Great Lakes Dredge & Dock CORP
Form 10-Q
November 06, 2009

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, 2009

OR

o	**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 o

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 o No o

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

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

As of November 5, 2009, 58,527,572 shares of the Registrant s Common Stock, par value $.0001 per share, were outstanding.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

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

Securities Exchange Act of 1934

For the Quarterly Period ended September 30, 2009

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PART I Financial Information

GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

(in thousands, except share and per share amounts)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,939	$ 10,478
Accounts receivable net	124,133	120,620
Contract revenues in excess of billings	37,576	30,916
Inventories	29,550	28,666
Prepaid expenses	2,850	4,684
Other current assets	17,108	20,994
Total current assets	223,156	216,358
PROPERTY AND EQUIPMENT Net	289,955	296,885
GOODWILL	98,049	97,799
OTHER INTANGIBLE ASSETS Net	1,230	931
INVENTORIES Noncurrent	31,453	38,024
INVESTMENTS IN JOINT VENTURES	7,926	8,949
OTHER	7,560	7,209
TOTAL	$ 659,329	$ 666,155
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 61,987	$ 76,862
Accrued expenses	26,703	30,442
Billings in excess of contract revenues	23,517	19,782
Current portion of equipment debt	1,239	1,553
Total current liabilities	113,446	128,639
REVOLVING CREDIT FACILITY	30,000	41,500
7 3/4% SENIOR SUBORDINATED NOTES	175,000	175,000
DEFERRED INCOME TAXES	84,680	81,004
OTHER	11,222	11,899
Total liabilities	414,348	438,042
COMMITMENTS AND CONTINGENCIES		

STOCKHOLDERS EQUITY:				
Common stock $.0001 par value; 90,000,000 authorized, 58,509,912 and 58,484,242 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively.		6		6
Additional paid-in capital		263,279		262,501
Accumulated deficit		(18,361)		(31,812)
Accumulated other comprehensive loss		(7)		(3,415)
Total Great Lakes Dredge & Dock Corporation Stockholders Equity		244,917		227,280
NONCONTROLLING INTERESTS		64		833
Total equity		244,981		228,113
TOTAL	$	659,329	$	666,155

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands, except per share data)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Contract revenues	$ 140,029	$ 142,809	$ 461,687	$ 423,852
Costs of contract revenues	122,962	125,193	389,025	372,656
Gross profit	17,067	17,616	72,662	51,196
General and administrative expenses	11,755	10,971	33,745	32,373
Amortization of intangible assets	193	177	579	308
Operating income	5,119	6,468	38,338	18,515
Interest expense, net	(3,242)	(4,301)	(12,240)	(12,853)
Equity in earnings (loss) of joint ventures	163	61	(402)	250
Income before income taxes	2,040	2,228	25,696	5,912
Income tax provision	(885)	(827)	(10,687)	(2,530)
Net income	1,155	1,401	15,009	3,382
Net (income) loss attributable to noncontrolling interests	540		1,431	(231)
Net income attributable to Great Lakes Dredge & Dock Corporation	$ 1,695	$ 1,401	$ 16,440	$ 3,151
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.03	$ 0.02	$ 0.28	$ 0.05
Basic weighted average shares	58,506	58,473	58,498	58,466
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.03	$ 0.02	$ 0.28	$ 0.05
Diluted weighted average shares	58,688	58,499	58,577	58,476

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands, except per share amounts)

	Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
OPERATING ACTIVITIES:				
Net income	$	15,009	$	3,382
Adjustments to reconcile net income to net cash flows provided by operating activities:				
from operating activities:				
Depreciation and amortization		24,588		21,256
Equity in (earnings) loss of joint ventures		402		(250)
Distribution from equity joint ventures		621		500
Deferred income taxes		3,597		4,180
Gain on dispositions of property and equipment		(453)		(525)
Amortization of deferred financing fees		1,275		1,464
Share-based compensation expense		778		302
Changes in assets and liabilities:				
Accounts receivable		(3,513)		16,746
Contract revenues in excess of billings		(6,647)		(12,682)
Inventories		5,687		(15,517)
Prepaid expenses and other current assets		1,967		(8,789)
Accounts payable and accrued expenses		(12,780)		(2,367)
Billings in excess of contract revenues		3,735		2,235
Other noncurrent assets and liabilities		(155)		1,059
Net cash flows provided by operating activities		34,111		10,994
INVESTING ACTIVITIES:				
Purchases of property and equipment		(16,375)		(32,906)
Dispositions of property and equipment		773		799
Acquisition of controlling interest in Yankee Environmental Services		(1,229)		
Acquisition of controlling interest in NASDI				(5)
Changes to restricted cash				787
Net cash flows used in investing activities		(16,831)		(31,325)
FINANCING ACTIVITIES:				
Repayments of long-term debt		(1,256)		(1,469)
Borrowings under revolving loans net		(11,500)		28,210
Dividends paid		(2,989)		(2,987)
Repayment of capital lease debt		(74)		(139)
Net cash flows (used in) provided by financing activities		(15,819)		23,615
Net change in cash and equivalents		1,461		3,284
Cash and equivalents at beginning of period		10,478		8,239
Cash and equivalents at end of period	$	11,939	$	11,523
Supplemental Cash Flow Information				
Cash paid for interest	$	8,176	$	8,328
Cash paid for income taxes	$	8,609	$	4,724

