Great Lakes Dredge & Dock CORP
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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 incorporation or organization)	(I.R.S. Employer Identification No.)
2122 York Road, Oak Brook, IL	60523
(Address of principal executive offices)	(Zip Code)

(630) 574-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

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

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

As of October 30, 2015, 60,446,628 shares of the Registrant’s Common Stock, par value $.0001 per share, were outstanding.

Great Lakes Dredge & Dock Corporation and Subsidiaries

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

Securities Exchange Act of 1934

For the Quarterly Period ended September 30, 2015

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PART I — Financial Information

Item 1. Financial Statements.
GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except per share amounts)

	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,421	$ 42,389
Accounts receivable—net	143,884	113,188
Contract revenues in excess of billings	66,759	82,557
Inventories	37,250	34,735
Prepaid expenses and other current assets	76,871	69,375
Total current assets	334,185	342,244
PROPERTY AND EQUIPMENT—Net	423,157	399,445
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	86,900	95,289
INVENTORIES—Noncurrent	37,508	36,262
INVESTMENTS IN JOINT VENTURES	12,319	7,889
OTHER	11,902	12,105
TOTAL	$ 905,971	$ 893,234
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 109,961	$ 119,971
Accrued expenses	63,978	70,041
Billings in excess of contract revenues	6,451	4,639
Current portion of long term debt	8,369	5,859
Total current liabilities	188,759	200,510
7 3/8% SENIOR NOTES	274,902	274,880
REVOLVING CREDIT FACILITY	28,000	—
NOTES PAYABLE	52,108	49,497
DEFERRED INCOME TAXES	89,255	92,007
OTHER	20,864	20,377
Total liabilities	653,888	637,271
COMMITMENTS AND CONTINGENCIES (Note 9)		
EQUITY:		
Common stock—$.0001 par value; 90,000 authorized, 60,447 and 60,170 shares	6	6

issued and outstanding at September 30, 2015 and December 31, 2014, respectively.

Treasury stock, at cost	(1,107)	—
Additional paid-in capital	282,141	278,166
Accumulated deficit	(26,829)	(21,475)
Accumulated other comprehensive loss	(2,128)	(734)
Total equity	252,083	255,963
TOTAL	$ 905,971	$ 893,234

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Contract revenues	$220,802	$202,198	$634,236	$561,289
Costs of contract revenues	196,717	177,739	567,182	489,720
Gross profit	24,085	24,459	67,054	71,569
General and administrative expenses	15,277	16,062	48,768	49,850
Impairment of goodwill	—	—	2,750	—
(Gain) loss on sale of assets—net	(884)	390	(887)	558
Operating income	9,692	8,007	16,423	21,161
Interest expense—net	(7,293)	(4,702)	(18,490)	(14,730)
Equity in loss of joint ventures	(2,051)	(5,785)	(5,765)	(9,063)
Gain on bargain purchase acquisition	—	—	—	2,197
Other income (expense)	706	384	(353)	410
Income (loss) from continuing operations before income taxes	1,054	(2,096)	(8,185)	(25)
Income tax (provision) benefit	(742)	1,069	2,831	425
Income (loss) from continuing operations	312	(1,027)	(5,354)	400
Loss from discontinued operations, net of income taxes	—	(1,059)	—	(9,118)
Net income (loss)	$312	$(2,086)	$(5,354)	$(8,718)
Basic earnings (loss) per share attributable to continuing operations	—	(0.01)	(0.09)	0.01
Basic loss per share attributable to discontinued operations, net of tax	—	(0.02)	—	(0.15)
Basic loss per share	$—	$(0.03)	$(0.09)	$(0.14)
Basic weighted average shares	60,496	60,040	60,411	59,870
Diluted earnings (loss) per share attributable to continuing operations	—	(0.01)	(0.09)	0.01
Diluted loss per share attributable to discontinued operations, net of tax	—	(0.02)	—	(0.15)
Diluted loss per share	$—	$(0.03)	$(0.09)	$(0.14)
Diluted weighted average shares	60,841	60,040	60,411	60,491

