entire project which was fully recognized during the current period under the percentage-of-completion method.

The Company's net interest expense for 2014 totaled \$20.0 million compared with \$21.9 million in 2013. The decrease is primarily due to lower interest expense associated with the Company's revolving credit facility during the current year.

Income tax expense in 2014 was a benefit of \$11.5 million compared to a provision of \$10.5 million in 2013. This \$22.0 million change is attributable to a tax benefit related to liquidation of a domestic subsidiary which allowed the Company to claim a worthless stock deduction on its federal income tax return. The Company utilized part of the benefit to offset current year income and will carry forward the remainder as a net operating loss to offset future income. Accordingly, this benefit is characterized as a component of our continuing operations.

For the year ended December 31, 2014, net income from continuing operations was \$20.7 million compared to \$19.9 million for the year ended December 31, 2013. The increase in net income from continuing operations was largely attributable to an income tax benefit in the current year and a \$15.1 million gain on the sale of real estate, as described above. Additionally, current year income from continuing operations includes a \$2.2 million noncash bargain purchase gain recognized in the second quarter. These increases were partially offset by lower operating income and losses at our TerraSea joint venture for the year ended December 31, 2014.

Adjusted EBITDA from continuing operations (as defined and reconciled on page 40) was \$77.1 million and \$98.9 million for the years ended December 31, 2014 and 2013, respectively. The decrease of \$21.8 million, or 22.0%, is largely attributable to \$13.4 million in proceeds from a loss of use claim received during the 2013 second quarter and \$5.8 million of gains from the sales of underutilized assets in 2013. In 2014, the Company recorded \$50.1 million of depreciation and amortization expense that is included as a component of operating income, but is excluded for the purposes of calculating Adjusted EBITDA from continuing operations. The depreciation and amortization expense recorded in 2013 was \$46.6 million.

Results by segment

Dredging

Dredging revenues for the year ended December 31, 2014 were \$697.7 million an increase of \$55.1 million, or 8.6%, compared to \$642.6 million for the year ended December 31, 2013. The increase was largely attributable to higher domestic capital revenues, which included the port deepening project in Miami and an LNG project in Texas, and maintenance revenues, which included a large maintenance project in New York. Increases in foreign capital revenues from an LNG project in Australia also contributed to the overall increase.

Dredging segment gross profit in 2014 increased 6.0% to \$90.3 million from \$85.2 million in 2013, and dredging segment gross profit margin (dredging gross profit divided by dredging revenue) was 12.9% in 2014, consistent with 2013. The increase in dredging segment gross profit was driven by a greater amount of work during 2014 as compared to the prior year which was slightly offset by higher plant expenses associated with two dredges which were in dry dock during 2014, in addition to higher operating overhead costs compared to the full year in 2013. Further, 2014 gross profit was driven by completion of the Wheatstone LNG dredging project in Australia, which finished with

strong contract margin commensurate with such a large and complex energy project. The strong margins on the Wheatstone LNG project in the second half of 2014 offset the negative margin impacts from our idle Middle East fleet during the first half of 2014.

Dredging segment operating income for 2014 decreased 24.0% to \$41.6 million, from \$54.7 million in 2013 due to the receipt of \$13.4 million in proceeds from the dredge New York loss of use claim and \$5.8 million of gains from the sales of underutilized assets in 2013. These 2013 activities were slightly offset by the increase in segment gross profit described above.

Environmental & remediation

The environmental & remediation segment recorded revenues in 2014 of \$114.4 million, a \$19.6 million, or 20.7%, increase from \$94.8 million in 2013. The increase is attributable to the acquisition of Magnus, which accounted for \$15.3 million of revenue, during the fourth quarter of 2014 as well as a greater number of environmental & remediation projects for the year ended December

31, 2014, including large remediation projects in New Jersey and Michigan. Additionally, the environmental & remediation segment teamed with our dredging segment to work on a large lake project in Illinois during 2014.

Environmental & remediation segment gross profit was \$2.2 million for year ended December 31, 2014, down \$12.9 million, or 85.4% from \$15.1 million in the year ended December 31, 2013, with a gross profit margin of 1.9% and 15.9%, respectively. The gross profit margin was impacted by a \$4.3 million cost overrun due to a change in site conditions on one brownfield redevelopment project. The Company is currently working with the client to receive additional payment for a portion or all of these overruns. Additionally, the environmental & remediation segment experienced higher plant expenses, driven by investments in our expanded fleet of equipment. These additional costs offset the environmental & remediation segment's increased profit margins from higher fixed cost coverage during the first nine months of 2014.

Environmental & remediation segment operating loss was \$17.8 million for 2014, compared to \$3.3 million in 2013. This operating loss was driven by the lower segment gross profit described above.

Bidding Activity and Backlog

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

	December 31, 2015	December 31, 2014	December 31, 2013
Backlog			
Dredging:			
Capital - U.S.	\$411,506	\$135,801	\$176,117
Capital - foreign	1,750	131,489	98,666
Coastal protection	118,858	211,101	143,498
Maintenance	77,995	25,108	70,633
Rivers & lakes	67,589	90,708	26,158
Dredging Backlog	677,698	594,207	515,072
Environmental & remediation	73,349	75,349	* 28,330
Total Backlog	\$751,047	\$669,556	\$543,402

*December 31, 2014 environmental & remediation backlog includes backlog acquired by the Company on November 4, 2014 in connection with the Magnus acquisition.

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 environmental & remediation contracts, these estimates are based on the time and remaining costs required to complete the project relative to total estimated project costs and project revenues agreed to with the customer. However, these estimates are necessarily subject to variances based upon actual circumstances. Because of these factors, as well as factors affecting the time required to complete each job, backlog is not always indicative of future revenues or profitability. Also, 53% of the Company's 2015 dredging backlog relates to federal government contracts, which can be canceled at any time without penalty to the government, subject to the Company's contractual right to recover the Company's actual committed costs and profit on work performed up to the date of cancellation. The Company's backlog may fluctuate significantly from quarter to quarter based upon the type and size of the projects the Company is awarded from the bid market. A quarterly increase or decrease of the Company's backlog does not necessarily result in an improvement or a deterioration of the Company's business. The Company's backlog includes only those projects for which the Company

has obtained a signed contract with the customer.

Approximately 87% of the Company's backlog at December 31, 2015 is expected to be completed and converted to revenue in 2016.

Dredging

The 2015 domestic dredging bid market totaled \$1,286.2 million, a 15.4% decrease from the 2014 domestic dredging bid market of \$1,521.0 million. The 2015 bid market decrease from the prior year is primarily due to additional coastal protection projects let for bid in the second half of 2014 to repair damaged shorelines in New York and New Jersey. The domestic dredging bid market in 2015 included the Savannah Harbor deepening project, a deepening project on the Delaware River, a coastal protection project in New Jersey, an LNG project in Texas and two significant coastal restoration projects in Louisiana. In comparison, the 2014 bid market also included the third and final phase of the PortMiami project, a large lake project in Illinois, an LNG project in Texas and a large beach

project in the Gulf. The Company won 57% of the overall 2015 domestic bid market, above its 37% win rate of the overall 2014 domestic bid market and the Company's prior three-year average win rate of 43%. Variability in contract wins from period to period is not unusual. The Company believes trends in its win rate over the prior three year periods provide a historical background against which current year results can be compared.

The Company's December 31, 2015 contracted dredging backlog was \$677.7 million. This represents an increase of \$83.5 million, or 14.1%, over the Company's December 31, 2014 dredging backlog of \$594.2 million. These amounts do not reflect approximately \$82.8 million of domestic low bids pending formal award and additional phases ("options") pending on projects currently in backlog. At December 31, 2014, the amount of domestic low bids pending award was \$113.5 million. Backlog at December 31, 2015 includes two coastal restoration projects in Louisiana totaling approximately \$173 million which were awarded during 2015 as well as approximately \$105 million for the Savannah Harbor deepening project, approximately \$131 million for two domestic capital projects and approximately \$73 million for a coastal protection project in New Jersey.

The Company won 94%, or \$501.4 million, of the domestic capital dredging projects awarded in 2015, a significant increase from \$149.6 million in the prior year. Significant new awards during the year include the Savannah Harbor deepening project and a deepening project on the Delaware River, along with a large LNG project in Texas and two coastal restoration projects in Louisiana, all of which will continue into 2016. Approximately \$411.5 million, or 61%, of the Company's December 31, 2015 contracted dredging backlog consists of domestic capital dredging work. The Company expects about 60% of its domestic capital backlog at December 31, 2015 to be performed in 2016. Domestic capital dredging backlog at December 31, 2015 was \$275.7 million higher than the prior year. Completion of the Panama Canal expansion is on track to be completed in 2016, which continues to put pressure on the ports on the East Coast to continue with their studies and plans to deepen and widen in anticipation of the post-Panamax vessels. Additionally, during October 2015, BP settled the final Deepwater Horizon oil spill claims for approximately \$20 billion. This amount reflects the preliminary agreement which was reached in the second quarter of 2015 and includes \$5.5 billion related to Clean Water Act penalties. Several state and local governments have already reached deals that resolve their claims in the disaster. Many of the Gulf States previously committed to spending a portion of the fines received to repair the natural resources impacted by the oil spill including on coastal restoration projects that include dredging. Although the bulk of the fines are to be paid over the next 15 to 18 years, the Company expects several coastal restoration projects envisioned by the States to come to fruition in the next couple of years providing a new source of domestic capital dredging projects on which the Company will bid.

Foreign capital dredging backlog decreased to \$1.8 million at December 31, 2015 from \$131.5 million at the end of 2014. The decrease in the Company's foreign backlog is due to the completion of the project to deepen and widen the Suez Canal during 2015 which was included in backlog at December 31, 2014. During the year ended December 31, 2015, the Company won and completed three projects in Brazil. At December 31, 2015, the Company was low bidder on an approximately \$200 million land reclamation project in Saudi Arabia. This project will keep much of the Company's Middle East-based fleet utilized through the first quarter of 2018. The world's need for port construction and reclaimed land continues to expand to support global energy consumption, seaborne trade, population growth and tourism all of which are expected to lead to nearly 400 viable dredging projects over the next six years. Besides the Middle East, the Company continues to pursue ancillary work in South America where we have positioned a clamshell dredge and operate as a reputable regional provider. The Company expects the additional opportunities globally to provide a continued source of future international dredging revenue.

The Company won 25%, or \$67.4 million, of the coastal protection projects awarded in 2015. Coastal protection projects awarded during 2015 included projects on the New York and New Jersey coast as a result of Superstorm Sandy and a project in Florida. The Company has contracted dredging backlog related to coastal protection of \$118.9 million at December 31, 2015 compared to \$211.1 million at the end of 2014. The decrease in backlog at December 31, 2015 is due to revenue earned in 2015 on projects in backlog at December 31, 2014. Funding related to Northeastern U.S. beach replenishment continues to be released and the Company is anticipating these new dredging projects along the coast to extend through 2016. Federal and state government actions continue to support the repair

and improvement of America's coastline through the completion of protective beaches and berms.

The Company won 37%, or \$165.3 million, of the maintenance dredging projects awarded in 2015. The maintenance dredging bid market for the year ended December 31, 2015 was up compared to the prior year as the Company was awarded more projects in addition to several higher dollar value projects during the current year, including harbor projects in Maryland, Florida and Texas totaling approximately \$86 million. The Company's contracted maintenance dredging backlog at December 31, 2015 of \$78.0 million is \$52.9 million higher than the backlog of \$25.1 million at December 31, 2014. At the end of 2015, Congress passed its Omnibus Funding Agreement, which set the Army Corps of Engineers' budget in 2016 close to \$6 billion, which is an increase of \$0.5 billion above the fiscal year 2015 enacted level and \$1.3 billion above the President's budget request. The budget includes the Harbor Maintenance Tax (HMT) target of \$1.2 billion, a 7% increase over the \$1.1 billion approved last year by Congress.

The Company won 11%, or \$4.2 million, of the rivers & lakes projects in the markets where the group operates. Rivers & lakes awards include a private company project in Florida awarded and completed during the current year and a federal government project in Mississippi which will continue into 2016. The Company has contracted dredging backlog related to rivers & lakes of \$67.6 million

at December 31, 2015 which is \$23.1 million lower than the backlog at December 31, 2014. The decrease at December 31, 2015 is the result of the Company continuing to earn revenue on its large lake project in Illinois during 2015. The Corps' work plan for 2016 includes several upper Mississippi River projects to open channels that are often clogged by silt and sediment from upstream, in addition to planned levee repair along the Mississippi River. During December 2015, Winter Storm Goliath caused the flooding of rivers in Missouri and surrounding states, including the Mississippi River. Additional dredging work may arise on rivers in the region as a result of the winter storm.

Environmental & remediation

Environmental & remediation segment backlog was \$73.3 million and \$75.3 million at December 31, 2015 and 2014, respectively, a decrease of \$2.0 million year over year. The decrease was driven by revenue earned on projects in backlog at December 31, 2014 that was not replaced during the current year. During the year ended December 31, 2015, the Company was awarded and earned revenue on a large mine project in Washington which will continue into 2016. As part of the environmental & remediation segment's initiatives, the Company will focus on geographical expansion in the geotechnical services business. Additionally, the Company anticipates additional contracting opportunities arising from the transformation of the U.S. energy infrastructure, specifically related to the remediation requirements as mandated by the EPA's rule to regulate the disposal of coal combustion residuals from electric utilities promulgated in June 2015.

Liquidity and Capital Resources

The Company's principal sources of liquidity are net cash flows provided by operating activities, borrowings under the Company's revolving credit facility and proceeds from issuances of long term debt. See Note 8 in the Company's consolidated financial statements. The Company's principal uses of cash are to meet debt service requirements, finance capital expenditures, including the construction of a dual mode articulated tug/barge trailing suction hopper dredge ("ATB"), provide working capital and other general corporate purposes.

The Company's net cash provided by operating activities of continuing operations for the years ended December 31, 2015, 2014 and 2013 totaled \$29.1 million, \$67.2 million and \$86.3 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. The decrease during the year ended December 31, 2015 was driven by a decline in net income during the current year and additional accounts receivable for projects completed late in 2015. Further, the Company recorded a reduction in the fair value of the Magnus seller note payable of \$7.0 million to zero, in addition to reductions in interest and other contingent consideration. In 2014, the decrease in cash provided by operating activities was primarily the result of lower adjusted EBITDA from continuing operations and an increase in working capital as compared to the prior year. Cash provided by operating activities for the year ended December 31, 2013 was driven by higher adjusted EBITDA from continuing operations and the recovery of investment in working capital on two significant projects.

The Company's net cash flows used in investing activities of continuing operations for the years ended December 31, 2015, 2014 and 2013 totaled \$73.1 million, \$122.0 million and \$46.1 million, respectively. Investing activities in all periods primarily relate to normal course upgrades and capital maintenance of the Company's dredging fleet. For the year ended December 31, 2015, the Company spent \$34.5 million on the construction of the ATB. In comparison, for the years ended December 31, 2014 and 2013, the Company spent \$44.3 million and \$17.1 million on construction of the ATB. For the year ended December 31, 2015, the Company received \$1.3 million in proceeds from the sale of underutilized equipment. During the year ended December 31, 2014, the Company acquired Magnus Pacific Corporation for which the Company paid \$25 million at closing. In 2013, the Company received \$6.7 million for the sale of two vessels during the year as well as \$13.6 million when the Company drew upon a vendor performance obligation related to the ATB construction contract.

The Company's net cash flows provided by financing activities of continuing operations for the years ended December 31, 2015, 2014 and 2013 totaled \$15.9 million, \$35.1 million and \$22.5 million, respectively. The change in net cash flows provided by financing activities is primarily due to repayments of the term loan facility of \$5.0 million, repayments of a long term note payable of \$0.4 million and the purchase of treasury stock during the year ended December 31, 2015. The Company had net borrowings on the revolver of \$20.0 million for the year ended December 31, 2015. In comparison, the Company entered into a new senior secured term loan facility for an aggregate principal amount of \$47.4 million as well as issued an additional \$25 million of its 7.375% senior notes in 2014. Further, the Company paid down borrowings on the senior revolving credit facility, slightly offsetting the increases in cash flows provided by financing activities noted above. Cash flows provided by financing activities during 2013 were primarily due to net borrowings of \$35 million on the Company's revolving credit facility, slightly offset by payment of \$10.5 million on a promissory note related to the Terra acquisition.

Credit agreement

On June 4, 2012, the Company entered into a senior revolving credit agreement (as subsequently amended, the “Credit Agreement”) with certain financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America, N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. The Credit Agreement provides for a senior revolving credit facility in an aggregate principal amount of up to \$210 million, multicurrency borrowings up to a \$50 million sublimit and swingline loans up to a \$10 million sublimit. The Credit Agreement also includes an incremental loans feature that will allow the Company to increase the senior revolving credit facility by an aggregate principal amount of up to \$15 million. This feature is subject to lenders providing incremental commitments for such increase, provided that no default or event of default exists, and the Company being in pro forma compliance with the existing financial covenants, both before and after giving effect to the increase, and subject to other standard conditions.

On September 15, 2014, the Company entered into the fifth amendment (the “Fifth Amendment”) to the Credit Agreement which exercised a portion of the incremental loans feature of the Credit Agreement that allowed the Company to increase the aggregate revolving commitment. The Fifth Amendment further amended the Credit Agreement so that the Credit Agreement will remain secured and collateralized by perfected liens on certain of the Company’s vessels and its domestic accounts receivable, subject to permitted liens and prior interests of other parties. In addition, Zurich American Insurance Company, the Company’s surety provider, secured permitted second mortgages on the same vessels securing the obligations under the Credit Agreement.

On November 4, 2014, the Company entered into the sixth amendment (“Sixth Amendment”) to the Credit Agreement. The Sixth Amendment amends the Credit Agreement to permit the entrance into the Term Loan Facility (see below) and incurrence of liens securing the Term Loan Facility, subject to certain restrictions and conditions; permit voluntary prepayments of the Term Loan Facility so long as, after giving effect to any such voluntary prepayment, the Company’s total leverage ratio is less than or equal to 3.00 to 1.00 and its fixed charge coverage ratio is greater than or equal to 1.25 to 1.00; permit the acquisition of Magnus Pacific (See Note 16) without diminishing the amount currently available under the Credit Agreement for additional “Permitted Acquisitions” (as defined in the Credit Agreement); exclude the potential earnout obligation of the Company in connection with the acquisition of Magnus Pacific Corporation of up to \$11.4 million from “Indebtedness” (as defined in the Credit Agreement) and the total leverage ratio under the Credit Agreement; and permit the issuance of up to an additional \$50 million in aggregate principal amount of the Company’s currently outstanding 7.375% senior notes due 2019.