Non-cash Investing Activity				
Property and equipment purchased but not yet paid	$	3,780	$	3,793
Property and equipment purchased on equipment notes	$	243	$	1,636

See notes to unaudited condensed consolidated financial statements.

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Great Lakes Dredge & Dock Corporation and Subsidiaries

Condensed Consolidated Statements of Equity

(Unaudited)

(in thousands, except per share amounts)

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
BALANCE January 1, 2009	58,484,242	$ 6	$ 262,501	$ (31,812)	$ (3,415)	$ 833	$ 228,113
Acquisition of Yankee Environmental Services						662	662
Share-based compensation	25,670		778				778
Dividends declared and paid				(2,989)			(2,989)
Comprehensive income (loss):							
Net income (loss)				16,440		(1,431)	15,009
Reclassification of derivative gain to earnings					3,450		3,450
Change in fair value of derivatives					(42)		(42)
Total comprehensive income (loss)						(1,431)	18,417
BALANCE September 30, 2009	58,509,912	$ 6	$ 263,279	$ (18,361)	$ (7)	$ 64	$ 244,981

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
BALANCE January 1, 2008	58,459,824	$ 6	$ 260,669	$ (32,810)	$ 470	$ 2,061	$ 230,396
Acquisition of controlling interest in NASDI			1,676			(1,824)	(148)
Share-based compensation	19,005		302				302
Dividends declared and paid				(2,986)			(2,986)
Comprehensive income:							
Net income				3,151		231	3,382
Reclassification of derivative loss to earnings					(2,202)		(2,202)
Change in fair value of derivatives					760		760
Total comprehensive income						231	1,940
BALANCE September 30, 2008	58,478,829	$ 6	$ 262,647	$ (32,645)	$ (972)	$ 468	$ 229,504

See notes to unaudited condensed consolidated financial statements.

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GREAT LAKES DREDGE & DOCK CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

1. Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these financial statements do not include all the information in the notes required by GAAP for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows as of and for the dates presented. The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Great Lakes Dredge & Dock Corporation and Subsidiaries (the Company or Great Lakes) and the notes thereto, included in the Company s Annual Report filed on Form 10-K for the year ended December 31, 2008.

The Company s cost structure includes significant annual equipment-related costs, principally depreciation, maintenance, insurance and long-term equipment rentals, which have averaged approximately 22% to 25% of total costs of contract revenues over the last three years. During the year, both equipment utilization and the timing of these cost expenditures fluctuate significantly. Accordingly, the Company allocates these 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 the 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 the 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.

The Company performs its annual assessment of goodwill impairment as of July 1 each year. The Company performed its annual test of impairment as of July 1, 2009 for the goodwill in both the dredging and demolition segments with no indication of goodwill impairment as of the test date. The decline in the operating results and related cash flow forecasts in the demolition segment during the past year has reduced the amount by which the estimated fair value of the demolition segment exceeds the carrying value of the demolition segment s assets. A more than insignificant decline in the demolition segment s future operating results or cash flow forecasts versus the segment s current forecasts could potentially trigger a goodwill impairment charge in a future period.

We evaluated all events or transactions that occurred after September 30, 2009 up through November 6, 2009, the date we issued these financial statements. During this period we did not have any material subsequent events.

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

2. Earnings per share

Basic earnings per share is computed by dividing net income attributable to Great Lakes Dredge & Dock Corporation by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. The dilutive impact of options to purchase 727,483 shares of common stock and 339,600 issued restricted stock units (RSUs) is included in the calculation of diluted earnings per share (EPS) based on the application of the treasury stock method. The computations for basic and diluted earnings per share from continuing operations are as follows:

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	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
Numerator:				
Net income attributable to Great Lakes Dredge & Dock Corporation - numerator for basic earnings per share	$ 1,695	$ 1,401	$ 16,440	$ 3,151
Denominator:				
Denominator for basic earnings per share - weighted average shares outstanding	58,506	58,473	58,498	58,466
Dilutive impact of restricted stock units issued	139	26	65	10
Dilutive impact of stock options issued	43		14	
Denominator for diluted earnings per share adjusted weighted average shares	58,688	58,499	58,577	58,476
Basic earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.03	$ 0.02	$ 0.28	$ 0.05
Diluted earnings per share attributable to Great Lakes Dredge & Dock Corporation	$ 0.03	$ 0.02	$ 0.28	$ 0.05