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$312	$(2,086)	$(5,354)	$(8,718)
Currency translation adjustment—net of tax (1)	(639)	(416)	(1,394)	(389)
Net unrealized gain on derivatives—net of tax (2)	—	(169)	—	(199)
Other comprehensive loss—net of tax	(639)	(585)	(1,394)	(588)
Comprehensive loss	$(327)	$(2,671)	$(6,748)	$(9,306)

(1) Net of income tax benefit of $422 and $276 for the three months ended September 30, 2015 and 2014, respectively and $922 and $259 for nine months ended September 30, 2015 and 2014, respectively.

(2) Net of income tax expense of $111 and $132 for the three and nine months ended September 30, 2014, respectively.

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Equity

(Unaudited)

(in thousands)

	Great Lakes Dredge & Dock Corporation shareholders							
	Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
BALANCE—January 1, 2015	60,170	$ 6	$—	$ 278,166	$ (21,475)	$ (734)	$ —	$ 255,963
Share-based compensation	124	—	—	2,897	—	—	—	2,897
Vesting of restricted stock units, including impact of shares withheld for taxes	98	—	—	(265)	—	—	—	(265)
Exercise of options and purchases from employee stock plans	268	—	—	1,356	—	—	—	1,356
Excess income tax benefit from share-based compensation	—	—	—	(13)	—	—	—	(13)
Purchase of treasury stock	(213)		(1,107)	—	—	—	—	(1,107)
Net loss	—	—	—	—	(5,354)	—	—	(5,354)
Other comprehensive loss—net of tax	—	—	—	—	—	(1,394)	—	(1,394)
BALANCE—September 30, 2015	60,447	$ 6	$ (1,107)	$ 282,141	$ (26,829)	$ (2,128)	$ —	$ 252,083

	Great Lakes Dredge & Dock Corporation shareholders							
	Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
BALANCE—January 1, 2014	59,670	$ 6	$ —	$ 275,183	$ (31,770)	$ (473)	$ (845)	$ 242,101

Share-based compensation	94	—	—	1,816	—	—	—	1,816
Vesting of restricted stock units, including impact of shares withheld for taxes	107	—	—	(501)	—	—	—	(501)
Exercise of options and purchases from employee stock plans	265	—	—	1,542	—	—	—	1,542
Excess income tax benefit from share-based compensation	—	—	—	45	—	—	—	45
Purchase of noncontrolling interest	—	—	—	(988)	—	—	845	(143)
Net loss	—	—	—	—	(8,718)	—	—	(8,718)
Other comprehensive loss—net of tax	—	—	—	—	—	(588)	—	(588)
BALANCE—September 30, 2014	60,136	$ 6	$ —	$ 277,097	$ (40,488)	$ (1,061)	$ —	$ 235,554

See notes to unaudited condensed consolidated financial statements.

Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2015	2014
OPERATING ACTIVITIES:		
Net loss	$(5,354)	$(8,718)
Loss from discontinued operations, net of income taxes	—	(9,118)
Income (loss) from continuing operations	(5,354)	400
Adjustments to reconcile net income (loss) to net cash flows used in operating activities:		
Depreciation and amortization	47,747	32,744
Equity in loss of joint ventures	(3,402)	9,063
Cash distributions from joint ventures	2,500	—
Deferred income taxes	(3,031)	(11,034)
(Gain) loss on sale of assets	(887)	558
Impairment of goodwill	2,750	—
Gain on bargain purchase acquisition	—	(2,197)
Gain on adjustment of contingent consideration	(8,444)	—
Amortization of deferred financing fees	2,126	1,036
Unrealized net gain from mark-to-market valuations of derivatives	(1,479)	1,051
Unrealized foreign currency gain	(1,076)	(561)
Share-based compensation expense	2,897	1,816
Excess income tax benefit from share-based compensation	13	(45)
Changes in assets and liabilities:		
Accounts receivable	(31,819)	(3,791)
Contract revenues in excess of billings	14,328	(18,292)
Inventories	(3,761)	504
Prepaid expenses and other current assets	(6,727)	(2,743)
Accounts payable and accrued expenses	(9,896)	10,927
Billings in excess of contract revenues	1,657	(1,776)
Other noncurrent assets and liabilities	(2,039)	(2,369)
Net cash flows provided by (used in) operating activities of continuing operations	(3,897)	15,291
Net cash flows used in operating activities of discontinued operations	—	(5,024)
Cash provided by (used in) operating activities	(3,897)	10,267
INVESTING ACTIVITIES:		
Purchases of property and equipment	(53,394)	(66,433)
Proceeds from dispositions of property and equipment	1,167	1,614
Payments on vendor performance obligations (Note 9)	—	(3,100)
Payments for acquisitions of businesses	—	(2,048)
Net cash flows used in investing activities of continuing operations	(52,227)	(69,967)
Net cash flows provided by investing activities of discontinued operations	—	5,275
Cash used in investing activities	(52,227)	(64,692)

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FINANCING ACTIVITIES:		
Deferred financing fees	(29)	(845)
Repayments of long term note payable	(488)	—
Taxes paid on settlement of vested share awards	(265)	(501)
Repayments of term loan facility	(3,750)	—
Repayments of equipment debt	(853)	(121)
Proceeds from equipment debt	410	—
Purchase of noncontrolling interest	—	(205)
Exercise of options and purchases from employee stock plans	1,356	1,542
Excess income tax benefit from share-based compensation	(13)	45
Treasury stock	(1,107)	—
Borrowings under revolving loans	146,000	105,000
Repayments of revolving loans	(118,000)	(105,000)
Net cash provided by (used in) financing activities	23,261	(85)
Effect of foreign currency exchange rates on cash and cash equivalents	(105)	260
Net decrease in cash and cash equivalents	(32,968)	(54,250)
Cash and cash equivalents at beginning of period	42,389	75,338
Cash and cash equivalents at end of period	$9,421	$21,088
Supplemental Cash Flow Information		
Cash paid for interest	$23,645	$18,936
Cash paid (refunded) for income taxes	$987	$(9,364)
Non-cash Investing and Financing Activities		
Property and equipment purchased but not yet paid	$4,981	$18,401
Property and equipment purchased on capital leases and equipment notes	$2,190	$1,616
Purchase of noncontrolling interest	$—	$988
Property and equipment purchased on notes payable	$15,569	$—

See notes to unaudited condensed consolidated financial statements.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of presentation

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the “Company” or “Great Lakes”) and the notes thereto, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company’s financial position as of September 30, 2015, and its results of operations for the three and nine months ended September 30, 2015 and 2014 and cash flows for the nine months ended September 30, 2015 and 2014 have been included.

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

The Company’s cost structure includes significant annual equipment-related costs, including depreciation, maintenance, insurance and long-term rentals. These costs have averaged approximately 20% to 22% of total costs of contract revenues over the prior three years. During the year, both equipment utilization and the timing of fixed cost expenditures fluctuate significantly. Accordingly, the Company allocates these fixed equipment costs to interim periods in proportion to revenues recognized over the year, to better match revenues and expenses. Specifically, at each interim reporting date the Company compares actual revenues earned to date on its dredging contracts to expected annual revenues and recognizes equipment costs on the same proportionate basis. In the fourth quarter, any over or under allocated equipment costs are recognized such that the expense for the year equals actual equipment costs incurred during the year.