Depending on the Company’s consolidated leverage ratio (as defined in the Credit Agreement), borrowings under the new revolving credit facility will bear interest at the option of the Company of either a LIBOR rate plus a margin of between 1.50% to 2.50% per annum or a base rate plus a margin of between 0.50% to 1.50% per annum.

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company’s surety bonding provider. The Credit Agreement requires the Company to maintain a net leverage ratio less than or equal to 4.50 to 1.00 as of the end of each fiscal quarter and a minimum fixed charge coverage ratio of 1.25 to 1.00.

The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. During a year, the Company frequently borrows and repays amounts under its revolving credit facility. As of December 31, 2015, the Company had \$20.0 million of borrowings on the revolver and \$81.9 million of letters of credit outstanding, resulting in \$108.1 million of availability under the Credit Agreement. At December 31, 2015, the Company was in compliance with its various financial covenants under its Credit Agreement.

Term loan facility

On November 4, 2014, the Company entered into a new senior secured term loan facility consisting of a term loan in an aggregate principal amount of \$50 million (the “Term Loan Facility”) pursuant to a Loan and Security Agreement (the “Loan Agreement”) by and among, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent. Pursuant to the Loan Agreement, the Company borrowed an aggregate principal amount of \$47.4 million in 2014 and an additional \$2.6 million in 2015. The proceeds from the Term Loan Facility will be used for the working capital and general corporate purposes of the Company, including to repay borrowings under the Credit Agreement made to finance the construction of the Company’s ATB.

The Term Loan Facility has a term of five years. The borrowings under the Term Loan Facility bear interest at a fixed rate of 4.655% per annum. If an event of default occurs under the Loan Agreement, the interest rate will increase by 2.00% per annum during the continuance of such event of default.

The Term Loan Facility provides for monthly amortization payments, payable in arrears, commencing on December 4, 2014, at an annual amount of (i) approximately 10% of the principal amount of the Term Loan Facility during the first two years of the term, (ii) approximately 20% of the principal amount of the Term Loan Facility during the third and fourth years of the term, and (iii) approximately 25% of the principal amount of the Term Loan Facility during the final year of the term, with the remainder due on the maturity date of the facility. In addition, the Company has usual and customary mandatory prepayment provisions and may optionally prepay the Term Loan Facility in whole or in part at any time, subject to a minimum prepayment amount.

The Loan Agreement includes customary representations, affirmative and negative covenants and events of default for financings of this type and includes the same financial covenants that are currently set forth in the Credit Agreement.

Surety agreements

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some demolition projects. The Company has a bonding agreement (the "Zurich Bonding Agreement") with Zurich American Insurance Company ("Zurich") under which the Company can obtain performance, bid and payment bonds. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the "Additional Sureties"). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich Bonding Agreement. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1 million to \$10 million. At December 31, 2015, the Company had outstanding performance bonds valued at approximately \$1,066.0 million of which \$41.1 million relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately \$622.8 million.

In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project.

Senior notes

In January 2011, the Company issued \$250 million in aggregate principal amount of its 7.375% senior notes due February 1, 2019. Approximately \$180 million of the net proceeds from the original issuance of the senior notes was used to prepay all of the Company's 7.75% senior subordinated notes due December 2013, including prepayment premiums and accrued and unpaid interest. In November 2014, the Company issued an additional \$25 million in aggregate principal amount of its 7.375% senior notes due February 1, 2019. The proceeds from this issuance were used to repay indebtedness incurred under our senior secured revolving credit facility in connection with the acquisition of Magnus Pacific Corporation, and for general corporate purposes. The indenture governing the senior notes, among other things, limits the ability of the Company and its restricted subsidiaries to (i) pay dividends, or make certain other restricted payments or investments; (ii) incur additional indebtedness and issue disqualified stock; (iii) create liens on its assets; (iv) transfer and sell assets; (v) merge, consolidate or sell all or substantially all of its assets; (vi) enter into certain transactions with affiliates; (vii) create restrictions on dividends or other payments by its restricted subsidiaries and (viii) create guarantees of indebtedness by restricted subsidiaries. These covenants are subject to a number of important limitations and exceptions that are described in the indenture governing the senior notes.

The future declaration and payment of 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, its financial results and condition and legal requirements, including restrictions and limitations contained in the Credit Agreement, bonding agreement and the indenture relating to its senior notes. 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 impact of changes in functional currency exchange rates against the U.S. dollar on non-U.S. dollar cash balances, primarily the Australian dollar and the Brazilian real, is reflected in the cumulative translation adjustment—net within accumulated other comprehensive income (loss). Cash held in non-U.S. dollar currencies primarily is used for project-related and other operating costs in those currencies reducing the Company's exposure to future realized exchange gains and losses.

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

Contractual Obligations

The following table summarizes the Company's contractual cash obligations at December 31, 2015. Additional information related to these obligations can be found in Note 8 and Note 13 to the Company's consolidated financial statements.

	Obligations coming due in year(s) ending:				
	Total	2016	2017-	2020-	2023
	(1)		2019	2022	and
					beyond
Equipment notes payable (2)	\$4.1	\$1.4	\$2.7	\$—	\$ —
Senior notes (3)	337.6	20.3	317.3	—	—
Notes payable (4)	70.4	9.4	48.8	7.2	5.0
Unconditional purchase commitments (5)	57.9	57.9	—	—	—
Long term bank debt (6)	20.0	15.0	5.0	—	—
Operating lease commitments	82.2	22.5	42.6	15.2	1.9
Total	\$572.2	\$126.5	\$416.4	\$22.4	\$ 6.9

(1) Excluded from the above table are \$0.2 million in liabilities for uncertain tax positions for which the period of settlement is not determinable.

(2) Represents principal and interest on nine capital equipment leases.

(3) Includes cash interest payments calculated at stated fixed rate of 7.375%.

(4) Represents the principal on the Term Loan Facility, vessel financing, one capital building lease and all corresponding interest payments.

(5) Includes payments for vessels being built to Company specifications and other contract related commitments.

(6) Represents the Credit Agreement. At December 31, 2015, total outstanding on this facility was \$20 million.

Includes cash interest payments calculated at variable rates between 2.79% and 5.0%.

Other Off-Balance Sheet and Contingent Obligations

The Company had outstanding letters of credit relating to foreign contract guarantees and insurance payment liabilities totaling \$81.9 million at December 31, 2015. The Company has granted liens on a substantial portion of its owned operating equipment as security for borrowings under its Credit Agreement and other indebtedness.

The Company finances certain key vessels, office space, and other equipment used in its operations with off-balance sheet operating lease arrangements with unrelated lessors, requiring annual rentals of \$22.5 million in 2016 which will decline to \$0.3 million over the next nine years subject to future lease arrangements. These off-balance sheet leases contain default provisions, which are triggered by an acceleration of debt maturity under the terms of the Company's Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

At December 31, 2015, the Company had outstanding performance bonds with a notional amount of \$1,066.0 million of which \$41.1 million relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled \$622.8 million. In connection with the sale of our historical demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project.

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.

The Company considers it unlikely that it would have to perform under any of the aforementioned contingent obligations, other than operating leases.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

A significant portion of the Company's current dredging operations are conducted outside of the U.S., primarily in the Middle East and Brazil. It is the Company's policy to hedge foreign currency exchange risk on contracts denominated in currencies other than the U.S. dollar, if available. Currently, the majority of the Company's foreign dredging work is in the Middle East. The currency in

Bahrain, the Bahraini Dinar, is linked to the U.S. dollar; therefore, there is no foreign currency exposure on these transactions. The Company received a portion of a contract in Egyptian Pounds, but expects to utilize this currency for local expenses, minimizing its foreign currency exposure to the Company. Additionally, on contracts in Brazil denominated in Brazilian real, the Company utilizes the currency received for local expenses to minimize foreign currency exposure. At December 31, 2015, the Company had no foreign exchange forward contracts outstanding.

At December 31, 2015, the Company had long-term senior notes outstanding with a recorded face value of \$275.0 million. The fair value of these existing notes, which bear interest at a fixed rate of 7.375%, was \$255.8 million at December 31, 2015 based on market prices. Assuming a 10% decrease in interest rates from the rates at December 31, 2015 the fair value of this fixed rate debt would have increased to \$261.4 million.

A significant operating cost for the Company is diesel fuel, which represents approximately 8% of the Company's costs of contract revenues. The Company uses fuel commodity forward contracts, typically with durations of less than one year, to reduce the impacts of changing fuel prices on operations. The Company does not purchase fuel hedges for trading purposes. Based on the Company's 2016 projected domestic fuel consumption, a 10% increase in the average price per gallon of fuel would have an immaterial effect on fuel expense, after the effect of fuel commodity contracts in place at December 31, 2015. At December 31, 2015 the Company had outstanding arrangements to hedge the price of a portion of its fuel purchases related to domestic dredging work in backlog, representing approximately 80% of its anticipated domestic fuel requirements through November 2016. As of December 31, 2015, there were 9.2 million gallons remaining on these contracts. Under these agreements, the Company will pay fixed prices ranging from \$1.32 to \$2.11 per gallon. At December 31, 2015, the fair value liability on these contracts was estimated to be \$4.4 million, based on quoted market prices and is recorded in accrued expenses. A 10% change in forward fuel prices would result in an immaterial change in the fair value of fuel hedges outstanding at December 31, 2015.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements (including financial statement schedules listed under Item 15 of this Report) of the Company called for by this Item, together with the Report of Independent Registered Public Accounting Firm dated February 29, 2016, are set forth on pages 60 to 98 inclusive, of this Report, and are hereby incorporated by reference into this Item. Financial statement schedules not included in this Report have been omitted because they are not applicable or because the information called for is shown in the consolidated financial statements or notes thereto.

Quarterly Results of Operations (Unaudited)

The following tables set forth our unaudited quarterly results of operations for 2015 and 2014. We have prepared this unaudited information on a basis consistent with the audited consolidated financial statements contained in this report and this unaudited information includes all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our results of operations for the quarters presented. You should read this quarterly financial data along with the Condensed Consolidated Financial Statements and the related notes to those statements included in our Quarterly Reports on Form 10-Q filed with the Commission. The operating results for any quarter are not necessarily indicative of the results for the annual period or any future period.

	Quarter Ended			
	March 31, Unaudited	June 30, Unaudited	September 30, Unaudited	December 31, Unaudited
(dollars in millions except shares in thousands and per share data)				
2015				
Contract revenues	\$ 174.6	\$ 238.9	\$ 220.8	\$ 222.6
Costs of contract revenues	(163.9)	(206.6)	(196.7)	(193.8)
Gross profit	10.7	32.3	24.1	28.9
General and administrative expenses	(18.0)	(15.5)	(15.3)	(22.3)
Impairment of goodwill	—	(2.8)	—	—
Gain on sale of assets — net	—	—	0.9	—
Operating income (loss)	(7.3)	14.0	9.7	6.6
Interest expense — net	(5.6)	(5.6)	(7.3)	(5.9)
Equity in loss of joint ventures	(1.1)	(2.6)	(2.1)	(0.3)
Other income (expense)	(0.4)	(0.6)	0.7	(0.9)
Income (loss) before income taxes	(14.4)	5.2	1.0	(0.5)
Income tax (provision) benefit	6.0	(2.5)	(0.7)	(0.3)
Net income (loss)	(8.4)	2.7	0.3	(0.8)
Basic earnings (loss) per share	\$(0.14)	\$0.05	\$ —	\$(0.01)
Basic weighted average shares	60.3	60.5	60.5	60.4
Diluted earnings (loss) per share	\$(0.14)	\$0.05	\$ —	\$(0.01)
Diluted weighted average shares	60.3	60.9	60.8	60.7

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

	Quarter Ended			
	March 31, Unaudited	June 30, Unaudited	September 30, Unaudited	December 31, Unaudited
(dollars in millions except shares in thousands and per share data)				
2014				
Contract revenues	\$ 174.4	\$ 184.7	\$ 202.2	\$ 245.5
Costs of contract revenues	(153.4)	(158.5)	(177.7)	(224.7)
Gross profit	20.9	26.2	24.5	20.9
General and administrative expenses	(17.9)	(15.9)	(16.1)	(18.0)
Loss on sale of assets — net	(0.2)	—	(0.4)	(0.1)
Operating income	2.8	10.3	8.0	2.8
Interest expense — net	(5.0)	(5.0)	(4.7)	(5.3)
Equity in earnings (loss) of joint ventures	(1.8)	(1.4)	(5.8)	11.9
Gain on bargain purchase acquisition	—	2.2	—	—
Other income (expense)	—	—	0.4	(0.2)
Income (loss) from continuing operations before income taxes	(4.0)	6.1	(2.1)	9.2
Income tax (provision) benefit	1.5	(2.1)	1.1	11.0
Income from continuing operations	(2.5)	4.0	(1.0)	20.2
Loss from discontinued operations, net of income taxes	(2.7)	(5.3)	(1.1)	(1.3)
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(5.2)	\$(1.3)	\$(2.1)	\$ 18.9
Basic earnings (loss) per share attributable to income from continuing operations	\$(0.04)	\$0.07	\$(0.02)	\$ 0.35
Basic loss per share attributable to loss on discontinued operations, net of income taxes	(0.05)	(0.09)	(0.02)	(0.02)
Basic earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(0.09)	\$(0.02)	\$(0.03)	\$ 0.31
Basic weighted average shares	59.7	59.9	60.0	60.1
Diluted earnings (loss) per share attributable to income from continuing operations	\$(0.04)	\$0.07	\$(0.02)	\$ 0.34
Diluted loss per share attributable to loss on discontinued operations, net of income taxes	(0.05)	(0.09)	(0.02)	(0.02)
Diluted earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(0.09)	\$(0.02)	\$(0.03)	\$ 0.31
Diluted weighted average shares	59.7	60.5	60.0	60.7

Note: Items may not sum due to rounding.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
Disclosure Controls and Procedures.

a) Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of December 31, 2015. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act (a) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and

(b) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as designed and implemented, were effective as of December 31, 2015. Notwithstanding the foregoing, a control system, no matter how well designed, implemented and operated can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

c) Management's annual report on internal control over financial reporting

The management of Great Lakes Dredge & Dock Corporation, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f), and 15d-15(f) under the Securities Exchange Act of 1934). Management has used the framework set forth in the report entitled Internal Control—Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Company's internal control over financial reporting.

The phrase internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and overseen by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with general accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Neither internal control over financial reporting nor disclosure controls and procedures can provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting and disclosure controls are processes that involve human diligence and compliance, and are subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting and disclosure controls also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented, detected or reported on a timely basis by internal control over financial reporting or disclosure controls. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards for these processes that will reduce, although may not eliminate, these risks.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Our independent registered public accounting firm, Deloitte & Touche LLP, who audited Great Lakes' consolidated financial statements included in this Annual Report on Form 10-K, has issued a report on Great Lakes' internal control over financial reporting, which is included herein.

Management has concluded that our internal control over financial reporting was effective as of December 31, 2015.

/s/ JONATHAN W. BERGER
Jonathan W. Berger
Chief Executive Officer and Director

/s/ Mark W. Marinko
Mark W. Marinko
Senior Vice President and Chief Financial Officer

February 29, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Great Lakes Dredge & Dock Corporation

Oak Brook, Illinois

We have audited the internal control over financial reporting of Great Lakes Dredge & Dock Corporation and subsidiaries (the “Company”) as of December 31, 2015, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2015, of the Company and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 29, 2016

57

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding our executive officers is incorporated by reference herein from the discussion under Item 1. Business—Executive Officers in this Annual Report on Form 10-K.

Code of Ethics

The Company has adopted a written code of business conduct and ethics that applies to all of its employees, including its principal executive officer, principal financial officer, controller, and persons performing similar functions. The Company's code of ethics can be found on its website at www.gldd.com. The Company will post on our website any amendments to or waivers of the code of business conduct and ethics for executive officers or directors, in accordance with applicable laws and regulations.

The remaining information called for by this Item 10 is incorporated by reference herein from the discussions under the headings "Election of Directors," "Board of Directors and Corporate Governance" and "Security Ownership of Certain Beneficial Owners and Management" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 11. Executive Compensation

The information required by Item 11 of Form 10-K is incorporated by reference herein from the discussions under the headings "Executive Compensation Tables" and "Compensation Discussion and Analysis" and "Board of Directors and Corporate Governance" in the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters

The information required by Item 12 of Form 10-K is incorporated by reference herein from the discussion under the heading "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 of Form 10-K is incorporated by reference herein from the discussions under the headings "Board of Directors and Corporate Governance" and "Change of Control of the Company" and "Certain Relationships and Related Transactions" in the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 of Form 10-K is incorporated by reference herein from the discussion under the heading "Matters Related to Independent Registered Public Accounting Firm" in the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this report

1. Financial Statements

The financial statements are set forth on pages 60 to 98 of this Report and are incorporated by reference in Item 8 of this Report.

2. Financial Statement Schedules

All other schedules, except Schedule II—Valuation and Qualifying Accounts on page 99, are omitted because they are not required or the required information is shown in the financial statements or notes thereto.