3. Fair value measurements

The Company defines fair value in accordance with GAAP 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, which 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 September 30, 2009, the Company held certain derivative contracts, which the Company uses to manage commodity price and interest rate risk. Such instruments are not used for trading purposes. The fair value of these derivative contracts is summarized as follows:

Description	At September 30, 2009	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fuel hedge contracts	$ (12)	$	$ (12)	$
Interest rate swap contracts	259			259
Total assets measured at fair value	$ 247	$	$ (12)	$ 259

Interest Rate Swaps

In May 2009, the Company entered into two interest rate swap arrangements, which are effective through December 15, 2012, to swap a notional amount of $50 million from a fixed rate of 7.75% to a floating LIBOR-based rate in order to manage the interest rate paid with respect to the Company s 7.75% senior subordinated debt. The current portion of the fair value asset of the swaps is $653 at September 30, 2009 and is recorded in current assets. The long term portion of the fair value liability of the swaps at September 30, 2009 was $394 and is recorded in other long term liabilities. The swap is not accounted for as a hedge; therefore, the changes in fair value are recorded as adjustments to interest expense in each reporting period.

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Interest Rate Swaps	
Balance at Januray 1, 2009	$	
Total unrealized gains or (losses)		
included in earnings		(225)
Included in other comprehensive income		
Purchases and settlements		(34)
Balance at September 30, 2009	$	259

Fuel Hedge Contracts

As of September 30, 2009, 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 2010. As of September 30, 2009, there were 7.2 million gallons remaining on these contracts. Under these agreements, the Company will pay fixed prices ranging from $1.21 to $2.08 per gallon. At September 30, 2009 and December 31, 2008, the fair value liability on these contracts was estimated to be $12 and $5,682, respectively, and is recorded in other accrued expenses. The change in fair value of derivatives during the nine months ended September 30, 2009 was ($42). The remaining gains included in accumulated other comprehensive income at September 30, 2009 will be reclassified into earnings over the next eleven months, corresponding to the period during which the hedged fuel is expected to be utilized. The fair values of fuel hedges are corroborated using inputs that are readily observable in public markets; therefore, the Company has categorized these fuel hedges as Level 2.

The Company is exposed to certain market risks, primarily commodity price risk as it relates to the diesel fuel purchase requirements that 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 our domestic dredging contracts. The Company does not hold or issue derivatives for speculative or trading purposes. The Company s goal is to hedge approximately 80% of the fuel requirements for work in backlog. At September 30, 2009, the Company had hedged 7.2 million gallons, accounting for 71% of its forecasted fuel purchases for the next eleven months, at a weighted-average price per gallon of $1.89.

The Company designates the commodity swap contracts as cash flow hedges under generally accepted accounting principles. Accordingly, we formally document 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 either specific firm commitments or highly-probable forecasted transactions. Changes in the fair value of these hedge positions are recognized within cost of revenue, in the condensed consolidated statement of operations, offsetting the gain or loss from the hedged item.

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 is 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 such as firm commitments or forecasted 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 for its fuel hedges, it would be on a prospective basis and any hedges in place would be recognized in Other Comprehensive Income until all the related forcasted fuel purchases were made.

The Company is exposed to counterparty credit risk associated with non-performance on our hedging 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.

At each balance sheet date, unrealized gains and losses on fuel hedge contracts are recorded as a component of comprehensive income (loss) in the condensed consolidated balance sheets. Gains and losses realized upon settlement of fuel hedge contracts are recorded as a reduction of fuel expense, which is a component of costs of contract revenues in the condensed consolidated statements of operations.

The fair value of interest rate and fuel hedge contracts outstanding as of September 30, 2009 is as follows:

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	Fair Value of Derivatives At September 30, 2009						
	Balance Sheet Location	Fair Value Asset		Balance Sheet Location	Fair Value Liability		
Interest rate swaps	Current Assets	$	653	Other Liabilities	$	(394)	
Fuel hedge contracts	Current Assets		16	Accrued expenses		(28)	
Total Derivatives		$	669		$	(422)	

Other financial instruments

The carrying value of financial instruments included in current assets and current liabilities approximates fair values due to the short-term maturities of these instruments. At September 30, 2009, the Company had long-term subordinated notes outstanding with a recorded book value of $175,000. The fair value of these notes was $170,625 at September 30, 2009, based on indicative market prices.

4. Share-based compensation

The Company s 2007 Long-Term Incentive Plan (the Incentive Plan) permits the grant of stock options, stock appreciation rights, restricted stock and RSUs to its employees and directors for up to 5.8 million shares of common stock. The Company believes that such awards better align the interests of its employees with those of its shareholders and attract and retain the best possible talent.