The Company has three operating segments that, through aggregation, comprise two reportable segments: dredging and environmental & remediation. Three operating segments were aggregated into two reportable segments as the segments have similarity in economic margins, services, production processes, customer types, distribution methods and regulatory environment. The Company has determined that the operating segments are the Company’s three reporting units. Due to a decline in the overall financial performance and declining cash flows in the Terra Contracting Services, LLC (“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 and recorded a goodwill impairment charge of $2,750 during the quarter ended June 30, 2015. This impairment of goodwill is discussed in Note 6. The Company performed its most recent annual test of impairment as of July 1, 2015 for the remaining goodwill with no indication of impairment as of the test date. The Company will perform its next scheduled annual test of goodwill in the third

quarter of 2016.

In connection with the acquisition of Magnus Pacific (“Magnus”) in the fourth quarter of 2014, the Company issued a secured promissory note to the former owners of Magnus which has terms that could reduce the amount owed based on minimum EBITDA expectations. The Company remeasures the fair value of the promissory note at each reporting period based on projections of the earnings target for the business. Based on the Company’s projections at June 30, 2015, Magnus is not expected to 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 is reflected in general and administrative expenses.

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

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board 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 Financial Accounting Standards Board 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. We are currently evaluating the impact 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 similarly 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 nine months ended September 30, 2015, the dilutive effect of 462 thousand stock options and restricted stock units were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during this period. For the three months ended September 30, 2014, the dilutive effect of 521 thousand stock options and restricted stock units were excluded from the diluted weighted-average common shares outstanding as the Company incurred a loss during this period. For the three months ended September 30, 2015, 1,170 thousand stock options or restricted stock units were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. For the nine months ended September 30, 2014, 500 thousand stock options or restricted stock units were excluded from the calculation of diluted earnings per share based on the application of the treasury stock method. The computations for basic and diluted earnings (loss) per share from continuing operations are as follows:

(shares in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income (loss) from continuing operations	$ 312	$ (1,027)	$ (5,354)	$ 400
Loss on discontinued operations, net of income taxes	—	(1,059)	—	(9,118)
Net income (loss)	312	(2,086)	(5,354)	(8,718)
Weighted-average common shares outstanding — basic	60,496	60,040	60,411	59,870
Effect of stock options and restricted stock units	345	—	—	621
Weighted-average common shares outstanding — diluted	60,841	60,040	60,411	60,491
Earnings (loss) per share from continuing operations — basic	$ —	$ (0.01)	$ (0.09)	$ 0.01
Earnings (loss) per share from continuing operations — diluted	$ —	$ (0.01)	$ (0.09)	$ 0.01

3. Accounts receivable and contracts in progress

Accounts receivable at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Completed contracts	$ 26,672	$ 15,342
Contracts in progress	92,298	72,459
Retainage	27,445	27,371
	146,415	115,172
Allowance for doubtful accounts	(678)	(578)
Total accounts receivable—net	$ 145,737	$ 114,594
Current portion of accounts receivable—net	$ 143,884	$ 113,188
Long-term accounts receivable and retainage	1,853	1,406
Total accounts receivable—net	$ 145,737	$ 114,594

The components of contracts in progress at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Costs and earnings in excess of billings:		
Costs and earnings for contracts in progress	$626,318	$833,368
Amounts billed	(572,687)	(759,877)
Costs and earnings in excess of billings for contracts in progress	53,631	73,491
Costs and earnings in excess of billings for completed contracts	13,128	9,066
Total contract revenues in excess of billings	$66,759	$82,557
Billings in excess of costs and earnings:		
Amounts billed	$(90,640)	$(181,698)
Costs and earnings for contracts in progress	84,189	177,059
Total billings in excess of contract revenues	$(6,451)	$(4,639)

4. Accrued expenses

Accrued expenses at September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
Insurance	$ 17,408	$ 16,778
Accumulated deficit in joint ventures	13,919	10,383
Payroll and employee benefits	10,246	8,808
Income and other taxes	4,252	5,857
Interest	3,984	8,270
Percentage of completion adjustment	2,829	1,870
Fuel hedge contracts	1,550	3,029
Other	9,790	15,046
Total accrued expenses	$ 63,978	$ 70,041

5. Long-term debt

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 collateralized by a substantial portion of the Company’s operating equipment with a net book value at September 30, 2015 of $151,593.