3. Exhibits

The exhibits required to be filed by Item 601 of Regulation S-K are listed in the “Exhibit Index” which is attached hereto and incorporated by reference herein.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	Page
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014, AND FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013	61
<u>Consolidated Balance Sheets</u>	62
<u>Consolidated Statements of Operations</u>	63
<u>Consolidated Statements of Comprehensive Income (Loss)</u>	64
<u>Consolidated Statements of Equity</u>	65
<u>Consolidated Statements of Cash Flows</u>	66
<u>Notes to Consolidated Financial Statements</u>	68

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Great Lakes Dredge & Dock Corporation

Oak Brook, Illinois

We have audited the accompanying consolidated balance sheets of Great Lakes Dredge & Dock Corporation and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Great Lakes Dredge & Dock Corporation and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2016, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 29, 2016

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock Corporation and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2015 and 2014

(in thousands, except per share amounts)

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$14,184	\$42,389
Accounts receivable—net	130,777	113,188
Contract revenues in excess of billings	81,195	82,557
Inventories	35,963	34,735
Prepaid expenses	7,924	4,708
Other current assets	59,690	64,667
Total current assets	329,733	342,244
PROPERTY AND EQUIPMENT—Net	430,210	399,445
GOODWILL	83,576	86,326
OTHER INTANGIBLE ASSETS — Net	2,428	8,963
INVENTORIES—Noncurrent	41,646	36,262
INVESTMENTS IN JOINT VENTURES	3,761	7,889
OTHER	10,271	12,105
TOTAL	\$901,625	\$893,234
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$118,846	\$119,971
Accrued expenses	72,277	70,041
Billings in excess of contract revenues	7,061	4,639
Current portion of long term debt	7,506	5,859
Total current liabilities	205,690	200,510
7 3/8% SENIOR NOTES	274,909	274,880
REVOLVING CREDIT FACILITY	20,000	—
NOTES PAYABLE	54,382	49,497
DEFERRED INCOME TAXES	74,006	92,007
OTHER	20,465	20,377
Total liabilities	649,452	637,271
COMMITMENTS AND CONTINGENCIES (Note 13)		
EQUITY:		
Common stock—\$.0001 par value; 90,000 authorized, 60,709 and 60,170 shares issued; 60,431 and 60,170 outstanding at December 31, 2015 and December 31, 2014, respectively.	6	6
Treasury stock, at cost	(1,433)	—
Additional paid-in capital	283,247	278,166
Accumulated deficit	(27,664)	(21,475)

Accumulated other comprehensive loss	(1,983)	(734)
Total equity	252,173	255,963
TOTAL	\$901,625	\$893,234

See notes to consolidated financial statements.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock Corporation and Subsidiaries

Consolidated Statements of Operations

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands, except per share amounts)

	2015	2014	2013
CONTRACT REVENUES	\$856,878	\$806,831	\$731,418
COSTS OF CONTRACT REVENUES	760,955	714,335	631,123
GROSS PROFIT	95,923	92,496	100,295
OPERATING EXPENSES:			
GENERAL AND ADMINISTRATIVE EXPENSES	71,069	67,911	68,039
PROCEEDS FROM LOSS OF USE CLAIM	—	—	(13,372)
IMPAIRMENT OF GOODWILL	2,750	—	—
(GAIN) LOSS ON SALE OF ASSETS—Net	(855)	732	(5,773)
Total operating income	22,959	23,853	51,401
OTHER EXPENSE:			
Interest expense—net	(24,365)	(19,967)	(21,941)
Equity in earnings (loss) of joint ventures	(6,051)	2,895	1,208
Gain on bargain purchase acquisition	—	2,197	—
Other income (expense)	(1,229)	210	(351)
Total other expense	(31,645)	(14,665)	(21,084)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES			
TAXES	(8,686)	9,188	30,317
INCOME TAX (PROVISION) BENEFIT	2,497	11,530	(10,460)
INCOME (LOSS) FROM CONTINUING OPERATIONS			
Loss from discontinued operations, net of income taxes	—	(10,423)	(54,850)
NET INCOME (LOSS)			
Net loss attributable to noncontrolling interest	—	—	632
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS OF GREAT LAKES DREDGE & DOCK CORPORATION			
	\$(6,189)	\$10,295	\$(34,993)
Basic earnings (loss) per share attributable to income from continuing operations			
	\$(0.10)	\$0.35	\$0.33
Basic loss per share attributable to loss on discontinued operations, net of income taxes			
	—	(0.17)	(0.91)
Basic earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation			
	\$(0.10)	\$0.18	\$(0.58)
Basic weighted average shares			
	60,410	59,938	59,495
Diluted earnings (loss) per share attributable to income from continuing operations			
	\$(0.10)	\$0.34	\$0.33
	—	(0.17)	(0.90)

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Diluted loss per share attributable to loss on discontinued operations, net of income taxes			
Diluted earnings (loss) per share attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(0.10)	\$0.17	\$(0.57)
Diluted weighted average shares	60,410	60,522	60,101

See notes to consolidated financial statements.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands)

	2015	2014	2013
Net income (loss)	\$(6,189)	\$10,295	\$(34,993)
Currency translation adjustment—net of tax (1)	(1,249)	(62)	(397)
Net unrealized (gain) loss on derivatives—net of tax (2)	—	(199)	304
Other comprehensive loss—net of tax	(1,249)	(261)	(93)
Comprehensive income (loss)	(7,438)	10,034	(35,086)
Comprehensive loss attributable to noncontrolling interests	—	—	632
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$(7,438)	\$10,034	\$(34,454)

(1) Net of income tax benefit of \$827, \$41 and \$261 for the years ended December 31, 2015, 2014 and 2013, respectively.

(2) Net of income tax (provision) benefit of \$(132) and \$204 for the years ended December 31, 2014 and 2013, respectively.

See notes to consolidated financial statements.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock Corporation and Subsidiaries

Consolidated Statements of Equity

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands)

Great Lakes Dredge & Dock Corporation shareholders

	Shares of Common Stock	Shares of Common Stock	Treasury Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
BALANCE—January 1, 2013	59,359	\$ 6	—	—	\$ 271,418	\$ 2,591	\$ (380)	\$ (210)	\$ 273,425
Share-based compensation	96	—	—	—	3,251	—	—	—	3,251
Vesting of restricted stock units, including impact of shares withheld for taxes	75	—	—	—	(308)	—	—	—	(308)
Exercise of stock options and purchases from employee stock plans	140	—	—	—	668	—	—	—	668
Excess income tax benefit from share-based compensation	—	—	—	—	154	—	—	—	154
Distributions paid to noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Net loss	—	—	—	—	—	(34,361)	—	(632)	(34,993)
Other comprehensive loss—net of tax	—	—	—	—	—	—	(93)	—	(93)
BALANCE—December 31, 2013	59,670	\$ 6	—	\$—	\$ 275,183	\$ (31,770)	\$ (473)	\$ (845)	\$ 242,101
Share-based compensation	118	—	—	—	2,694	—	—	—	2,694
Vesting of restricted stock units, including impact of shares withheld for taxes	111	—	—	—	(497)	—	—	—	(497)
Exercise of stock options and purchases from employee stock purchase plan	271	—	—	—	1,568	—	—	—	1,568
	—	—	—	—	206	—	—	—	206

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Excess income tax benefit from share-based compensation									
Purchase of noncontrolling interests	—	—	—	—	(988)	—	—	845	(143)
Net income	—	—	—	—	—	10,295	—	—	10,295
Other comprehensive loss—net of tax	—	—	—	—	—	—	(261)	—	(261)
BALANCE—December 31, 2014	60,170	\$ 6	—	\$—	\$278,166	\$(21,475)	\$(734)	\$—	\$255,963
Share-based compensation	154	—	—	—	4,040	—	—	—	4,040
Vesting of restricted stock units, including impact of shares withheld for taxes	115	—	—	—	(267)	—	—	—	(267)
Exercise of stock options and purchases from employee stock purchase plan	270	—	—	—	1,365	—	—	—	1,365
Excess income tax benefit from share-based compensation	—	—	—	—	(57)	—	—	—	(57)
Purchase of treasury stock	—	—	(278)	(1,433)	—	—	—	—	(1,433)
Net loss	—	—	—	—	—	(6,189)	—	—	(6,189)
Other comprehensive loss—net of tax	—	—	—	—	—	—	(1,249)	—	(1,249)
BALANCE—December 31, 2015	60,709	\$ 6	(278)	\$(1,433)	\$283,247	\$(27,664)	\$(1,983)	\$—	\$252,173

See notes to consolidated financial statements.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Great Lakes Dredge & Dock Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2015, 2014 and 2013

(in thousands)

	2015	2014	2013
OPERATING ACTIVITIES:			
Net income (loss)	\$(6,189)	\$10,295	\$(34,993)
Loss from discontinued operations, net of income taxes	—	(10,423)	(54,850)
Income from continuing operations	(6,189)	20,718	19,857
Adjustments to reconcile net income to net cash flows used in operating activities:			
Depreciation and amortization	64,585	50,129	46,622
Equity in (earnings) loss of joint ventures	771	(2,895)	(1,208)
Cash distributions from joint ventures	8,384	19,955	—
Deferred income taxes	(2,689)	(14,504)	(304)
(Gain) loss on dispositions of property and equipment	(855)	732	(5,773)
Impairment of goodwill	2,750	—	—
Gain on adjustment of contingent consideration	(8,444)	(1,086)	—
Amortization of deferred financing fees	2,766	1,453	1,153
Gain on bargain purchase acquisition	—	(2,197)	—
Unrealized foreign currency (gain) loss	(1,054)	593	(179)
Unrealized net loss from mark-to-market valuations of derivatives	1,359	3,029	—
Share-based compensation expense	4,040	2,694	3,251
Excess income tax benefit from share-based compensation	57	(206)	(154)
Changes in assets and liabilities:			
Accounts receivable	(20,190)	11,012	36,260
Contract revenues in excess of billings	48	(5,677)	(17,142)
Inventories	(6,612)	120	(5,144)
Prepaid expenses and other current assets	(9,730)	1,780	(10,124)
Accounts payable and accrued expenses	306	(14,113)	22,622
Billings in excess of contract revenues	2,325	(2,624)	(2,900)
Other noncurrent assets and liabilities	(2,506)	(1,759)	(490)
Net cash flows provided by operating activities of continuing operations	29,122	67,154	86,347
Net cash flows used in operating activities of discontinued operations	—	(18,352)	(11,524)
Cash provided by operating activities	29,122	48,802	74,823
INVESTING ACTIVITIES:			
Purchases of property and equipment	(74,455)	(91,910)	(66,654)
Proceeds from dispositions of property and equipment	1,322	68	6,953
Proceeds from (payments on) vendor performance obligations (Note 13)	—	(3,100)	13,600
Payments for acquisitions of businesses, net of cash acquired	—	(27,048)	—
Net cash flows used in investing activities of continuing operations	(73,133)	(121,990)	(46,101)
Net cash flows provided by (used in) investing activities of discontinued operations	—	5,275	(153)
Cash used in investing activities	(73,133)	(116,715)	(46,254)

	2015	2014	2013
FINANCING ACTIVITIES:			
Proceeds from term loan facility	2,640	47,360	—
Repayments of term loan facility	(5,000)	(417)	—
Proceeds from issuance of 7 3/8% senior notes	—	24,880	—
Deferred financing fees	(111)	(2,532)	—
Repayment of long term note payable	(443)	—	(13,047)
Distributions paid to minority interests	—	—	(3)
Taxes paid on settlement of vested share awards	(267)	(497)	(308)
Purchase of noncontrolling interest	—	(205)	—
Proceeds from equipment debt	410	—	—
Repayments of equipment debt	(1,201)	(235)	—
Exercise of stock options and purchases from employee stock plans	1,365	1,568	668
Excess income tax benefit from share-based compensation	(57)	206	154
Purchase of treasury stock	(1,433)	—	—
Borrowings under revolving loans	179,500	236,500	227,000
Repayments of revolving loans	(159,500)	(271,500)	(192,000)
Cash provided by financing activities	15,903	35,128	22,464
Effect of foreign currency exchange rates on cash and cash equivalents	(97)	(164)	(135)
Net increase (decrease) in cash and cash equivalents	(28,205)	(32,949)	50,898
Cash and cash equivalents at beginning of period	42,389	75,338	24,440
Cash and cash equivalents at end of period	\$ 14,184	\$ 42,389	\$ 75,338
Supplemental Cash Flow Information			
Cash paid for interest	\$ 25,391	\$ 18,901	\$ 20,083
Cash paid (refunded) for income taxes	\$ 586	\$ (10,544)	\$ 1,793
Non-cash Investing and Financing Activities			
Property and equipment purchased but not yet paid	\$ 7,380	\$ 10,316	\$ 3,552
Property and equipment purchased on capital leases and equipment notes	\$ 2,190	\$ 3,665	\$ —
Property & equipment purchased on notes payable	\$ 15,569	\$ —	\$ —
Purchase price of Magnus assets comprised of promissory notes and other liabilities	\$ —	\$ 16,210	\$ —

See notes to consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF December 31, 2015 AND 2014 AND FOR THE

YEARS ENDED December 31, 2015, 2014 AND 2013

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

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Great Lakes Dredge & Dock Corporation and its subsidiaries (the “Company” or “Great Lakes”) are in the business of marine construction, primarily dredging, and soil, water and sediment environmental and remediation services. The Company’s primary dredging customers are domestic and foreign government agencies, as well as private entities, and its environmental and remediation customers are general contractors, corporations, environmental engineering and construction firms that commission projects and local government and municipal agencies.

Principles of Consolidation and Basis of Presentation—The consolidated financial statements include the accounts of Great Lakes Dredge & Dock Corporation and its majority-owned subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. The equity method of accounting is used for investments in unconsolidated investees in which the Company has significant influence, but not control. Other investments, if any, are carried at cost.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue and Cost Recognition on Contracts—Substantially all of the Company’s contracts for dredging services are fixed-price contracts, which provide for remeasurement based on actual quantities dredged. The majority of the Company’s environmental & remediation contracts are also fixed-price contracts, with others performed on a time-and-materials basis. Contract revenues are recognized under the percentage-of-completion method based on the Company’s engineering estimates of the physical percentage completed for dredging projects and based on costs incurred to date compared to total estimated costs for fixed-price environmental & remediation projects. For dredging projects, costs of contract revenues are adjusted to reflect the gross profit percentage expected to be achieved upon ultimate completion. For environmental & remediation contracts, contract revenues are adjusted to reflect the estimated gross profit percentage. Revisions in estimated gross profit percentages are recorded in the period during which the change in circumstances is experienced or becomes known. As the duration of most of the Company’s contracts is one year or less, the cumulative net impact of these revisions in estimates, individually and in the aggregate across our projects, does not significantly affect our results across annual reporting periods. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined. Change orders are not recognized in revenue until the recovery is probable and collectability is reasonably assured. Claims for additional compensation due to the Company 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. Modifications may be negotiated when a change from the original contract specification is encountered, and a change in project scope, performance methodology and/or material disposal is necessary. Thus, the resulting modification is considered a change in the scope of the original project to which it relates. Significant expenditures incurred incidental

to major contracts are deferred and recognized as contract costs based on contract performance over the duration of the related project. These expenditures are reported as prepaid expenses.

The components of costs of contract revenues include labor, equipment (including depreciation, maintenance, insurance and long-term rentals), subcontracts, fuel, supplies, short-term rentals and project overhead. Hourly labor generally is hired on a project-by-project basis. Much of our domestic dredging hourly labor force is represented by labor unions with collective bargaining agreements that expire at various dates during 2016 through 2018, which historically have been extended without disruption. The environmental & remediation segment's hourly labor force is made up of union and non-union employees. Project costs, excluding labor, have averaged approximately 20% to 22% of total costs of contract revenues over the prior three years.

During the year, both dredging 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 dredging revenues recognized over the year, to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual dredging revenues earned to date on the Company's dredging contracts to expected annual revenues and recognizes dredging equipment costs on the same proportionate basis. In the fourth quarter, any over or under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year. As a result of this methodology, the recorded expense in any interim period may be higher or lower than the actual equipment costs incurred in that interim period.

For some environmental & remediation contracts, the Company has entered into unincorporated construction joint ventures under which certain portions of a larger project are performed. These investments are accounted for under the proportionate consolidation method for income statement reporting and under the equity method for balance sheet reporting. The Company's interests in any profits and assets and proportionate share in any losses and liabilities are recognized based on the Company's stated percentage partnership interest in the project. For projects related to proportionately consolidated joint ventures, we include only the Company's percentage ownership of each joint venture's backlog.

Classification of Current Assets and Liabilities—The Company includes in current assets and liabilities amounts realizable and payable in the normal course of contract completion, unless completion of such contracts extends significantly beyond one year.

Cash Equivalents—The Company considers all highly liquid investments with a maturity at purchase of three months or less to be cash equivalents.

Accounts Receivable—Accounts receivable represent amounts due or billable under the terms of contracts with customers, including amounts related to retainage. The Company anticipates collection of retainage generally within one year, and accordingly presents retainage as a current asset. The Company provides an allowance for estimated uncollectible accounts receivable when events or conditions indicate that amounts outstanding are not recoverable.

Inventories—Inventories consist of pipe and spare parts used in the Company's dredging operations. Pipe and spare parts are purchased in large quantities; therefore, a certain amount of pipe and spare part inventories is not anticipated to be used within the current year and is classified as long-term. Spare part inventories are stated at weighted average historical cost, and are charged to expense when used in operations. Pipe inventory is recorded at cost and amortized to expense over the period of its use.

Property and Equipment—Capital additions, improvements, and major renewals are classified as property and equipment and are carried at depreciated cost. Maintenance and repairs that do not significantly extend the useful lives of the assets or enhance the capabilities of such assets are charged to expenses as incurred. Depreciation is recorded over the estimated useful lives of property and equipment using the straight-line method and the mid-year depreciation convention. The estimated useful lives by class of assets are:

Class	Useful Life (years)
Buildings and improvements	10
Furniture and fixtures	5-10
Vehicles, dozers, and other light operating equipment and systems	3-5
Heavy operating equipment (dredges and barges)	10-30

Leasehold improvements are amortized over the shorter of their remaining useful lives or the remaining terms of the leases.

Goodwill and Other Intangible Assets—Goodwill represents the excess of acquisition cost over fair value of the net assets acquired. Other identifiable intangible assets mainly represent developed technology and databases, customer relationships, and customer contracts acquired in business combinations and are being amortized over a one to five-year period. Goodwill is tested annually for impairment in the third quarter of each year, or more frequently should circumstances dictate. GAAP requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value

of a reporting unit below its carrying amount.

The Company assesses the fair values of its reporting units using both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses, appropriate discount rates and other variables. The estimates are based on assumptions that the Company believes to be reasonable, but such assumptions are subject to unpredictability and uncertainty. Changes in these estimates and assumptions could materially affect the determination of fair value, and may result in the impairment of goodwill in the event that actual results differ from those estimates.

The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA. The Company analyzes companies that performed similar services or are considered peers. Due to the fact that there are no public companies that are direct competitors, the Company weighs the results of this approach less than the income approach.