In May of 2009 and 2008, the Company granted non-qualified stock options (NQSOs) and RSUs to certain employees pursuant to the plan. In addition all non-employee directors on the Company s board are paid a portion of their compensation in stock grants. Compensation cost charged to income related to these stock-based compensation arrangements was $403 and $778 for the three months and nine months ended September 30, 2009 and $238 and $302 for the three and nine months ended September 30, 2008

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 10-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 based upon a simplified assumption that the NQSOs will be exercised evenly from vesting to expiration, as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected life.

The volatility assumptions were based upon historical volatilities of comparable companies whose shares are traded using daily stock price returns equivalent to the expected term of the option. Due to a lack of sufficient historical information (the Company s shares were not publicly traded until December of 2006) historical volatility data for the Company was not considered in determining expected volatility. The Company also considered implied volatility data for comparable companies, using current exchange traded options. There is not an active market for options on the Company s common stock and, as 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.

The weighted-average grant-date fair value of options granted during the nine months ended September 30, 2009 and September 30, 2008 was $1.86 and $2.24, respectively. The fair value of each option was estimated using the following assumptions:

	2009	**2008**
Expected volatility	60.0%	45.0%
Expected dividends	1.8%	1.3%
Expected term (in years)	5.0 - 6.0	5.5 - 6.5
Risk free rate	2.2%	3.0%

A summary of option activity under the Incentive Plan as of September 30, 2009, and changes during the nine months then ended is presented below:

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Options	**Shares**		**Exercise Price**	**Weighted-Average Remaining Contract Term (yrs)**		**Aggregate Intrinsic Value ($000 s)**
Outstanding as of January 1, 2009	356,774	$	5.41	4.6	$	560
Granted	371,069		3.82	5.6		1,173
Exercised						
Forfeited or Expired						
Outstanding as of September 30, 2009	727,843	$	4.60	5.2	$	872
Vested at September 30, 2009	118,925	$	5.41	4.6	$	560
Vested or expected to vest at September 30, 2009	697,761	$	4.61	5.2	$	870

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 September 30, 2009, and changes during the nine months ended September 30, 2009 is presented below:

Nonvested Restricted Stock Units	**Shares**		**Grant Date Price**		**Weighted-Average Grant-Date Fair Value**
Outstanding as of January 1, 2009	145,736	$	5.41	$	5.41
Granted	193,864		3.82		3.82
Vested					
Forfeited					
Outstanding as of September 30, 2009	339,600	$	4.50	$	4.50
Vested at September 30, 2009		$		$	
Vested or expected to vest at September 30, 2009	243,984	$	4.63	$	4.60

As of September 30, 2009, there was $1.7 million of total unrecognized compensation cost related to non-vested NQSOs and RSUs granted under the Incentive Plan. That cost is expected to be recognized over a weighted-average period of 1.2 years.

5. Accounts receivable

Accounts receivable at September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
Completed contracts	$ 11,239	$ 37,119
Contracts in progress	84,782	61,010
Retainage	29,362	23,741
	125,383	121,870
Allowance for doubtful accounts	(1,250)	(1,250)
Total accounts receivable	$ 124,133	$ 120,620

Approximately $46 million of accounts receivable contracts in progress as of September 30, 2009 relates to dredging contracts with the government of Bahrain. Included in that balance are amounts owed related to one project on which the Company has signed a contract amendment revising, among other items, the payment terms. These revised terms require the customer to pay a specific amount each month that may or may not equal the amount billed by the Company for work completed that month. Currently the Company has billed amounts in excess of the specific payment requirements. The Company expects the work under the contract to be completed and all progress billings to be paid by the end of 2010.

6. Contracts in progress

The components of contracts in progress at September 30, 2009 and December 31, 2008 are as follows:

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		September 30, 2009		December 31, 2008
Costs and earnings in excess of billings:				
Costs and earnings for contracts in progress	$	264,049	$	409,304
Amounts billed		(226,817)		(378,732)
Costs and earnings in excess of billings for contracts in progress		37,232		30,572
Costs and earnings in excess of billings for completed contracts		344		344
Total contract revenues in excess of billings	$	37,576	$	30,916
Billings in excess of costs and earnings:				
Amounts billed	$	(384,061)	$	(145,441)
Costs and earnings for contracts in progress		360,544		125,659
Total billings in excess of contract revenues	$	(23,517)	$	(19,782)

7. Intangible assets

The net book value of intangible assets is as follows:

As of September 30, 2009:		Cost		Accumulated Amortization		Net
Demolition segment customer relationships	$	1,481	$	1,003	$	478
Demolition backlog		480		399		81
Software and databases		1,209		814		395
Non-compete agreement		205		51		154
Trade names		88		13		75
Other		83		36		47
Total						