Depending on the Company’s consolidated leverage ratio (as defined in the Credit Agreement), borrowings under the 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. During a year, the Company frequently borrows and repays amounts under its revolving credit facility. As of September 30, 2015, the Company had $28,000 of borrowings on the revolver and $81,323 of letters of credit outstanding, resulting in $100,677 of availability under the Credit Agreement. At September 30, 2015, the Company was in compliance with its various financial covenants under the Credit Agreement.

Term loan facility

On November 4, 2014, the Company entered into a 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. The Company has borrowed an aggregate principal amount of $47,360. 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, which commenced 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 collateralized by a portion of the Company's operating equipment with a net book value at September 30, 2015 of $49,838.

Senior notes

The Company has outstanding $275,000 of 7.375% senior notes due February 2019. 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

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 current portion of all equipment notes is $3,239. The long term portion is $14,361 and is included in notes payable.

6. Impairment of goodwill

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 nine months ended September 30, 2015.

The change in the carrying value of goodwill for the period ended September 30, 2015 is as follows:

	Dredging Segment	Environmental & Remediation Segment	Total
Balance — December 31, 2014	$ 76,576	$ 9,750	$ 86,326
Impairment of goodwill	—	(2,750)	(2,750)
BALANCE—September 30, 2015	$ 76,576	$ 7,000	$ 83,576

7. Fair value measurements

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

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

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

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

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or

comparable assets or liabilities. At times, the Company holds certain derivative contracts that it uses to manage foreign currency risk or commodity price risk. The Company does not hold or issue derivatives for speculative or trading purposes. The fair values of these financial instruments are summarized as follows:

		Fair Value Measurements at Reporting Date Using		
Description	At September 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ 1,550	$ —	$ 1,550	$ —

		Fair Value Measurements at Reporting Date Using		
Description	At December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ 3,029	$ —	$ 3,029	$ —

Foreign exchange contracts

The Company has exposure 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 September 30, 2015, 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 September 30, 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 August 2016. As of September 30, 2015, there were 8.0 million gallons remaining on these contracts which represent approximately 80% of the Company's forecasted domestic fuel purchases through August 2016. Under these swap agreements, the Company will pay fixed prices ranging from $1.67 to $2.11 per gallon.

At September 30, 2015 and December 31, 2014, the fair value liability of the fuel hedge contracts was estimated to be $1,550 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 September 30, 2015 and December 31, 2014 is as follows:

		Fair Value at	
	Balance Sheet Location	September 30, 2015	December 31, 2014
Liability derivatives:			
Derivatives not designated as hedging instruments			
Fuel hedge contracts	Accrued expenses	$ 1,550	$ 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. 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 September 30,	$	83,576	

Accumulated other comprehensive loss

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cumulative translation adjustments—net of tax	$ (639)	$ (416)	$ (1,394)	$ (389)
Derivatives:				
Reclassification of derivative gains to earnings—net of tax	—	(306)	—	(332)
Change in fair value of derivatives—net of tax	—	136	—	132
Net unrealized gain on derivatives—net of tax	—	(169)	—	(199)
Total other comprehensive loss	$ (639)	$ (585)	$ (1,394)	$ (588)

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

	Statement of Operations Location	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Derivatives:			

Fuel hedge contracts	Costs of contract revenues	$ (241	)	$ (286)
	Income tax benefit	65		46
		$ (306	)	$ (332)

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 stable market interest rates and Company credit ratings from inception to year end. 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 September 30, 2015 (See Note 5). 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 $275,688 at September 30, 2015, which is a Level 1 fair value measurement as the senior notes value was obtained using quoted prices in active markets.