The Company has three operating segments: dredging, Terra and Magnus, which were aggregated into two reportable segments: dredging and environmental & remediation. As Terra and Magnus have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment, they were aggregated into one reporting segment. The historical demolition business has been retrospectively presented as discontinued operations and is no longer reflected in continuing operations. The Company has determined that the operating segments are the Company's three reporting units.

Long-Lived Assets—Long-lived assets are comprised of property and equipment and intangible assets subject to amortization. Long-lived assets to be held and used are reviewed for possible impairment whenever events indicate that the carrying amount of such assets may not be recoverable by comparing the undiscounted cash flows associated with the assets to their carrying amounts. If such a review indicates an impairment, the carrying amount would be reduced to fair value. No triggering events were identified in 2015 or 2014. If long-lived assets are to be disposed, depreciation is discontinued, if applicable, and the assets are reclassified as held for sale at the lower of their carrying amounts or fair values less estimated costs to sell.

The Company capitalizes construction in progress and records a corresponding long-term liability for build-to-suit lease agreements where we are considered the owner during the construction period for accounting purposes. There was no build-to-suit equipment capitalized at December 31, 2015.

Self-insurance Reserves—The Company self-insures costs associated with its seagoing employees covered by the provisions of Jones Act, workers' compensation claims, hull and equipment liability, and general business liabilities up to certain limits. Insurance reserves are established for estimates of the loss that the Company may ultimately incur on reported claims, as well as estimates of claims that have been incurred but not yet reported. In determining its estimates, the Company considers historical loss experience and judgments about the present and expected levels of cost per claim. Trends in actual experience are a significant factor in the determination of such reserves.

Income Taxes—The provision for income taxes includes federal, foreign, and state income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. Recorded deferred income tax assets and liabilities are based on the estimated future tax effects of differences between the financial and tax basis of assets and liabilities, given the effect of currently enacted tax laws. The Company's current policy is to repatriate all earnings from foreign subsidiaries' operations as generated and at this time no amounts are considered to be permanently reinvested in those operations.

Hedging Instruments—At times, the Company designates certain derivative contracts as a cash flow hedge as defined by GAAP. Accordingly, the Company formally documents, at the inception of each hedge, all relationships between hedging instruments and hedged items, as well as our risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to highly-probable forecasted transactions.

The Company formally assesses, at inception and on an ongoing basis, the effectiveness of hedges in offsetting changes in the cash flows of hedged items. Hedge accounting treatment may be discontinued when (1) it is determined that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items for forecasted future transactions), (2) the derivative expires or is sold, terminated or exercised, (3) it is no longer probable that the forecasted transaction will occur or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate. If management elects to stop hedge accounting, it would be on a prospective basis and any hedges in place would be recognized in accumulated other comprehensive income (loss) until all the related forecasted transactions are completed or are probable of not occurring.

Foreign Currency Translation—The financial statements of the Company's foreign subsidiaries where the operations are primarily denominated in the foreign currency are translated into U.S. dollars for reporting. Balance sheet accounts are translated at the current foreign exchange rate at the end of each period and income statement accounts are translated at the average foreign exchange rate for each period. Gains and losses on foreign currency translations are reflected as

a currency translation adjustment, net of tax, in accumulated other comprehensive income (loss). Foreign currency transaction gains and losses are included in other income (expense).

Noncontrolling Interest—On January 1, 2009 the Company acquired a 65% interest in Yankee Environmental Services, LLC (“Yankee”). On April 23, 2014, the Company entered into and completed the sale of NASDI, LLC and Yankee, its two former subsidiaries that comprised the historical demolition business. As a result of the sale, the Company purchased the noncontrolling interest related to the membership interest the Company did not own in Yankee. Noncontrolling interest at December 31, 2013 is related to the membership interest the Company did not own in Yankee.

Recent Accounting Pronouncements— In November 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2015-17 (“ASU 2015-17”), Income Taxes: Balance Sheet Classifications of Deferred Taxes (Topic 740) which simplifies the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as

noncurrent in the balance sheet. The update is effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The guidance may be adopted prospectively or retrospectively and early adoption is permitted. As of December 31, 2015, the Company has elected to early adopt this ASU 2015-17 on a prospective basis and therefore, prior years were not retrospectively adjusted. See Note 10 for additional information.

In April 2015, the FASB issued Accounting Standard Update No. 2015-03 (“ASU 2015-03”), Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This update is effective for fiscal years beginning after December 15, 2015, and is required to be applied retrospectively. The Company does not expect a material impact to our consolidated financial statements as a result of such requirement.

In May 2014, the FASB issued Accounting Standard Update No. 2014-09 (“ASU 2014-09”), Revenue from Contracts with Customers (Topic 606), which supersedes the existing revenue recognition requirements. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 has been deferred to be effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, which will be our first quarter of fiscal 2018. Early adoption is permitted in fiscal 2017. The Company is currently evaluating which transition method to use and assessing the impact of the adoption of ASU 2014-09 on our consolidated financial statements.

2. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. For the year ended December 31, 2015, the dilutive effect of 431 thousand stock options (“NQSO”) and restricted stock units (“RSU”) were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during this period. For the year ended December 31, 2015 and 2014, 1,179 shares and 540 shares of NQSOs and RSUs were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method, as such NQSOs and RSUs were determined to be anti-dilutive.

The computations for basic and diluted earnings per share for the years ended December 31, 2015, 2014 and 2013 are as follows:

(shares in thousands)

	2015	2014	2013
Income (loss) from continuing operations	\$(6,189)	\$20,718	\$19,857
Loss on discontinued operations, net of income taxes, attributable to Great Lakes Dredge & Dock Corporation	—	(10,423)	(54,218)
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$(6,189)	\$10,295	\$(34,361)

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Weighted-average common shares outstanding — basic	60,410	59,938	59,495
Effect of stock options and restricted stock units	—	584	606
Weighted-average common shares outstanding — diluted	60,410	60,522	60,101
Earnings (loss) per share from continuing operations — basic	\$(0.10)	\$0.35	\$0.33
Earnings (loss) per share from continuing operations — diluted	\$(0.10)	\$0.34	\$0.33

3. RESTRICTED AND ESCROWED CASH

At December 31, 2015 and 2014, other noncurrent assets include \$1,500 of cash held in escrow as security for the Company's lease rental obligation under a long-term equipment operating lease.

At December 31, 2015 and 2014, other current assets include \$2,242 and \$2,314, respectively, of cash held in escrow related to an outstanding lawsuit at our historical demolition business.

4. ACCOUNTS RECEIVABLE AND CONTRACTS IN PROGRESS

Accounts receivable at December 31, 2015 and 2014 are as follows:

	2015	2014
Completed contracts	\$37,111	\$15,342
Contracts in progress	70,787	72,459
Retainage	27,203	27,371
	135,101	115,172
Allowance for doubtful accounts	(754)	(578)
Total accounts receivable—net	\$134,347	\$114,594
Current portion of accounts receivable—net	\$130,777	\$113,188
Long-term accounts receivable and retainage	3,570	1,406
Total accounts receivable—net	\$134,347	\$114,594

The components of contracts in progress at December 31, 2015 and 2014 are as follows:

	2015	2014
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	\$230,159	\$833,368
Amounts billed	(176,283)	(759,877)
Costs and earnings in excess of billings for contracts in progress	53,876	73,491
Costs and earnings in excess of billings for completed contracts	27,319	9,066
Total contract revenues in excess of billings	\$81,195	\$82,557
Billings in excess of costs and earnings:		
Amounts billed	\$(207,550)	\$(181,698)
Costs and earnings for contracts in progress	200,489	177,059
Total billings in excess of contract revenues	\$(7,061)	\$(4,639)

The Company has \$17,875 included in costs in excess of billings that are dependent upon the sale of environmental credits earned for a wetland mitigation project. The sale of these credits is subject to market factors that could cause the amount of expected revenue to be higher or lower than currently estimated. If the amount of proceeds received from the sale of the environmental credits is lower than our expectations, we could sustain a loss of part or all of costs incurred related to this project. Additionally, the timing of realization may be impacted by the timing of a delay in the sale of these environmental credits, requiring a longer period required to recover our investment.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 are as follows:

	2015	2014
Land	\$9,864	\$9,220
Buildings and improvements	5,896	5,729
Furniture and fixtures	10,587	8,863
Operating equipment	783,732	698,977
Total property and equipment	810,079	722,789
Accumulated depreciation	(379,869)	(323,344)
Property and equipment — net	\$430,210	\$399,445

72

Depreciation expense was \$58,050, \$48,569 and \$45,531, for the years ended December 31, 2015, 2014 and 2013, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company's annual goodwill impairment test is conducted in the third quarter of each year and interim evaluations are performed when the Company determines that a triggering event has occurred that would more likely than not reduce the fair value of goodwill below its carrying value. Due to a decline in the overall financial performance and declining cash flows in the Terra reporting unit, the Company concluded there was a triggering event that required an interim impairment test for the reporting unit in the second quarter of 2015.

The Company performed step one of the goodwill impairment test as of June 30, 2015, which compared the fair value of the Terra reporting unit against its carrying amount, including goodwill. In deriving the fair value of the Terra reporting unit, the Company used both a market-based approach and an income-based approach. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA from continuing operations. Based on the first step analysis, management concluded that the fair value of the Terra reporting unit was less than its carrying value; therefore, the Company performed step two of the goodwill impairment analysis.

Step two of the goodwill impairment analysis measures the impairment charge by allocating the reporting unit's fair value to all of the assets and liabilities of the reporting unit in a hypothetical analysis that calculates implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. Any excess of the carrying value of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill is recorded as a loss on impairment of goodwill.

Management determined that the Terra reporting unit's implied fair value of goodwill was below the carrying value as of June 30, 2015. As a result, the Company recorded an impairment charge of \$2,750 in the second quarter of 2015.

The Company performed its annual goodwill impairment test for the remaining reporting units in the third quarter and no additional impairment was recorded for the year ended December 31, 2015. As of the test date, the fair value of the remaining reporting units was substantially in excess of their carrying values. The Company will perform its next scheduled annual test of goodwill in the third quarter of 2016 should no triggering events occur which would require a test prior to the next annual test.

The change in the carrying amount of goodwill during the years ended December 31, 2015 and 2014 is as follows:

	Environmental &		
	Dredging Segment	Remediation Segment	Total
Balance – January 1, 2014	\$ 76,576	\$ 2,750	\$79,326
Acquisition of Magnus Pacific	—	7,000	7,000
Balance – December 31, 2014	76,576	9,750	86,326

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Impairment of goodwill	—	(2,750) (2,750)
Balance – December 31, 2015	\$ 76,576	\$ 7,000	\$83,576

73

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

At December 31, 2015 and 2014, the net book value of identifiable intangible assets was as follows:

	Accumulated		
As of December 31, 2015	Cost	Amortization	Net
Non-compete agreements	\$3,085	\$ 1,625	\$1,460
Trade names	1,037	873	164
Other	1,306	502	804
	\$5,428	\$ 3,000	\$2,428
As of December 31, 2014			
Non-compete agreements	\$3,085	\$ 940	\$2,145
Customer relationships	51	34	17
Acquired backlog	6,278	1,395	4,883
Trade names	1,037	185	852
Other	1,306	240	1,066
	\$11,757	\$ 2,794	\$8,963

On November 4, 2014, the Company acquired the assets of Magnus Pacific Corporation resulting in recognition of additional intangible assets and goodwill. The weighted average amortization period for intangible assets acquired in 2014 is 3.21 years.

Amortization expense was \$6,535, \$1,560 and \$1,091, for the years ended December 31, 2015, 2014 and 2013, respectively, and is included as a component of general and administrative expenses. Amortization expense related to intangible assets is estimated to be \$920 in 2016, \$920 in 2017, \$454 in 2018 and \$134 in 2019.

7. ACCRUED EXPENSES

Accrued expenses at December 31, 2015 and 2014 are as follows:

	2015	2014
Insurance	\$16,291	\$16,778
Accumulated deficit in joint venture	15,408	10,383
Payroll and employee benefits	13,317	8,808
Interest	8,743	8,270
Fuel hedge contracts	4,388	3,029
Income and other taxes	3,726	5,857
Percentage of completion adjustment	2,837	1,870
Other	7,567	15,046
Total accrued expenses	\$72,277	\$70,041

8. LONG-TERM DEBT

Long-term debt at December 31, 2015 and 2014 is as follows:

	2015	2014
Revolving credit facility	\$20,000	\$—
Equipment notes payable	3,972	2,857
Notes payable	60,595	54,620
7.375% senior notes	274,909	274,880
Subtotal	359,476	332,357
Current portion of equipment note payable	(1,293)	(736)
Current portion of note payable	(6,213)	(5,123)
Capital leases (included in other long term liabilities)	(2,679)	(2,121)
Total	\$349,291	\$324,377

Credit agreement

On June 4, 2012, the Company entered into a senior revolving credit agreement, as subsequently amended, (the “Credit Agreement”) with certain financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America, N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. The Credit Agreement provides for a senior revolving credit facility in an aggregate principal amount of up to \$210,000, multicurrency borrowings up to a \$50,000 sublimit and swingline loans up to a \$10,000 sublimit. The Credit Agreement also includes an incremental loans feature that will allow the Company to increase the senior revolving credit facility by an aggregate principal amount of up to \$15,000. This feature is subject to lenders providing incremental commitments for such increase, provided that no default or event of default exists, and the Company being in pro forma compliance with the existing financial covenants, both before and after giving effect to the increase, and subject to other standard conditions. The Credit Agreement is secured by a substantial portion of the Company’s operating equipment with a net book value at December 31, 2015 of \$151,330.

On September 15, 2014, the Company entered into the fifth amendment (the “Fifth Amendment”) to the Credit Agreement which exercised a portion of the incremental loans feature of the Credit Agreement that allowed the Company to increase the aggregate revolving commitment. The Fifth Amendment further amended the Credit Agreement so that the Credit Agreement will remain secured and collateralized by perfected liens on certain of the Company’s vessels and its domestic accounts receivable, subject to permitted liens and prior interests of other parties. In addition, Zurich American Insurance Company, the Company’s surety provider, secured permitted second mortgages on the same vessels securing the obligations under the Credit Agreement.

On November 4, 2014, the Company entered into the sixth amendment (“Sixth Amendment”) to the Credit Agreement permitting the entrance into the Term Loan Facility (as defined below) and incurrence of liens securing the Term Loan Facility, subject to certain restrictions and conditions; permitting voluntary prepayments of the Term Loan Facility so long as, after giving effect to any such voluntary prepayment, the Company’s total leverage ratio is less than or equal to 3.00 to 1.00 and its fixed charge coverage ratio is greater than or equal to 1.25 to 1.00; permitting the acquisition of Magnus Pacific Corporation (See Note 16) without diminishing the amount currently available under the Credit Agreement for additional “Permitted Acquisitions” (as defined in the Credit Agreement); excluding the potential earnout obligation of the Company in connection with the acquisition of Magnus Pacific Corporation of up to \$11.4 million from “Indebtedness” (as defined in the Credit Agreement) and the total leverage ratio under the Credit Agreement; and permitting the issuance of up to an additional \$50 million in aggregate principal amount of the Company’s currently outstanding 7.375% senior notes due 2019.

Depending on the Company’s consolidated leverage ratio (as defined in the Credit Agreement), borrowings under the amended revolving credit facility will bear interest at the option of the Company at either a LIBOR rate plus a margin of between 1.50% to 2.50% per annum or a base rate plus a margin of between 0.50% to 1.50% per annum.

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type. The Credit Agreement also contains customary events of default (including non-payment of principal or interest on any material debt and breaches of covenants) as well as events of default relating to certain actions by the Company’s surety bonding provider. The Credit Agreement requires the Company to maintain a net leverage ratio less than or equal to 4.50 to 1.00 as of the end of each fiscal quarter and a minimum fixed charge coverage ratio of 1.25 to 1.00. The obligations of Great Lakes under the Credit Agreement are unconditionally guaranteed, on a joint and several basis, by each existing and subsequently acquired or formed material direct and indirect domestic subsidiary of the Company. As of December 31, 2015, the Company had \$20,000 of borrowings on the revolver and \$81,943 of letters of credit outstanding, resulting in \$108,057 of availability under the Credit Agreement. At December 31, 2015, the Company was in compliance with its various financial covenants under its Credit Agreement.

Term loan facility

On November 4, 2014, the Company entered into a new senior secured term loan facility consisting of a term loan in an aggregate principal amount of \$50,000 (the "Term Loan Facility") pursuant to a Loan and Security Agreement (the "Loan Agreement") by and among, the lenders party thereto from time to time and Bank of America, N.A., as administrative agent. Pursuant to the term loan, the Company borrowed an aggregate principal amount of \$47,360 in 2014 and an additional \$2,640 in 2015. The proceeds from the Term Loan Facility will be used for the working capital and general corporate purposes of the Company, including to repay borrowings under the Credit Agreement made to finance the construction of the Company's dual mode articulated tug/barge trailing suction hopper dredge (the "ATB").

The Term Loan Facility has a term of 5 years. The borrowings under the Term Loan Facility bear interest at a fixed rate of 4.655% per annum. If an event of default occurs under the Loan Agreement, the interest rate will increase by 2.00% per annum during the continuance of such event of default.

The Term Loan Facility provides for monthly amortization payments, payable in arrears, commencing on December 4, 2014, at an annual amount of (i) approximately 10% of the principal amount of the Term Loan Facility during the first two years of the term, (ii) approximately 20% of the principal amount of the Term Loan Facility during the third and fourth years of the term, and (iii) approximately 25% of the principal amount of the Term Loan Facility during the final year of the term, with the remainder due on the maturity date of the facility. In addition, the Company has usual and customary mandatory prepayment provisions and may optionally prepay the Term Loan Facility in whole or in part at any time, subject to a minimum prepayment amount.

The Loan Agreement includes customary representations, affirmative and negative covenants and events of default for financings of this type and includes the same financial covenants that are currently set forth in the Credit Agreement. The Term Loan Facility is secured by a portion of the Company's operating equipment with a net book value at December 31, 2015 of \$49,132.

Senior notes

The Company has outstanding \$275,000 of 7.375% senior notes due February 2019. In January 2011, the Company issued \$250,000 of senior notes and in November 2014 added \$25,000 of senior notes. The total balance outstanding for all senior notes at December 31, 2015 was \$274,909, based on the discounted issuance of the November 2014 notes. As of February 1, 2015, there is an optional redemption on all notes. The redemption prices are 103.7% in 2015, 101.8% in 2016 and 100% in any year following, until the notes mature in 2019. Interest is paid semi-annually and principal is due at maturity.

Other

In conjunction with the acquisition of Magnus Pacific Corporation (See Note 16), the Company issued a secured promissory note with a fair market value of \$8,100 to the former owners of Magnus which had terms that could reduce the amount owed based on minimum EBITDA expectations. Based on the Company's operating projections at June 30, 2015, Magnus was not expected to reach the minimum EBITDA threshold for 2015 designated in the promissory note; therefore, during the second quarter, the Company reduced the remaining fair value by \$7,013 to zero. The corresponding change is reflected in general and administrative expenses.

The Company enters into note arrangements to finance certain vessels and ancillary equipment. During the first quarter of 2015, the Company financed the \$15,569 acquisition of a vessel previously under an operating lease with a note bearing interest at 5.75% to maturity in 2023.

The scheduled principal payments through the maturity date of the Company's long-term debt, excluding equipment notes and capital leases, at December 31, 2015, are as follows:

Years Ending December 31	
2016	\$21,498
2017	16,145
2018	11,421
2019	295,461
2020	1,815
Thereafter	8,800
Total	\$355,140

The Company incurred amortization of deferred financing fees for its long term debt of \$1,729, \$1,453 and \$1,153 for each of the years ended December 31, 2015, 2014 and 2013. Such amortization is recorded as a component of interest expense.

9. FAIR VALUE MEASUREMENTS

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

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

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

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

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

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

		Fair Value Measurements at Reporting Date Using Quoted Prices in		
		Active Markets for		
		Identifiable	Significant Other	Significant
		Assets	Observable Inputs	Unobservable Inputs
Description	At December	(Level	(Level 2)	(Level 3)
Fuel hedge contracts	\$ 4,388	\$ —	\$ 4,388	\$ —

		Fair Value Measurements at Reporting Date Using Quoted Prices in		
		Active Markets for		
		Identifiable	Significant Other	Significant
		Assets	Observable Inputs	Unobservable Inputs
Description	At December	(Level	(Level 2)	(Level 3)
Fuel hedge contracts	\$ 3,029	\$ —	\$ 3,029	\$ —

Foreign exchange contracts

The Company has various exposures to foreign currencies that fluctuate in relation to the U.S. dollar. The Company periodically enters into foreign exchange forward contracts to hedge this risk. At December 31, 2015 and 2014 there were no outstanding contracts.

Fuel hedge contracts

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements, which occur in the normal course of business. The Company enters into heating oil commodity swap contracts to hedge the risk that fluctuations in diesel fuel prices will have an adverse impact on cash

flows associated with its domestic dredging contracts. The Company's goal is to hedge approximately 80% of the fuel requirements for work in domestic backlog.

As of December 31, 2015, the Company was party to various swap arrangements to hedge the price of a portion of its diesel fuel purchase requirements for work in its backlog to be performed through November 2016. As of December 31, 2015, there were 9.2 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through November 2016. Under these swap agreements, the Company will pay fixed prices ranging from \$1.32 to \$2.11 per gallon.

At December 31, 2015 and 2014, the fair value liability of the fuel hedge contracts was estimated to be \$4,388 and \$3,029, respectively, and is recorded in accrued expenses. Changes in the fair value of fuel hedge contracts being recorded in the Statement of Operations are recorded as cost of contract revenues. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company determines fair value of these fuel hedges using Level 2 inputs.

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

The fair value of the fuel hedge contracts outstanding as of December 31, 2015 and 2014 is as follows:

	Balance Sheet Location	Fair Value at December 31,	
		2015	2014
Liability derivatives:			
Derivatives not designated as hedges			
Fuel hedge contracts	Accrued expenses	\$4,388	\$3,029

Assets and liabilities measured at fair value on a nonrecurring basis

All other nonfinancial assets and liabilities measured at fair value in the financial statements on a nonrecurring basis are subject to fair value measurements and disclosures. Nonfinancial assets and liabilities included in our condensed consolidated balance sheets and measured on a nonrecurring basis consist of goodwill and long-lived assets, including other acquired intangibles. Goodwill and long-lived assets are measured at fair value to test for and measure impairment, if any, at least annually for goodwill or when necessary for both goodwill and long-lived assets.

The Company estimated the fair value of our Terra reporting unit for our goodwill impairment test by using both a market-based approach and an income-based approach. The income approach is dependent on a number of factors, including estimates of future market growth trends, forecasted revenues and expenses based upon historical operating data, appropriate discount rates and other variables. The market approach measures the value of a reporting unit through comparison to comparable companies. Under the market approach, the Company uses the guideline public company method by applying estimated market-based enterprise value multiples to the reporting unit's estimated revenue and Adjusted EBITDA from continuing operations. The Company analyzed companies that performed similar services or are considered peers.

An impairment of goodwill was recorded in the amount of \$2,750 in the second quarter of 2015. The fair value of goodwill was determined using quantitative models that contained significant unobservable inputs and accordingly is a Level 3 fair value measurement. See Note 6.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) 2015	
Goodwill		
Balance at January 1,	\$	86,326
Impairment of goodwill		(2,750)
Balance at December 31, 2015	\$	83,576

Accumulated other comprehensive loss

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

	2015	2014	2013
Cumulative translation adjustments—net of tax	\$(1,249)	\$(62)	\$(397)
Derivatives:			
Reclassification of derivative losses (gains) to earnings—net of tax	—	(332)	270
Change in fair value of derivatives—net of tax	—	133	34
Net unrealized (gain) loss on derivatives—net of tax	—	(199)	304
Total other comprehensive loss	\$(1,249)	\$(261)	\$(93)

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

		2014	2013
Statement of Operations Location			
Derivatives:			
Fuel hedge contracts	Costs of contract revenues	\$(286)	\$450
	Income tax benefit	46	180
		\$(332)	\$270

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair value due to the short-term maturities of these instruments. Based on timing of the cash flows and comparison to current market interest rates, the carrying value of our senior revolving credit agreement approximates fair value. The Company entered into a senior secured term loan facility in November 2014 that approximates fair value based upon comparable interest rates in the asset-backed financing market and the Company's current credit rating. In January 2011 and again in November 2014, the Company issued a total of \$275,000 of 7.375% senior notes due February 1, 2019, which were outstanding at December 31, 2015 (See Note 8). The senior notes are senior unsecured obligations of the Company and its subsidiaries that guarantee the senior notes. The fair value of the senior notes was \$255,750 at

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

December 31, 2015, which is a Level 1 fair value measurement as the senior notes value was obtained using quoted prices in active markets. It is impracticable to determine the fair value of outstanding letters of credit or performance, bid and payment bonds due to uncertainties as to the amount and timing of future obligations, if any.

10. INCOME TAXES

The Company's income tax (provision) benefit from continuing and discontinued operations for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Income tax (provision) benefit from continuing operations	\$2,497	\$11,530	\$(10,460)
Income tax benefit from discontinued operations	—	8,744	19,116
Income tax benefit	\$2,497	\$20,274	\$8,656

The Company's pre-tax income (loss) from domestic and foreign continuing operations for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Domestic operations	\$(35,996)	\$(20,823)	\$23,716
Foreign operations	27,310	30,011	6,601
Total pre-tax income (loss)	\$(8,686)	\$9,188	\$30,317

The provision (benefit) for income taxes from continuing operations as of December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Federal:			
Current	\$—	\$(174)	\$8,384
Deferred	(2,355)	(9,531)	2,107
State:			
Current	115	277	439
Deferred	(673)	(3,577)	(326)
Foreign:			
Current	416	1,475	1,831
Deferred	—	—	(1,975)
Total	\$(2,497)	\$(11,530)	\$10,460

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

The Company's income tax provision (benefit) from continuing operations reconciles to the provision at the statutory U.S. federal income tax rate of 35% for the years ended December 31, 2015, 2014 and 2013 as follows:

	2015	2014	2013
Tax provision at statutory U.S. federal income tax rate	\$(3,040)	\$3,214	\$10,611
State income tax — net of federal income tax benefit	(676)	(2,726)	500
Worthless stock deduction	—	(9,631)	—
Charitable contributions	(469)	(1,764)	—
Adjustment to deferred tax depreciation	1,135	(1,670)	—
Change in deferred state tax rate	—	(811)	—
Research and development tax credits	(286)	(691)	—
Purchase price adjustment	393	(393)	—
Foreign income tax provision (benefit)	—	—	238
Changes in unrecognized tax benefits	(186)	127	(196)
Changes in valuation allowance	270	2,246	(500)
Other	362	569	(193)
Income tax provision (benefit)	\$(2,497)	\$(11,530)	\$10,460

During the fourth quarter of 2014, the Company liquidated one of its domestic subsidiaries which allowed it to claim a worthless stock deduction on its federal income tax return. The Company recorded an income tax benefit of \$9,631 related to the worthless stock

deduction. The Company utilized part of the benefit to offset income in the year and carried forward the remainder as a net operating loss to potentially offset future income. Accordingly, this benefit is characterized as a component of our continuing operations.

In 2014, an entity 50% owned by the Company sold property to a third party and as part of the transaction donated adjacent property to a municipality. The fair market value of the donated property in excess of cost resulted in a benefit of \$1,764 to the Company in 2014. In 2015, additional property was donated to the same municipality and the fair market value of the donated property in excess of the cost resulted in a benefit of \$469 to the Company.

At December 31, 2015 and 2014, the Company had loss carryforwards for federal income tax purposes of \$70,534 and \$55,328 respectively, which expire between 2034 and 2036.

At December 31, 2015 and 2014, the Company had gross net operating loss carryforwards for state income tax purposes totaling \$128,460 and \$105,458, respectively, which expire between 2023 and 2035.

The Company also has foreign gross net operating loss carryforwards of approximately \$11,507 and \$13,039 as of December 31, 2015 and 2014, which expire between 2016 and 2035. At December 31, 2015 and 2014, a full valuation allowance has been established for the deferred tax asset of \$3,586 and \$4,334 related to foreign net operating loss carryforwards, respectively, as the Company believes it is more likely than not that the net operating loss carryforwards will not be realized.

As of December 31, 2015 and 2014, the Company had \$157 and \$442, respectively, in unrecognized tax benefits, the recognition of which would have an impact of \$102 and \$287 on the effective tax rate.

The Company does not expect that total unrecognized tax benefits will significantly increase or decrease within the next 12 months. Below is a tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of each period.

	2015	2014	2013
Unrecognized tax benefits — January 1	\$442	\$253	\$471
Gross increases — tax positions in prior period	—	—	—
Gross increases — current period tax positions	—	270	42
Gross decreases — expirations	—	(65)	(201)
Gross decreases — tax positions in prior period	(285)	(16)	(59)
Unrecognized tax benefits — December 31,	\$157	\$442	\$253

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2015 and 2014, the Company had approximately \$23 and \$24, respectively, of interest and penalties recorded.

The Company files income tax returns at the U.S. federal level and in various state and foreign jurisdictions. U.S. federal income tax years prior to 2011 are closed and no longer subject to examination. The Company's 2011 and 2012 U.S. federal income tax returns are currently under examination by the Internal Revenue Service. With few exceptions, the statute of limitations in state taxing jurisdictions in which the Company operates has expired for all years prior to 2011. In foreign jurisdictions in which the Company operates, years prior to 2010 are closed and are no longer subject to examination.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

The Company's deferred tax assets (liabilities) at December 31, 2015 and 2014 are as follows:

	2015	2014
Deferred tax assets:		
Accrued liabilities	\$17,841	\$13,288
Federal NOLs	24,687	19,365
Foreign NOLs	3,586	4,334
State NOLs	6,008	4,752
Tax credit carryforwards	5,374	4,651
Charitable contribution	2,233	1,764
Valuation allowance	(6,102)	(6,579)
Total deferred tax assets	53,627	41,575
Deferred tax liabilities:		
Depreciation and amortization	(126,174)	(117,286)
Other liabilities	(1,459)	(1,811)
Total deferred tax liabilities	(127,633)	(119,097)
Net deferred tax liabilities	\$(74,006)	\$(77,522)
As reported in the balance sheet:		
Net current deferred tax assets (included in other current assets)	\$—	\$14,485
Net noncurrent deferred tax liabilities	(74,006)	(92,007)
Net deferred tax liabilities	\$(74,006)	\$(77,522)

Deferred tax assets relate primarily to reserves and other liabilities for costs and expenses not currently deductible for tax purposes as well as net operating loss and other carryforwards. Deferred tax liabilities relate primarily to the cumulative difference between book depreciation and amounts deducted for tax purposes. With the exception of foreign net operating loss carryforwards and foreign tax credits, a valuation allowance has not been recorded to reduce the balance of deferred tax assets at either December 31, 2015, or December 31, 2014, because the Company believes that it is more likely than not that the deferred income tax assets will ultimately be realized.

As discussed in Note 1, the Company elected to early adopt guidance which requires that deferred tax liabilities and assets be classified as noncurrent in the balance sheet on a prospective basis and therefore, prior years were not retrospectively adjusted. Had the guidance not been adopted in the current year, \$8,953 in deferred tax assets would have been presented as current in our Consolidated Balance Sheets as of December 31, 2015.

11. SHARE-BASED COMPENSATION

The Company's 2007 Long-Term Incentive Plan ("Incentive Plan") permits the granting of stock options, stock appreciation rights, restricted stock and restricted stock units to its employees and directors for up to 5,800 shares of common stock. The Company also issues share-based compensation as inducement awards to new employees upon approval of the Board of Directors.

Compensation cost charged to expense related to share-based compensation arrangements was \$4,040, \$2,694 and \$3,251, for the years ended December 31, 2015, 2014 and 2013, respectively.

Non-qualified stock options

The NQSO awards were granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The option awards generally vest in three equal annual installments commencing on the first anniversary of the grant date, and have ten year exercise periods.

The fair value of the NQSOs was determined at the grant date using a Black-Scholes option pricing model, which requires the Company to make several assumptions. The risk-free interest rate is based on the U.S. Treasury yield curve in effect for the expected term of the option at the time of grant. The annual dividend yield on the Company's common stock is based on estimates of future dividends during the expected term of the NQSOs. The expected life of the NQSOs was determined from historical exercise data providing a reasonable basis upon which to estimate the expected life. For grants issued in 2014 and 2013, the volatility assumptions were based on historical volatility of Great Lakes. There is not an active market for options on the Company's common stock and, as

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

such, implied volatility for the Company's stock was not considered. Additionally, the Company's general policy is to issue new shares of registered common stock to satisfy stock option exercises or grants of restricted stock. No NQSO awards were granted in 2015.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2014 and 2013 was \$4.23 and \$4.06 respectively. The fair value of each option was estimated using the following assumptions:

	2014	2013
Expected volatility	53.9%	58.2%
Expected dividends	0.0 %	0.0 %
Expected term (in years)	7.0	6.0
Risk free rate	1.9 %	1.0 %

A summary of stock option activity under the Incentive Plan as of December 31, 2015, and changes during the year ended December 31, 2015, is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted-Average	
			Remaining Contract Term (yrs)	Aggregate Intrinsic Value (\$000's)
Outstanding as of January 1, 2015	1,889	\$ 6.31		
Granted	—	—		
Exercised	(86)	5.35		
Forfeited or Expired	(77)	7.14		
Outstanding as of December 31, 2015	1,726	\$ 6.32		
Vested at December 31, 2015	1,447	\$ 6.07	5.3	\$ 17
Vested or expected to vest at December 31, 2015	1,724	\$ 6.32	5.8	\$ 17

Restricted stock units

RSUs generally vest in one installment on the third anniversary of the grant date. The fair value of RSUs was based upon the Company's stock price on the date of grant. A summary of the status of the Company's non-vested RSUs as of December 31, 2015, and changes during the year ended December 31, 2015, is presented below:

Nonvested Restricted Stock Units	Weighted-Average	
	Shares	Value
Outstanding as of January 1, 2015	2,063	\$ 6.91

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Granted	784	5.65
Vested	(160)	6.42
Forfeited	(491)	6.79
Outstanding as of December 31, 2015	2,196	\$ 6.57
Expected to vest at December 31, 2015	1,140	\$ 6.37

As of December 31, 2015, there was \$5,234 of total unrecognized compensation cost related to non-vested NQSOs and RSUs granted under the Plan. That cost for non-vested NQSOs and RSUs is expected to be recognized over a weighted-average period of 1.1 years and 2.8 years, respectively.

The Incentive Plan permits the employee to use vested shares from RSUs to satisfy the grantee's U.S. federal income tax liability resulting from the issuance of the shares through the Company's retention of that number of common shares having a market value as of the vesting date equal to such tax obligation up to the minimum statutory withholding requirements. The amount related to shares used for such tax withholding obligations was approximately \$267 and \$497 for the years ended December 31, 2015 and 2014, respectively.

Director compensation

The Company uses a combination of cash and share-based compensation to attract and retain qualified candidates to serve on our Board of Directors. Compensation is paid to non-employee directors. Directors who are employees receive no additional compensation for services as members of the Board or any of its committees. All of our directors are non-employee directors with the exception of Mr. Berger. Share-based compensation is paid pursuant to the Incentive Plan. Each non-employee director of the Company receives an annual retainer of \$155, payable quarterly in arrears, and is paid 50% in cash and 50% in common stock of the Company. The Chairman of the Board receives an additional \$150 of annual compensation, paid 50% in cash and 50% in common stock.

In the years ended December 31, 2015, 2014 and 2013, 112 thousand, 99 thousand and 96 thousand shares, respectively, of the Company's common stock were issued to non-employee directors under the Incentive Plan.

12. RETIREMENT PLANS

The Company sponsors four 401(k) savings plans, one covering substantially all non-union salaried employees ("Salaried Plan"), a second covering its hourly employees ("Hourly Plan"), a third plan specifically for its employees that are members of a tugboat union and a fourth for the salary and non-union employees of certain subsidiaries ("Affiliated Plan"). Under the Salaried Plan, the Hourly Plan and the Affiliated Plan, individual employees may contribute a percentage of compensation and the Company will match a portion of the employees' contributions. The Salaried Plan and Affiliated Plan also include a discretionary profit-sharing component, permitting the Company to make discretionary employer contributions to all eligible employees of these plans. Additionally, the Company sponsors a Supplemental Savings Plan in which the Company makes contributions for certain key executives. The Company's expense for matching, discretionary and Supplemental Savings Plan contributions for 2015, 2014 and 2013, was \$6,772, \$5,256 and \$5,123, respectively.