8. Share-based compensation

The Company’s 2007 Long-Term 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 5.8 million shares of common stock.

In March 2015, the Company granted 698 thousand restricted stock units to certain employees pursuant to the plan. In addition, all non-employee directors on the Company’s board of directors are paid a portion of their board-related compensation in stock grants. Compensation cost charged to expense related to share-based compensation arrangements was $839 and $828 for the three months ended September 30, 2015 and 2014, respectively and $2,897 and $1,816 for the nine months ended September 30, 2015 and 2014, respectively.

9. 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 September 30, 2015, the Company had outstanding performance bonds totaling approximately $1,066,169, of which $45,582 relates to projects accounted for in discontinued operations. The revenue value remaining in backlog related to the projects of continuing operations totaled approximately $455,712.

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.

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 the results of operations, cash flows or financial condition of the Company.

On March 19, 2013, the Company and three of its current and former executives were sued in a securities class action in the Northern District of Illinois captioned United Union of Roofers, Waterproofers & Allied Workers Local Union No. 8 v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02115. The lawsuit, which was brought on behalf of all purchasers of the Company's securities between August 7, 2012 and March 14, 2013, primarily alleges that the defendants made false and misleading statements regarding the recognition of revenue in the demolition segment and with regard to the Company's internal control over financial reporting. This suit was filed following the Company's announcement on March 14, 2013 that it would restate its second and third quarter 2012 financial statements. Two additional, similar lawsuits captioned Boozer v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02339, and Connors v. Great Lakes Dredge & Dock Corporation et al., Case No. 1:13-cv-02450, were filed in the Northern District of Illinois on March 28, 2013, and April 2, 2013, respectively. These three actions were consolidated and recaptioned In re Great Lakes Dredge & Dock Corporation Securities Litigation, Case No. 1:13-cv-02115, on June 10, 2013. The

plaintiffs filed an amended class action complaint on August 9, 2013, which the defendants moved to dismiss on October 8, 2013. After briefing and oral argument by the parties, the court entered an order on October 21, 2014 denying that motion to dismiss. The parties agreed to a settlement, which was paid by insurance. The court preliminarily approved the settlement on June 12, 2015, and granted final approval on September 17, 2015. The securities litigation is now concluded.

On March 28, 2013, the Company was named as a nominal defendant, and its directors were named as defendants, in a shareholder derivative action in DuPage County Circuit Court in Illinois captioned Hammoud v. Berger et al., Case No. 2013CH001110. The lawsuit primarily alleges breaches of fiduciary duties related to allegedly false and misleading statements regarding the recognition of revenue in the demolition segment and with regard to the Company's internal control over financial reporting, which exposed the Company to securities litigation. A second, similar lawsuit captioned The City of Haverhill Retirement System v. Leight et al., Case No. 1:13-cv-02470, was filed in the Northern District of Illinois on April 2, 2013 and was voluntarily dismissed on June 10, 2013. A third, similar lawsuit captioned St. Lucie County Fire District Firefighters Pension Trust Fund v. Leight et al., Case No. 13 CH 15483, was filed in Cook County Circuit Court in Illinois on July 8, 2013, and has since been transferred to DuPage County Circuit Court and consolidated with the Hammoud action. The Hammoud/St. Lucie plaintiffs have filed a consolidated amended complaint on December 9, 2013, but the action was otherwise stayed pending a ruling on the motion to dismiss the securities class action. A fourth, similar lawsuit (that additionally named one current and one former executive as defendants) captioned Griffin v. Berger et al., Case No. 1:13-cv-04907, was filed in the Northern District of Illinois on July 9, 2013. The Griffin action was also stayed pending a ruling on the motion to dismiss the securities class action. The parties agreed to a settlement, which was paid by insurance. The DuPage County Circuit Court preliminarily approved the settlement of the Hammoud/St. Lucie action on May 13, 2015, and granted final approval on August 7, 2015. The Griffin action was dismissed with prejudice on August 20, 2015. The derivative litigation is now concluded.