The Company also contributes to various multiemployer pension plans pursuant to collective bargaining agreements. In 2015, 2014 and 2013, the Company contributed \$4,990, \$4,383 and \$3,870 respectively to all of the multiemployer plans that provide pension benefits in our continuing operations. The information available to the Company about the multiemployer plans in which it participates, whether via request to the plan or publicly available, is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act ("ERISA") as amended by the Multiemployer Pension Plan Amendments Act ("MPPAA"). Based upon these plans' most recently available annual reports, the Company's contributions to these plans were less than 5% of each plan's total contributions.

The Company does not expect any future increased contributions to have a material negative impact on its financial position, results of operations or cash flows for future years. The risks of participating in multiemployer plans are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination or the Company's withdrawal from a plan, the Company may be liable for a portion of the plan's unfunded vested benefits. However, information from the plans' administrators is not available to permit the Company to determine its share, if any, of unfunded vested benefits.

13. COMMITMENTS AND CONTINGENCIES

Commercial commitments

Performance and bid bonds are customarily required for dredging and marine construction projects, as well as some environmental & remediation projects. The Company has a bonding agreement with Zurich American Insurance Company (“Zurich”) under which the Company can obtain performance, bid and payment bonds. In April 2015, we entered into additional bonding agreements with ACE Holdings, Inc., Argonaut Insurance Company, Berkley Insurance Company, and Liberty Mutual Insurance Company (collectively, the “Additional Sureties”). The bonding agreements with the Additional Sureties contain similar terms and conditions as the Zurich bonding agreement. The Company also has outstanding bonds with Travelers Casualty and Surety Company of America. Bid bonds are generally obtained for a percentage of bid value and amounts outstanding typically range from \$1,000 to \$10,000. At December 31, 2015, the Company had outstanding performance bonds with a notional amount of approximately \$1,065,961, of which \$41,082 relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately \$622,765.

In connection with the sale of our historic demolition business, the Company was obligated to keep in place the surety bonds on pending demolition projects for the period required under the respective contract for a project.

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

Legal proceedings and other contingencies

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

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

On April 23, 2014, the Company completed the sale of NASDI, LLC (“NASDI”) and Yankee Environmental Services, LLC (“Yankee”), which together comprised the Company’s historical demolition business, to a privately owned demolition company. Under the terms of the divestiture, the Company retained certain pre-closing liabilities relating to the disposed business. Certain of these liabilities and a legal action brought by the Company to enforce the buyer’s obligations under the sale agreement are described below.

In 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. The Company believes that the Massachusetts Attorney General is investigating waste disposal activities at an allegedly unpermitted disposal site owned by a third party with whom NASDI contracted for the disposal of waste materials in 2007 and 2008. Per the Massachusetts Attorney General’s request, NASDI executed a tolling agreement regarding the matter in 2009 and engaged in further discussions with the Massachusetts Attorney General’s office. On or about February 5, 2016, the parties agreed to a tentative settlement in the amount of \$275, subject to final documentation.

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

In 2012, the Company contracted with a shipyard to perform the functional design drawings, detailed design drawings and follow on construction of a new Articulated Tug & Barge (“ATB”) Trailing Suction Hopper Dredge. In April 2013, the Company terminated the contract with the shipyard for default and the counterparty sent the Company a notice requesting arbitration under the contract with respect to the Company’s termination for default, including but not limited to the Company’s right to draw on letters of credit that had been issued by the shipyard as financial security required by the contract. In May 2013, the Company drew upon the shipyard’s letters of credit related to the contract

and received \$13,600. Arbitration proceedings were initiated. In January 2014, the Company and the shipyard executed a settlement agreement pursuant to which the Company retained \$10,500 of the proceeds of the financial security and remitted \$3,100 of those funds to the shipyard, all other claims were released, and the arbitration was dismissed with prejudice.

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

Lease obligations

The Company leases certain operating equipment and office facilities under long-term operating leases expiring at various dates through 2025. The equipment leases contain renewal or purchase options that specify prices at the then fair value upon the expiration

of the lease terms. The leases also contain default provisions that are triggered by an acceleration of debt maturity under the terms of the Company's Credit Agreement, or, in certain instances, cross default to other equipment leases and certain lease arrangements require that the Company maintain certain financial ratios comparable to those required by its Credit Agreement. Additionally, the leases typically contain provisions whereby the Company indemnifies the lessors for the tax treatment attributable to such leases based on the tax rules in place at lease inception. The tax indemnifications do not have a contractual dollar limit. To date, no lessors have asserted any claims against the Company under these tax indemnification provisions.

Future minimum operating lease payments at December 31, 2015, are as follows:

2016	\$22,516
2017	20,800
2018	13,034
2019	8,802
2020	6,246
Thereafter	10,866
<hr/>	
Total minimum operating lease payments	\$82,264

Total rent expense under long-term operating lease arrangements for the years ended December 31, 2015, 2014 and 2013 was \$21,697, \$25,318 and \$21,620, respectively. This excludes expenses for equipment and facilities rented on a short-term, as-needed basis.

14. INVESTMENTS

Amboy Aggregates

The Company and a New Jersey aggregates company each own 50% of Amboy Aggregates ("Amboy"). Amboy was formed in December 1984 to mine sand from the entrance channel to New York Harbor to provide sand and aggregate for use in road and building construction and for clean land fill. Amboy sold its interest in a stone import business and its holdings in land during 2014 and is winding down operations. The land owned in conjunction with Lower Main Street Development, LLC ("Lower Main") was sold for a combined gain of \$29,729.

The Company accounts for this investment under the equity method. The following is summarized financial information for this entity:

	2015	2014	2013
Revenue	\$ 139	\$13,784	\$24,399
Gross profit	(1,363)	(118)	4,142
Income (loss) from continuing operations	(3,152)	11,326	2,329
Net income (loss)	(3,152)	9,527	3,998

Lower Main Street Development

The Company and a New Jersey aggregates company each own 50% of Lower Main. Lower Main was organized in February 2003 to hold land for development or sale. This land owned in conjunction with Amboy Aggregates was sold in 2014. Lower Main is winding down operations.

The Company accounts for this investment under the equity method. The following is summarized financial information for this entity:

	2015	2014	2013
Revenue	\$—	\$180	\$180
Gross profit	—	180	180
Net income	28	14,803	175

TerraSea Environmental Solutions

The Company owns 50% of TerraSea Environmental Solutions (“TerraSea”) as a joint venture. TerraSea is engaged in the environmental services business through its ability to remediate contaminated soil and dredged sediment treatment. At December 31,

2015 and December 31, 2014, the Company had net advances to TerraSea of \$27,592 and \$22,898, respectively, which are recorded in other current assets. The Company has an accumulated deficit in joint ventures, which represents losses recognized to date in excess of our investment in TerraSea, of \$14,271 and \$10,383 at December 31, 2015 and December 31, 2014, respectively, which is presented in accrued expenses. The Company has commenced the wind down of TerraSea with its joint venture partner. The Company believes its net advances to TerraSea are ultimately recoverable either through the operations of the joint venture or as an obligation of our joint venture partner. The joint venture partner has notified the Company that it disagrees with the amount of net advances to TerraSea. The Company believes that its joint venture partner remains obligated for its share of net advances, and any future advances necessary to complete TerraSea's remaining project. During July 2015, the Company proposed taking a larger percent of the loss on a TerraSea project. Based on this proposal, the Company accrued \$1,983 for the year ended December 31, 2015 representing the estimated share of additional losses to be assumed. The joint venture partner and the Company are continuing discussions. If those discussions do not lead to a resolution satisfactory to both parties, the joint venture partner and the Company will go to binding arbitration as stipulated by the TerraSea operating agreement. To the extent that net advances are not fully recoverable, additional losses may result in future periods. The Company and its joint venture partner remained obligated to fund TerraSea through the completion of its remaining project which occurred in 2015. The remaining TerraSea project was substantially complete at December 31, 2015.

The Company accounts for this investment under the equity method. The following is summarized financial information for this entity:

	2015	2014	2013
Revenue	\$6,960	\$11,278	\$7,368
Gross profit	(3,800)	(19,153)	(956)
Net income (loss)	(3,800)	(19,856)	(956)

15. RELATED-PARTY TRANSACTIONS

The historical demolition business was operated out of a building owned by a former minority interest owner in Yankee and prior to 2011, a profits interest owner in NASDI. In 2014 and 2013, NASDI and Yankee paid the minority interest owner \$375 and \$449, respectively, for rent and property taxes. In conjunction with the sale of NASDI and Yankee (See Note 16), the lease was terminated as of October 31, 2014, and the Company also paid \$490 in lease termination fees. There were no rents paid related to this building in 2015.

In 2013, our rivers & lakes group operated out of facilities owned by the former owner of the group. The Company paid \$95 in rent to the building owner during 2013. As the rivers & lakes group relocated to a new facility in late 2013, there were no rents paid in 2014 or 2015.

Our Terra Contracting business operates out of two facilities owned by the former owner of Terra Contracting, LLC. The Company paid \$243 for rent on these two properties in each of 2015, 2014 and 2013.

Our Magnus Pacific business operates out of two facilities owned by Magnus Real Estate Group, LLC, which is owned by the formers owners of Magnus Pacific. In 2015 and 2014, the Company paid rent of \$402 and \$46, respectively, for these two properties. As the purchase of Magnus Pacific Corporation occurred in late 2014, there were no rents paid in 2013.

16. BUSINESS COMBINATIONS AND DISPOSITIONS

Discontinued operations

On April 23, 2014, the Company entered into an agreement and completed the sale of NASDI, LLC and Yankee Environmental Services, LLC, its two former subsidiaries that comprised the historical demolition business. Under the terms of the agreement, the Company received cash of \$5,309 and retained the right to receive additional proceeds based upon future collections of outstanding accounts receivable and work in process existing at the date of close, including recovery of outstanding claims for additional compensation from customers, and net of future payments of accounts payable existing at the date of close, including any future payments of obligations associated with outstanding claims. In the fourth quarter of 2013, the Company recorded a preliminary loss on disposal of assets held for sale in discontinued operations. The loss on disposal is subject to change based on the value of additional proceeds received on the working capital existing at the date of disposition. The amount and timing of the working capital settlement and the amount and timing of the realization of additional net proceeds may be impacted by the litigation with the buyer of the historical demolition business (see Note 13). However, management believes that the ultimate resolution of these matters will not be material to the Company's consolidated financial position or results of operations.

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

	2014	2013
Revenue	\$14,803	\$39,550
Loss before income taxes from discontinued operations	\$(19,167)	\$(55,530)
Loss on disposal of assets held for sale	—	(18,436)
Income tax benefit	8,744	19,116
Loss from discontinued operations, net of income taxes	\$(10,423)	\$(54,850)

Magnus Pacific acquisition

On November 4, 2014, the Company acquired Magnus Pacific Corporation, a California corporation, for an aggregate purchase price of approximately \$40 million. Magnus Pacific Corporation is engaged in the business of environmental remediation, geotechnical construction, demolition, and sediments and wetlands construction.

Under the terms of the acquisition, the aggregate purchase price is satisfied by payment of \$25,000 paid at closing, the issuance of a promissory note and an earnout payment. In the event Magnus Pacific (“Magnus”) did not achieve minimum earnings before interest, taxes, depreciation and amortization, as adjusted in the 2015 fiscal year, the principal amount of the promissory note would be reduced. Magnus did not reach the minimum EBITDA threshold for 2015 designated in the secured promissory note; therefore, during the second quarter of 2015, the Company reduced the remaining fair value by \$7,013 to zero and the corresponding change was reflected in general and administrative expenses. The maximum potential aggregate earnout payment is \$11,400 (the “Earnout Payment”) and will be determined based on the attainment of combined Adjusted EBITDA targets of Magnus and Terra Contracting Services, LLC (“Terra”), a wholly-owned subsidiary of the Company for the year ending December 31, 2019. The Earnout Payment may be paid in cash or shares of the Company’s common stock, at the Company’s option. At December 31, 2015 and 2014, the fair value of the recorded earnout liability was \$8,457 and \$8,024, respectively, which is recorded in other liabilities.

The preliminary purchase price has been allocated to the assets acquired and liabilities assumed using estimated fair values as of the acquisition date. Tangible assets acquired of \$57,303 primarily were receivables and contract revenues in excess of billings of \$41,067 and property and equipment of \$11,573. Finite-lived intangible assets acquired of \$8,422 were primarily related to acquired backlog and also include a non-compete agreement, patents and trade names. The acquired backlog was amortized on a straight-line basis over one year while all other finite-lived intangible assets are being amortized on a straight-line basis over five years. Liabilities assumed of \$27,586, includes primarily \$20,732 of accounts payable. Goodwill of \$7,000 represents the excess of cost over the fair value of the net tangible and intangible assets acquired and is included in the environmental & remediation segment.

Concurrent with the closing of the acquisition of Magnus Pacific Corporation, the Company granted restricted stock unit awards to the shareholders representing the right to receive, in aggregate, up to 1,500 shares of Great Lakes’ common stock. Each award vests on March 31, 2020, subject to the applicable employee’s continuous employment with Great Lakes through such date and satisfaction of certain business milestones.

As the acquisition took place on November 4, 2014, no income or earnings of Magnus were included in the consolidated statement of operations of the Company for the periods ended December 31, 2013.

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

The following unaudited pro forma financial information presents the consolidated results of operations of the Company as they may have appeared had the acquisition described above occurred as of January 1, 2013 for purposes of the unaudited pro forma consolidated statements of operations.

The unaudited pro forma consolidated financial information are provided for illustrative purposes only and do not purport to present what the actual results of operations would have been had the transaction actually occurred on the date indicated, nor does it purport to represent results of operations for any future period. The information does not reflect any cost savings or benefits that may be obtained through synergies among the operations of the Company.

	2014	2013
	(Unaudited)	
Revenue as reported	\$806,831	\$731,418
Revenue of purchased businesses for the period prior to the acquisition	106,723	87,943
Pro forma revenue	\$913,554	\$819,361
Net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$10,295	\$(34,361)
Net income of Magnus including net income prior to acquisition and pro forma acquisition accounting adjustments	6,328	1,069
Pro forma net income (loss) attributable to common stockholders of Great Lakes Dredge & Dock Corporation	\$16,623	\$(33,292)

The pro forma adjustments to net income represent amortization of intangibles established in purchase accounting, interest on the debt used to purchase Magnus and taxes on net income at the Company's effective tax rate, all applied to the period prior to acquisition.

Other

The Company recorded a \$2,197 noncash bargain purchase gain on a small asset acquisition in 2014.

17. SEGMENT INFORMATION

The Company and its subsidiaries currently operate in two reportable segments: dredging and environmental & remediation. The Company's financial reporting systems present various data for management to run the business, including profit and loss statements prepared according to the segments presented. Management uses operating income to evaluate performance between the two segments. Segment information for 2015, 2014 and 2013, is provided as follows:

	2015	2014	2013
Dredging:			
Contract revenues	\$681,255	\$697,711	\$642,602
Operating income	64,073	41,620	54,683
Depreciation and amortization	50,556	43,620	44,118
Total assets	875,797	815,683	821,253
Property and equipment—net	397,468	366,027	330,689
Goodwill	76,576	76,576	76,576
Investment in joint ventures	1	2,114	8,256
Capital expenditures	82,000	79,186	57,902
Environmental & remediation:			
Contract revenues	181,710	114,412	94,840
Operating loss	(41,114)	(17,767)	(3,282)
Depreciation and amortization	14,029	6,509	2,504
Total assets	127,907	134,324	98,505
Property and equipment—net	32,742	33,418	14,931
Goodwill	7,000	9,750	2,750
Investment in joint ventures	3,760	5,775	—
Capital expenditures	7,279	12,892	4,100
Intersegment:			
Contract revenues	(6,087)	(5,292)	(6,024)
Total assets	(102,080)	(56,773)	(67,113)
Total:			
Contract revenues	856,878	806,831	731,418
Operating income	22,959	23,853	51,401
Depreciation and amortization	64,585	50,129	46,622
Total assets	901,625	893,234	852,645
Property and equipment—net	430,210	399,445	345,620
Goodwill	83,576	86,326	79,326
Investment in joint ventures	3,761	7,889	8,256
Capital expenditures	89,279	92,078	62,002

The Company classifies the revenue related to its dredging projects into the following types of work:

	2015	2014	2013
Capital dredging — U.S.	\$207,058	\$195,635	\$153,781
Capital dredging — foreign	139,945	155,000	138,436
Coastal protection dredging	184,060	194,219	228,868

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Maintenance dredging	120,055	123,923	90,833
Rivers & lakes	30,137	28,934	30,684
Total dredging	\$681,255	\$697,711	\$642,602

The Company derived revenues and gross profit from foreign project operations for the years ended December 31, 2015, 2014, and 2013, as follows:

	2015	2014	2013
Contract revenues	\$139,945	\$155,000	\$138,436
Costs of contract revenues	(105,951)	(118,682)	(117,029)
Gross profit	\$33,994	\$36,318	\$21,407

In 2015, foreign revenues were primarily from work done in the Middle East and Brazil. In 2014 and 2013, the majority of the Company's foreign revenue came from the Wheatstone LNG project in Western Australia and from projects in the Middle East. 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. As of December 31, 2015 and 2014, long-lived assets with a net book value of \$83,397 and \$93,839, respectively, were located outside of the U.S.

The Company's primary customer is the U.S. Army Corps of Engineers (the "Corps"), which has responsibility for federally funded projects related to waterway navigation and flood control. In 2015, 2014 and 2013, 51.0%, 60.4% and 45.0%, respectively, of contract revenues were earned from contracts with federal government agencies, including the Corps, as well as other federal entities such as the U.S. Coast Guard and U.S. Navy. At December 31, 2015 and 2014, approximately 24.9% and 45.9%, respectively, of accounts receivable, including contract revenues in excess of billings and retainage, were due on contracts with federal government agencies. The Company depends on its ability to continue to obtain federal government contracts, and indirectly, on the amount of federal funding for new and current government dredging projects. Therefore, the Company's operations can be influenced by the level and timing of federal funding.

The Company recognized a loss on a landfill project of \$7,446 on which the change in estimate to the gross profit percentage in the year resulted in a cumulative net impact on the project margin, which decreased gross profit by extensively the entire amount of the loss in the year ended December 31, 2015. The project was substantially complete in early 2016. In 2014, the Company earned significant revenue from a large, single customer foreign contract. A revision to the estimated gross profit percentage was recognized in the year resulting in a cumulative net impact on the project margin, which increased gross profit by \$22,418 for the year ended December 31, 2014, including an increase in gross profit of \$7,645 during the fourth quarter. The project was completed in 2014.

Revenue from foreign projects has been concentrated in the Middle East which comprised 14.7% of total revenue in 2015. At December 31, 2015 and 2014, approximately 24.6% and 13.3%, respectively, of total accounts receivable, including retainage and contract revenues in excess of billings, were due on contracts in the Middle East. There is a dependence on future projects in the Middle East, as vessels are currently located there. However, some of the vessels located in Middle East can be moved back to the U.S. or all can be moved to other international markets as opportunities arise.

18. SUBSIDIARY GUARANTORS

The Company's long-term debt at December 31, 2015 includes \$275,000 of 7.375% senior notes due February 1, 2019. The Company's obligations under these senior unsecured notes are guaranteed by the Company's 100% owned domestic subsidiaries. Such guarantees are full, unconditional and joint and several.

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

- (i) balance sheets as of December 31, 2015 and 2014;
- (ii) statements of operations and comprehensive income (loss) for the years ended December 31, 2015, 2014 and 2013; and
- (iii) statements of cash flows for the years ended December 31, 2015, 2014 and 2013.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2015
(In thousands)

	Subsidiary	Non-Guarantor			
ASSETS	Guarantors	Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CURRENT ASSETS:					
Cash and cash equivalents	\$ 12,035	\$ 2,147	\$ 2	\$ —	\$ 14,184
Accounts receivable — net	129,978	799	—	—	130,777
Contract revenues in excess of billings	79,477	1,718	—	—	81,195
Inventories	35,963	—	—	—	35,963
Prepaid expenses	7,924	—	—	—	7,924
Other current assets	58,995	218	477	—	59,690
Total current assets	324,372	4,882	479	—	329,733
PROPERTY AND EQUIPMENT—Net					
	430,192	18	—	—	430,210
GOODWILL					
	83,576	—	—	—	83,576
OTHER INTANGIBLE ASSETS—Net					
	2,428	—	—	—	2,428
INVENTORIES — Noncurrent					
	41,646	—	—	—	41,646
INVESTMENTS IN JOINT VENTURES					
	3,761	—	—	—	3,761
RECEIVABLES FROM AFFILIATES					
	18,326	6,009	70,738	(95,073)	—
INVESTMENTS IN SUBSIDIARIES					
	3,706	—	621,984	(625,690)	—
OTHER					
	6,702	3	3,566	—	10,271
TOTAL	\$ 914,709	\$ 10,912	\$ 696,767	\$ (720,763)	\$ 901,625
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	\$ 118,619	\$ 227	\$ —	\$ —	\$ 118,846
Accrued expenses	62,861	509	8,907	—	72,277
Billings in excess of contract revenues	6,964	97	—	—	7,061
Current portion of long term debt	1,424	—	6,082	—	7,506
Total current liabilities	189,868	833	14,989	—	205,690
7 3/8% SENIOR NOTES					
	—	—	274,909	—	274,909
REVOLVING CREDIT FACILITY					
	—	—	20,000	—	20,000
NOTE PAYABLE					
	323	—	54,059	—	54,382
DEFERRED INCOME TAXES					
	(783)	—	74,789	—	74,006
PAYABLES TO AFFILIATES					
	85,859	3,505	5,709	(95,073)	—
OTHER					
	20,326	—	139	—	20,465
Total liabilities	295,593	4,338	444,594	(95,073)	649,452

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

TOTAL EQUITY	619,116	6,574	252,173	(625,690)	252,173
TOTAL	\$ 914,709	\$ 10,912	\$ 696,767	\$ (720,763)	\$ 901,625

91

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF DECEMBER 31, 2014

(In thousands)

	Subsidiary	Non-Guarantor			
ASSETS	Guarantors	Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
CURRENT ASSETS:					
Cash and cash equivalents	\$41,724	\$ 663	\$ 2	\$ —	\$ 42,389
Accounts receivable — net	115,739	355	—	(2,906)	113,188
Receivables from affiliates	152,822	3,673	55,805	(212,300)	—
Contract revenues in excess of billings	78,631	4,236	—	(310)	82,557
Inventories	34,735	—	—	—	34,735
Prepaid expenses	4,708	—	—	—	4,708
Other current assets	49,619	431	14,617	—	64,667
Total current assets	477,978	9,358	70,424	(215,516)	342,244
PROPERTY AND EQUIPMENT—Net					
	399,421	24	—	—	399,445
GOODWILL					
	86,326	—	—	—	86,326
OTHER INTANGIBLE ASSETS—Net					
	8,963	—	—	—	8,963
INVENTORIES — Noncurrent					
	36,262	—	—	—	36,262
INVESTMENTS IN JOINT VENTURES					
	7,889	—	—	—	7,889
INVESTMENTS IN SUBSIDIARIES					
	3,757	—	619,220	(622,977)	—
OTHER					
	7,135	3	4,967	—	12,105
TOTAL	\$1,027,731	\$ 9,385	\$ 694,611	\$ (838,493)	\$ 893,234
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	\$121,282	\$ 1,389	\$ 516	\$ (3,216)	\$ 119,971
Payables to affiliates	196,829	403	15,068	(212,300)	—
Accrued expenses	60,415	659	8,967	—	70,041
Billings in excess of contract revenues	4,639	—	—	—	4,639
Current portion of long term debt	859	—	5,000	—	5,859
Total current liabilities	384,024	2,451	29,551	(215,516)	200,510
7 3/8% SENIOR NOTES					
	—	—	274,880	—	274,880
NOTE PAYABLE					
	7,553	—	41,944	—	49,497
DEFERRED INCOME TAXES					
	172	—	91,835	—	92,007
OTHER					
	19,939	—	438	—	20,377

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Total liabilities	411,688	2,451	438,648	(215,516)	637,271
TOTAL EQUITY	616,043	6,934	255,963	(622,977)	255,963
TOTAL	\$1,027,731	\$ 9,385	\$ 694,611	\$ (838,493)	\$ 893,234

92

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

(In thousands)

	Subsidiary		Non-Guarantor GLDD Corporation	Eliminations	Consolidated Totals
	Guarantors	Subsidiaries			
Contract revenues	\$ 845,889	\$ 13,698	\$ —	\$ (2,709)	\$ 856,878
Costs of contract revenues	(750,509)	(13,155)	—	2,709	(760,955)
Gross profit	95,380	543	—	—	95,923
OPERATING EXPENSES:					
General and administrative expenses	71,069	—	—	—	71,069
Impairment of goodwill	2,750	—	—	—	2,750
Gain on sale of assets—net	(855)	—	—	—	(855)
Operating income	22,416	543	—	—	22,959
Interest income (expense)—net	(526)	—	(23,839)	—	(24,365)
Equity in earnings of subsidiaries	8	—	16,282	(16,290)	—
Equity in loss of joint ventures	(6,051)	—	—	—	(6,051)
Other expense	(1,222)	(7)	—	—	(1,229)
Income (loss) before income taxes	14,625	536	(7,557)	(16,290)	(8,686)
Income tax (provision) benefit	1,505	(376)	1,368	—	2,497
Net income (loss)	\$ 16,130	\$ 160	\$ (6,189)	\$ (16,290)	\$ (6,189)
Comprehensive income (loss)	\$ 16,130	\$ (1,089)	\$ (7,438)	\$ (15,041)	\$ (7,438)

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2014

(In thousands)

	Subsidiary		Non-Guarantor GLDD Corporation	Eliminations	Consolidated Totals
	Guarantors	Subsidiaries			
Contract revenues	\$ 799,579	\$ 26,282	\$ —	\$ (19,030)	\$ 806,831
Costs of contract revenues	(707,474)	(25,891)	—	19,030	(714,335)
Gross profit	92,105	391	—	—	92,496
OPERATING EXPENSES:					
General and administrative expenses	67,905	6	—	—	67,911
Loss on sale of assets—net	732	—	—	—	732
Operating income	23,468	385	—	—	23,853
Interest income (expense)—net	61	(261)	(19,767)	—	(19,967)
Equity in earnings of subsidiaries	20	—	10,373	(10,393)	—
Equity in earnings of joint ventures	2,895	—	—	—	2,895
Gain on bargain purchase acquisition	2,197	—	—	—	2,197
Other income	203	7	—	—	210
Income (loss) from continuing operations before income taxes	28,844	131	(9,394)	(10,393)	9,188
Income tax (provision) benefit	(18,173)	(409)	30,112	—	11,530
Income (loss) from continuing operations	10,671	(278)	20,718	(10,393)	20,718
Loss from discontinued operations, net of income taxes	(10,423)	(1,343)	(10,423)	11,766	(10,423)
Net income (loss)	\$ 248	\$ (1,621)	\$ 10,295	\$ 1,373	\$ 10,295
Comprehensive income (loss)	\$ 49	\$ (1,683)	\$ 10,034	\$ 1,634	\$ 10,034

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands)

	Subsidiary		Non-Guarantor GLDD Corporation	Eliminations	Consolidated Totals
	Guarantors	Subsidiaries			
Contract revenues	\$ 718,041	\$ 24,932	\$ —	\$ (11,555)	\$ 731,418
Costs of contract revenues	(614,908)	(27,770)	—	11,555	(631,123)
Gross profit	103,133	(2,838)	—	—	100,295
OPERATING EXPENSES:					
General and administrative expenses	68,029	10	—	—	68,039
Proceeds from loss of use claim	(13,372)	—	—	—	(13,372)
(Gain) loss on sale of assets—net	(5,775)	—	2	—	(5,773)
Operating income (loss)	54,251	(2,848)	(2)	—	51,401
Interest income (expense)—net	(136)	(256)	(21,549)	—	(21,941)
Equity in earnings of subsidiaries	212	—	59,477	(59,689)	—
Equity in earnings of joint ventures	1,208	—	—	—	1,208
Other expense	(3)	(348)	—	—	(351)
Income (loss) from continuing operations before income taxes	55,532	(3,452)	37,926	(59,689)	30,317
Income tax (provision) benefit	293	4	(10,757)	—	(10,460)
Income (loss) from continuing operations	55,825	(3,448)	27,169	(59,689)	19,857
Loss from discontinued operations, net of income taxes	(55,106)	(1,448)	(62,162)	63,866	(54,850)
Net income (loss)	719	(4,896)	(34,993)	4,177	(34,993)
Net loss attributable to noncontrolling interests	—	—	632	—	632
Net income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$ 719	\$ (4,896)	\$ (34,361)	\$ 4,177	\$ (34,361)
Comprehensive income (loss) attributable to Great Lakes Dredge & Dock Corporation	\$ 1,023	\$ (5,293)	\$ (34,454)	\$ 4,270	\$ (34,454)

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2015

(In thousands)

	Subsidiary	Non-Guarantor			
	Guarantors	Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES:					
Cash provided by (used in) operating activities	\$ 52,498	\$ 312	\$ (23,688) \$ —	\$ 29,122
INVESTING ACTIVITIES:					
Purchases of property and equipment	(74,455)	—	—	—	(74,455)
Proceeds from dispositions of property and equipment	1,322	—	—	—	1,322
Net change in accounts with affiliates	(29,402)	—	(12,222)	41,624	—
Cash used in investing activities	(102,535)	—	(12,222)	41,624	(73,133)
FINANCING ACTIVITIES:					
Proceeds from term loan facility	—	—	2,640	—	2,640
Repayments of term loan facility	—	—	(5,000)	—	(5,000)
Deferred financing fees	—	—	(111)	—	(111)
Repayment of long term note payable	—	—	(443)	—	(443)
Taxes paid on settlement of vested share awards	—	—	(267)	—	(267)
Net change in accounts with affiliates	4,291	1,269	36,064	(41,624)	—
Capital contributions	17,258	—	(17,258)	—	—
Proceeds from equipment debt	—	—	410	—	410
Repayments of equipment debt	(1,201)	—	—	—	(1,201)
Exercise of stock options and purchases from employee stock plans	—	—	1,365	—	1,365
Excess income tax benefit from share-based compensation	—	—	(57)	—	(57)
Purchase of treasury stock	—	—	(1,433)	—	(1,433)
Borrowings under revolving loans	—	—	179,500	—	179,500
Repayments of revolving loans	—	—	(159,500)	—	(159,500)
Cash provided by financing activities	20,348	1,269	35,910	(41,624)	15,903
Effect of foreign currency exchange rates on cash and cash equivalents	—	(97)	—	—	(97)
Net increase (decrease) in cash and cash equivalents	(29,689)	1,484	—	—	(28,205)
Cash and cash equivalents at beginning of period	41,724	663	2	—	42,389
Cash and cash equivalents at end of period	\$ 12,035	\$ 2,147	\$ 2	\$ —	\$ 14,184

96

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

(In thousands)

	Subsidiary	Non-Guarantor			
	Guarantors	Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES:					
Net cash flows provided by operating activities of continuing operations	\$ 63,276	\$ 999	\$ 2,879	\$ —	\$ 67,154
Net cash flows used in operating activities of discontinued operations	(17,328)	(1,024)	—	—	(18,352)
Cash provided by (used in) operating activities	45,948	(25)	2,879	—	48,802
INVESTING ACTIVITIES:					
Purchases of property and equipment	(91,910)	—	—	—	(91,910)
Proceeds from dispositions of property and equipment	68	—	—	—	68
Payments for acquisitions of businesses	(2,048)	—	(25,000)	—	(27,048)
Proceeds from vendor performance obligations	(3,100)	—	—	—	(3,100)
Net change in accounts with affiliates	68,187	—	—	(68,187)	—
Net cash flows used in investing activities of continuing operations	(28,803)	—	(25,000)	(68,187)	(121,990)
Net cash flows provided by investing activities of discontinued operations	5,275	—	—	—	5,275
Cash used in investing activities	(23,528)	—	(25,000)	(68,187)	(116,715)
FINANCING ACTIVITIES:					
Proceeds from term loan facility	—	—	47,360	—	47,360
Repayments of term loan facility	—	—	(417)	—	(417)
Proceeds from issuance of 7 3/8% senior notes	—	—	24,880	—	24,880
Deferred financing fees	—	—	(2,532)	—	(2,532)
Taxes paid on settlement of vested share awards	—	—	(497)	—	(497)
Purchase of noncontrolling interest	—	—	(205)	—	(205)
Net change in accounts with affiliates	—	(2,547)	(65,640)	68,187	—
Intercompany dividends	(52,400)	—	52,400	—	—
Repayments of equipment debt	(235)	—	—	—	(235)
Exercise of stock options and purchases from employee stock plans	—	—	1,568	—	1,568
Excess income tax benefit from share-based compensation	—	—	206	—	206

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Borrowings under revolving loans	—	—	236,500	—	236,500
Repayments of revolving loans	—	—	(271,500)	—	(271,500)
Cash provided by (used in) financing activities	(52,635)	(2,547)	22,123	68,187	35,128
Effect of foreign currency exchange rates on cash and cash equivalents	—	(164)	—	—	(164)
Net increase (decrease) in cash and cash equivalents	(30,215)	(2,736)	2	—	(32,949)
Cash and cash equivalents at beginning of period	71,939	3,399	—	—	75,338
Cash and cash equivalents at end of period	\$ 41,724	\$ 663	\$ 2	\$ —	\$ 42,389

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands)

	Subsidiary Guarantors	Non-Guarantor Subsidiaries	GLDD Corporation	Eliminations	Consolidated Totals
OPERATING ACTIVITIES:					
Net cash flows provided by (used in) operating activities of continuing operations	\$ 126,736	\$ (7,748)	\$ (32,641)	\$ —	\$ 86,347
Net cash flows used in operating activities of discontinued operations	(5,049)	(6,475)	—	—	(11,524)
Cash provided by (used in) operating activities	121,687	(14,223)	(32,641)	—	74,823
INVESTING ACTIVITIES:					
Purchases of property and equipment	(66,654)	—	—	—	(66,654)
Proceeds from dispositions of property and equipment	6,953	—	—	—	6,953
Proceeds from vendor performance obligations	13,600	—	—	—	13,600
Net change in accounts with affiliates	(37,282)	(302)	—	37,584	—
Net cash flows used in investing activities of continuing operations	(83,383)	(302)	—	37,584	(46,101)
Net cash flows used in investing activities of discontinued operations	(153)	—	—	—	(153)
Cash used in investing activities	(83,536)	(302)	—	37,584	(46,254)
FINANCING ACTIVITIES:					
Repayment of long term note payable	(2,500)	—	(10,547)	—	(13,047)
Distributions paid to minority interests	—	—	(3)	—	(3)
Taxes paid on settlement of vested share awards	—	—	(308)	—	(308)
Net change in accounts with affiliates	—	10,342	8,603	(18,945)	—
Capital contributions	—	926	(926)	—	—
Exercise of stock options and purchases from employee stock plans	—	—	668	—	668
Excess income tax benefit from share-based compensation	—	—	154	—	154
Borrowings under revolving loans	—	—	227,000	—	227,000
Repayments of revolving loans	—	—	(192,000)	—	(192,000)
Net cash flows provided by (used in) financing activities of continuing operations	(2,500)	11,268	32,641	(18,945)	22,464

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Net cash flows provided by financing activities of discontinued operations	12,016	6,623	—	(18,639)	—
Cash provided by financing activities	9,516	17,891	32,641	(37,584)	22,464
Effect of foreign currency exchange rates on cash and cash equivalents	—	(135)	—	—	(135)
Net increase in cash and cash equivalents	47,667	3,231	—	—	50,898
Cash and cash equivalents at beginning of period	24,272	168	—	—	24,440
Cash and cash equivalents at end of period	\$ 71,939	\$ 3,399	\$ —	\$ —	\$ 75,338

Great Lakes Dredge & Dock Corporation

Schedule II—Valuation and Qualifying Accounts

For the Years Ended December 31, 2015, 2014 and 2013

(In thousands)

Description	Beginning Balance	Additions Charged to		Deductions	Ending balance
		costs	and other accounts		
Year ended December 31, 2013					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 1,051	\$478	\$ —	\$ —	\$ 1,529
Valuation allowance for deferred tax assets	3,352	(847)			2,505
Total	\$ 4,403	\$(369)	\$ —	\$ —	\$ 4,034
Year ended December 31, 2014					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 1,529	\$100	\$ —	\$(1,051)	\$ 578
Valuation allowance for deferred tax assets	2,505	4,074			6,579
Total	\$ 4,034	\$4,174	\$ —	\$(1,051)	\$ 7,157
Year ended December 31, 2015					
Allowances deducted from assets to which they apply:					
Allowances for doubtful accounts	\$ 578	\$176	\$ —	\$ —	\$ 754
Valuation allowance for deferred tax assets	6,579	270		(748)	6,101
Total	\$ 7,157	\$446	\$ —	\$(748)	\$ 6,855

SIGNATURES

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/ Mark W. Marinko
Mark W. Marinko
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Date: February 29, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capabilities and on the dates indicated.