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. Should a claim be brought, the Company intends to defend this matter vigorously.

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.

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10. Investments

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 September 30, 2015 and December 31, 2014, the Company had net advances to TerraSea of $28,974 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 $13,919 and $10,383 at September 30, 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 $1,506 at June 30, 2015 representing the estimated share of additional losses to be assumed. To the extent that net advances are not fully recoverable, additional losses may result in future periods. The Company and its joint venture partner remain obligated to fund TerraSea through the completion of its remaining project, which is expected to occur in 2015.

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, owned in conjunction with Lower Main Street Development, LLC, during 2014 and is winding down operations.

11. Business dispositions

On April 23, 2014, the Company entered into an agreement and completed the sale of NASDI and Yankee, its two former subsidiaries that comprised our 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, 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 9). 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:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014

Revenue	$	—	$	14,439
Loss before income taxes from discontinued operations	$	(1,053)	$	(18,393)
Income tax (provision) benefit		(6)		9,275
Loss from discontinued operations, net of income taxes	$	(1,059)	$	(9,118)

12. 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 the periods presented is provided as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Dredging				
Contract revenues	$162,526	$167,079	$506,700	$486,153
Operating income	19,598	5,733	45,587	24,157
Environmental & remediation				
Contract revenues	$60,451	$37,182	$131,929	$79,224
Operating income (loss)	(9,906)	2,274	(29,164)	(2,996)
Intersegment revenues	$(2,175)	$(2,063)	(4,393)	(4,088)
Total				
Contract revenues	$220,802	$202,198	$634,236	$561,289
Operating income	9,692	8,007	16,423	21,161

Foreign dredging revenue of $38,042 and $127,280 for the three and nine months ended September 30, 2015, respectively, was primarily attributable to work done in the Middle East and Brazil. Foreign dredging revenue for the three and nine months ended September 30, 2014 was $40,040 and $85,691, respectively.

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.

13. Subsequent events

Jonathan W. Berger, Chief Executive Officer and director of the Company 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. The Company is in the process of identifying a successor to fill the vacancy that will be created by Mr. Berger's retirement and will engage an executive search firm to assist in the identification and assessment of internal and external candidates.

Nathan D. Leight tendered his resignation as director and Chairman of the Board and Denise E. Dickins tendered her resignation as director and Chair of the Audit Committee of the Company, in each case effective as of October 13, 2015. On October 16, 2015, the Board elected Robert Uhler as a director.

Effective November 10, 2015, Maryann A. Waryjas, Senior Vice President, Chief Legal Officer and Corporate Secretary of the Company, will resign from her positions with the Company.

14. Subsidiary guarantors

The Company's long-term debt at September 30, 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 September 30, 2015 and December 31, 2014;
(ii) statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2015 and 2014; and
(iii) statements of cash flows for the nine months ended September 30, 2015 and 2014.

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2015
(In thousands)

	Subsidiary	Non-Guarantor	GLDD		Consolidated
ASSETS	Guarantors	Subsidiaries	Corporation	Eliminations	Totals
CURRENT ASSETS:					
Cash and cash equivalents	$ 8,814	$ 605	$ 2	$ —	$ 9,421
Accounts receivable — net	142,042	1,842	—	—	143,884
Contract revenues in excess of billings	63,882	2,877	—	—	66,759
Inventories	37,250	—	—	—	37,250
Prepaid expenses and other current assets	60,735	339	15,797	—	76,871
Total current assets	312,723	5,663	15,799	—	334,185
PROPERTY AND EQUIPMENT—Net	423,140	17	—	—	423,157
GOODWILL AND OTHER INTANGIBLE ASSETS—Net	86,900	—	—	—	86,900