Signature	Date	Title
/s/ Jonathan W. Berger Jonathan W. Berger	February 29, 2016	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Mark W. Marinko Mark W. Marinko	February 29, 2016	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Carl A. Albert Carl A. Albert	February 29, 2016	Director
/s/ Peter R. Deutsch Peter R. Deutsch	February 29, 2016	Director
/s/ Robert B. Uhler Robert B. Uhler	February 29, 2016	Director
/s/ Michael J. Walsh Michael J. Walsh	February 29, 2016	Director
/s/ Jason G. Weiss Jason G. Weiss	February 29, 2016	Director

I. EXHIBIT INDEX

Number	Document Description
2.1	Amended and Restated Agreement and Plan of Merger dated as of December 22, 2003, among Great Lakes Dredge & Dock Corporation, GLDD Acquisitions Corp., GLDD Merger Sub, Inc. and Vectura Holding Company LLC. (1)
2.2	Agreement and Plan of Merger by and among GLDD Acquisitions Corp., Aldabra Acquisition Corporation, and certain shareholders of Aldabra Acquisition Corporation and GLDD Acquisitions Corp., dated as of June 20, 2006. (2)
2.3	Agreement and Plan of Merger, dated as of August 21, 2006, among Great Lakes Dredge & Dock Holdings Corp., Aldabra Acquisition Corporation, and GLH Merger Sub, L.L.C. (3)
3.1	Amended and Restated Certificate of Incorporation of Great Lakes Dredge & Dock Holdings Corp., effective December 26, 2006 (now renamed Great Lakes Dredge & Dock Corporation). (4)
3.2	Amended and Restated Bylaws of Great Lakes Dredge & Dock Corporation, dated as of May 14, 2015. (5)
3.3	Certificate of Ownership and Merger of Great Lakes Dredge & Dock Corporation with and into Great Lakes Dredge & Dock Holdings Corp. (6)
4.1	Indenture, dated January 28, 2011, by and among the Company, certain subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee. (7)
4.2	Supplemental Indenture, dated May 6, 2011, among NASDI, LLC, a Delaware limited liability company (the "New Guarantor"), a subsidiary of Great Lakes Dredge & Dock Corporation, as issuer (the "Company"), the Company, the existing Guarantors, and Wells Fargo Bank, National Association, as trustee (33)
4.3	Supplemental Indenture, dated January 15, 2013, among Terra Contracting Services, LLC, a Delaware limited liability company, a subsidiary of Great Lakes Dredge & Dock Corporation, as issuer, the Company, the existing Guarantors, and Wells Fargo Bank, National Association, as trustee (34)
4.4	Third Supplemental Indenture, dated November 19, 2014, among Terra Fluid Management, LLC, a Delaware limited liability company, Great Lakes Environmental & Infrastructure Solutions, LLC, a Delaware limited liability company, Magnus Pacific Corporation, a California corporation, the Company, the existing guarantors and Wells Fargo Bank, National Association, as trustee. (23)
4.5	Form of 7.375% Senior Note due 2019 (filed as Exhibit A to the Indenture, dated January 28, 2011, by and among the Company, certain subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee). (7)
4.6	Specimen Common Stock Certificate for Great Lakes Dredge & Dock Corporation. (11)
10.1	Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Liberty Mutual Insurance Company and its subsidiaries and affiliates. (40)

- 10.2 Agreement of Indemnity, dated as of April 13, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Berkley Insurance Company and/or Berkley Regional Insurance Company. (40)
- 10.3 Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Argonaut Insurance Company. (40)

101

- 10.4 Agreement of Indemnity, dated as of April 7, 2015, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Great Lakes Environmental & Infrastructure Solutions, LLC, Magnus Pacific, LLC, Terra Contracting, LLC, Terra Fluid Management, LLC and Westchester Fire Insurance Company or any of its affiliates, including any other company that is part of or added to ACE Holdings, Inc. (40)
- 10.5 Fourth Amendment to Third Amended and Restated Underwriting and Continuing Indemnity Agreement dated as of June 12, 2007, by and among Great Lakes Dredge & Dock Corporation, certain of its subsidiaries, Travelers Casualty and Surety Company of America. (18)
- 10.6 Fifth Amendment to Third Amended and Restated Underwriting and Continuing Indemnity Agreement dated as of April 27, 2009, by and among Great Lakes Dredge & Dock Corporation, certain of its subsidiaries, Travelers Casualty and Surety Company of America. (15)
- 10.7 Sixth Amendment to Third Amended and Restated Underwriting and Continuing Indemnity Agreement, dated January 24, 2011, by and among the Company, the subsidiaries of the Company party thereto, Travelers Casualty and Surety Company and Travelers Casualty and Surety Company of America. (7)
- 10.8 Seventh Amendment to Third Amended and Restated Underwriting and Continuing Indemnity Agreement, dated as of November 11, 2011, by and among Great Lakes Dredge & Dock Corporation, certain of its subsidiaries, Travelers Casualty and Surety Company and Travelers Casualty and Surety Company of America. (26)
- 10.9 Reaffirmation, Ratification and Assumption Agreement dated December 26, 2006, by and between Great Lakes Dredge & Dock Corporation (formerly named Great Lakes Dredge & Dock Holdings Corp.) and Wells Fargo Bank, National Association, as successor by merger to Wells Fargo HSBC Trade Bank, as amended (the “International Letter of Credit Facility”). (6)
- 10.10 Amended and Restated Management Equity Agreement dated December 26, 2006 by and among Aldabra Acquisition Corporation, Great Lakes Dredge & Dock Holdings Corp. and each of the other persons identified on the signature pages thereto. †(6)
- 10.11 Employment Agreement between the Company and Jonathan W. Berger. †(12)
- 10.12 Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and David E. Simonelli, dated as of May 8, 2014. †(41)
- 10.13 Amended and Restated Employment Agreement between Great Lakes Dredge & Dock Corporation and Kyle D. Johnson, dated as of May 8, 2014. †(41)
- 10.14 Amended and Restated Employment Agreement with Jonathan W. Berger, dated as of May 8, 2014. †(38)
- 10.15 Separation Agreement, dated October 9, 2015, between Great Lakes Dredge & Dock Corporation and Maryann A. Waryjas. †(39)
- 10.16 Amended and Restated Employment Agreement dated as of May 8, 2014 between Great Lakes Dredge & Dock Corporation and Kathleen M. LaVoy. †*
- 10.17 Second Amended and Restated Great Lakes Dredge & Dock Company, LLC Annual Bonus Plan effective as of January 1, 2012. †(25)

10.18 401(k) Savings Plan. †(19)

10.19 401(k) Lost Benefit Plan. †(11)

10.20 Amended and Restated Great Lakes Dredge & Dock Corporation Supplemental Savings Plan effective January 1, 2014. †(17)

102

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

- 10.21 Lease Agreement between North American Site Developers, Inc. and MJC Berry Enterprises, LLC, dated as of December 31, 2006. (20)
- 10.22 Form of Investor Rights Agreement among Aldabra Acquisition Corporation, Great Lakes Dredge & Dock Holdings Corp., Madison Dearborn Capital Partners IV, L.P., certain stockholders of Aldabra Acquisition Corporation and certain stockholders of GLDD Acquisitions Corp. (3)
- 10.23 Limited Liability Company Agreement, dated April 30, 2008, by and among NASDI Holdings Corporation, Christopher A. Berardi and NASDI, LLC. (21)
- 10.24 Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. †(35)
- 10.25 Form of Great Lakes Dredge & Dock Corporation Non-Qualified Stock Option Agreement pursuant to the Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. †(22)
- 10.26 Form of Great Lakes Dredge & Dock Corporation Restricted Stock Unit Award Agreement pursuant to the Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. †(22)
- 10.27 Form of Great Lakes Dredge & Dock Corporation Performance Vesting RSU Award Agreement pursuant to the Great Lakes Dredge & Dock Corporation 2007 Long-Term Incentive Plan. †(22)
- 10.28 Asset Purchase Agreement dated as of December 31, 2010 among Great Lakes Dredge & Dock Corporation, L.W. Matteson, Inc., Lawrence W. Matteson and Larry W. Matteson. (8)
- 10.29 Share Purchase Agreement dated November 4, 2014 among Great Lakes Environmental and Infrastructure Solutions, LLC and Magnus Pacific Corporation. ##(42)
- 10.30 Purchase Agreement, dated November 19, 2014, by and among the Company, certain subsidiary guarantors named therein and Deutsche Bank Securities Inc., as the initial purchaser. (23)
- 10.31 Registration Rights Agreement, dated January 28, 2011, by and among the Company, certain subsidiary guarantors named therein and the initial purchasers named therein. (7)
- 10.32 Registration Rights Agreement, dated November 24, 2014, by and among the Company, certain subsidiary guarantors named therein and Deutsche Bank Securities Inc., as the initial purchaser. (23)
- 10.33 Credit Agreement dated as of June 4, 2012 by and among Great Lakes Dredge & Dock Corporation, as Borrower, the other Credit Parties party thereto, the financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. (29)
- 10.34 First Amendment to Credit Agreement dated as of December 11, 2012 by and among Great Lakes Dredge & Dock Corporation, as Borrower, the other Credit Parties party thereto, the financial institutions from time to time party thereto as lenders, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, Bank of America N.A., as Syndication Agent and PNC Bank, National Association, BMO Harris Bank N.A. and Fifth Third Bank, as Co-Documentation Agents. (30)
- 10.35 Waiver and Amendment No. 2 to Credit Agreement, dated as of March 15, 2013, by and among Great Lakes Dredge & Dock Corporation, the other Credit Parties party thereto, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, and the other lenders party thereto. (31)

10.36 Amendment No. 3 to Credit Agreement, dated as of July 3, 2013, by and among Great Lakes Dredge & Dock Corporation, the other Credit Parties party thereto, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, and the other lenders party thereto. (32)

103

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

- 10.37 Amendment No. 4 to Credit Agreement, dated as of April 23, 2014, by and among Great Lakes Dredge & Dock Corporation, the other Credit Parties party thereto, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, and the other lenders party thereto. (37)
- 10.38 Amendment No. 5 to Credit Agreement and Incremental Commitment Increase Agreement, dated as of September 15, 2014, by and among Great Lakes Dredge & Dock Corporation, the other Credit Parties party thereto, Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender and an Issuing Lender, and the other lenders party thereto. (16)
- 10.39 Sixth Amendment to Credit Agreement, dated as of November 4, 2014, by and among Great Lakes Dredge & Dock Corporation, the other Credit Parties party thereto and the other lenders party thereto. (36)
- 10.40 Lender-Surety Priority Agreement, dated as of June 4, 2012, by and between Wells Fargo Bank, National Association and Zurich American Insurance Company and its subsidiaries and affiliates. (34)
- 10.41 Agreement of Indemnity, dated as of September 7, 2011, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., NASDI, LLC, NASDI Holdings Corporation, Yankee Environmental Services, LLC, Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. (34)
- 10.42 First Rider to the General Agreement of Indemnity, dated as of June 4, 2012, by and among Great Lakes Dredge & Dock Corporation, Great Lakes Dredge & Dock Company, LLC, Lydon Dredging and Construction Company, Ltd., Fifty-Three Dredging Corporation, Dawson Marine Services Company, Great Lakes Dredge & Dock Environmental, Inc. f/k/a Great Lakes Caribbean Dredging, Inc., Great Lakes Dredge & Dock (Bahamas) Ltd. and Zurich American Insurance Company and its subsidiaries and affiliates. (41)
- 10.43 Loan Agreement dated as of November 4, 2014 by and among Great Lakes Dredge & Dock Corporation, as Borrower, the Lenders from time to time party hereto and Bank of America, N.A., as Administrative Agent. ##(42)
- 10.44 Vessel Construction Agreement, dated January 10, 2014 by and between Eastern Shipbuilding Group, Inc. and Great Lakes Dredge & Dock Company, LLC. #(16)
- 12.1 Ratio of Earnings to Fixed Charges. *
- 14.1 Code of Business Conduct and Ethics. (24)
- 21.1 Subsidiaries of Great Lakes Dredge & Dock Corporation. *
- 23.1 Consent of Deloitte & Touche LLP. *
- 23.2 Consent of CohnReznick LLP. *
- 23.3 Consent of CohnReznick LLP. *
- 23.4 Consent of WithumSmith+Brown.PC. *
- 31.1 Certification Pursuant to Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

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

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

104

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
- 99.1 Financial Statements of TerraSea Environmental Solutions, LLC as of December 31, 2015 and 2014, and for the Years Ended December 31, 2015, 2014 and 2013 (unaudited). *
- 99.2 Financial Statements of Amboy Aggregates Joint Venture and Subsidiaries as of December 31, 2015 and 2014 and for the Periods from January 1, 2015 to June 30, 2015 and from July 1, 2015 to December 31, 2015 and for the Years Ended December 31, 2014 and 2013 (unaudited). *
- 99.3 Financial Statements of Lower Main Street Development, LLC as of December 31, 2015 (unaudited) and 2014 and for the Periods from January 1, 2015 to June 30, 2015 (unaudited) and from July 1, 2015 to December 31, 2015 (unaudited) and for the Years Ended December 31, 2014 and 2013 (unaudited). *
- 101.INS XBRL Instance Document. *
- 101.SCH XBRL Taxonomy Extension Schema. *
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase. *
- 101.DEF XBRL Taxonomy Extension Definition Linkbase. *
- 101.LAB XBRL Taxonomy Extension Label Linkbase. *
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase. *
- (1) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 6, 2004 (Commission file no. 333-64687).
- (2) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on June 22, 2006 (Commission file no. 333-64687).
- (3) Incorporated by reference to Great Lakes Dredge & Dock Holding Corp.'s Registration Statement on Form S-4 filed with the Commission on August 24, 2006 (Commission file no. 333-136861-01).
- (4) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Registration Statement on Form 8-A filed with the Commission on December 26, 2006 (Commission file no. 001-33225).
- (5) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 20, 2015 (Commission file no. 001-33225).
- (6) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on December 29, 2006 (Commission file no. 001-33225).
- (7) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 28, 2011 (Commission file no. 001-33225).
- (8) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 3, 2011 (Commission file no. 001-33225).
- (9) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K/A filed with the Commission on August 17, 2010 (Commission file no. 001-33225).
- (10) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K/A filed with the Commission on August 17, 2010 (Commission file no. 001-33225).
- (11) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 22, 2007 (Commission file no. 001-33225).
- (12)

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on September 8, 2010 (Commission file no. 001-33225).

(13) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on November 17, 2005 (Commission file no. 333-64687).

(14) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on October 4, 2006 (Commission file no. 333-64687).

(15) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on April 29, 2009 (Commission file no. 001-33225).

(16) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on September 12, 2014 (Commission file no. 001-33225).

105

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

- (17) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 11, 2014 (Commission file no.001-33225).
- (18) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K/A filed with the Commission on August 17, 2010 (Commission file no. 001-33225).
- (19) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 30, 2005 (Commission file no. 333-64687).
- (20) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on February 20, 2007 (Commission file no. 001-33225).
- (21) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 6, 2008 (Commission file no. 001-33225).
- (22) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on July 1, 2011 (Commission file no. 001-33225).
- (23) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on November 24, 2014 (Commission file no. 001-33225).
- (24) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 20, 2015 (Commission file no. 333-64687).
- (25) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on January 17, 2012 (Commission file no. 001-33225).
- (26) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on November 16, 2011 (Commission file no. 001-33225).
- (27) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on April 13, 2012 (Commission file no. 001-33225).
- (28) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 2, 2012 (Commission file no. 001-33225).
- (29) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on June 7, 2012 (Commission file no. 001-33225).
- (30) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on December 14, 2012 (Commission file no. 001-33225).
- (31) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on March 19, 2013 (Commission file no. 001-33225).
- (32) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on July 10, 2013 (Commission file no. 001-33225).
- (33) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 9, 2011 (Commission file no. 001-33225).
- (34) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K filed with the Commission on March 29, 2013 (Commission file no. 001-33225).
- (35) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Definitive Proxy Statement on Schedule 14A, filed with the Commission on April 4, 2012 (Commission file no. 001-33225).
- (36) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on November 4, 2014 (Commission file no. 001-33225).
- (37) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 7, 2014 (Commission file no. 001-33225).
- (38) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on May 13, 2014 (Commission file no. 001-33225)
- (39) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Current Report on Form 8-K filed with the Commission on October 14, 2015 (Commission file no. 001-33225).
- (40) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on May 6, 2015 (Commission file no. 001-33225).
- (41) Incorporated by reference to Great Lakes Dredge & Dock Corporation's Quarterly Report on Form 10-Q filed with the Commission on August 4, 2015 (Commission file no. 001-33225).
- (42)

Edgar Filing: Great Lakes Dredge & Dock CORP - Form 10-K

Incorporated by reference to Great Lakes Dredge & Dock Corporation's Annual Report on Form 10-K/A filed with the Commission on September 24, 2015 (Commission file no. 001-33225).

* Filed herewith

€ Compensatory plan or arrangement

Portions of this exhibit have been omitted pending a determination by the Securities and Exchange Commission as to whether these portions should be granted confidential treatment.

Portions of this exhibit have been previously granted confidential treatment by the Securities and Exchange Commission.