

REGISTRATION NO. 333-39695

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GULF ISLAND FABRICATION, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

LOUISIANA 3441 72-1147390
(STATE OR OTHER (PRIMARY STANDARD INDUSTRIAL (I.R.S. EMPLOYER
JURISDICTION CLASSIFICATION CODE NUMBER) IDENTIFICATION NO.)
OF INCORPORATION)

583 THOMPSON ROAD
HOUMA, LOUISIANA 70363
(504) 872-2100

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

KERRY J. CHAUVIN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
GULF ISLAND FABRICATION, INC.

583 THOMPSON ROAD
HOUMA, LOUISIANA 70363
(504) 872-2100

(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

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JONES, WALKER, WAECHTER,
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201 ST. CHARLES AVENUE
NEW ORLEANS, LOUISIANA 70170
(504) 582-8000

THOMAS P. MASON
ANDREWS & KURTH L.L.P.
4200 TEXAS COMMERCE TOWER
600 TRAVIS, SUITE 4200
HOUSTON, TEXAS 77002
(713) 220-4200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering.

If this Form is a post-effective amendment pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT
SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS
REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH
SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE
REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION,
ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

 +INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
 +REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
 +SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
 +OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
 +BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
 +THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
 +SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
 +UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
 +ANY SUCH STATE. +
 +-----

SUBJECT TO COMPLETION, DATED NOVEMBER 13, 1997

2,000,000 SHARES

GULF ISLAND FABRICATION, INC.

COMMON STOCK

[Logo of Gulf Island Fabrication, Inc. appears here]

All of the shares of common stock, no par value per share (the "Common Stock"), of Gulf Island Fabrication, Inc. ("Gulf Island" or the "Company") offered hereby (the "Offering") are being sold by certain shareholders of the Company (the "Selling Shareholders"). The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholders. See "Principal and Selling Shareholders."

The Common Stock is traded on the Nasdaq National Market under the symbol "GIFI." On November 12, 1997, the last reported sales price of the Common Stock on the Nasdaq National Market was \$29.75. See "Price Range of Common Stock and Dividend Policy."

SEE "RISK FACTORS" BEGINNING ON PAGE 9 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

 <TABLE>
 <CAPTION>

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO SELLING SHAREHOLDERS (2)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

</TABLE>

- (1) The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses payable by the Company estimated at \$.
- (3) The Selling Shareholders have granted to the several Underwriters an option for 30 days to purchase up to an additional 300,000 shares of Common Stock at the Price to Public, less Underwriting Discount, solely to cover over-allotments, if any. If such option is exercised in full, the Price to Public, Underwriting Discount and Proceeds to Selling Shareholders will be \$, \$ and \$, respectively. See "Underwriting."

 The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, and subject to certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made on or about , 1997.

MORGAN KEEGAN & COMPANY, INC.

RAYMOND JAMES & ASSOCIATES, INC.

JOHNSON RICE & COMPANY L.L.C.

The date of this Prospectus is , 1997.

[PHOTO(S) APPEAR HERE]

FOUR LEG DECK FABRICATED BY
THE COMPANY (4200 TONS).

750 FOOT TALL JACKET FABRICATED
BY THE COMPANY IN
TRANSIT THROUGH THE HOUMA
NAVIGATION CANAL

[PHOTO(S) APPEAR HERE]

[PHOTO(S) APPEARS HERE]

ARTIST'S RENDITION OF THE SEA STAR(R) TENSION LEG PLATFORM BEING
FABRICATED BY THE COMPANY. THE SEA STAR(R) WAS DESIGNED BY
ATLANTIA CORPORATION AND WILL BE INSTALLED IN 1,700-1,800 FEET OF WATER.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS
THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK,
INCLUDING OVER-ALLOTMENT AND OTHER STABILIZING TRANSACTIONS. FOR A DESCRIPTION
OF THESE ACTIVITIES, SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS MAY ENGAGE IN PASSIVE
MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET
IN ACCORDANCE WITH RULE 103 OF REGULATION M UNDER THE SECURITIES EXCHANGE ACT
OF 1934. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed
information and financial statements and the notes thereto included elsewhere
in this Prospectus. Unless otherwise indicated, the information in this
Prospectus assumes that the Underwriters' over-allotment option will not be
exercised. Certain technical terms are defined in the "Glossary of Certain
Technical Terms" appearing immediately before the Index to Financial
Statements. As used herein, unless the context requires otherwise, the
"Company" refers to Gulf Island Fabrication, Inc., its predecessor and
subsidiaries, including Dolphin Services, Inc. and related companies ("Dolphin
Services") which were acquired by the Company in January 1997. All references
to the number of outstanding shares of Common Stock of the Company and per
share amounts have been adjusted for a two-for-one stock split effectuated as a
stock dividend that became effective on October 28, 1997.

THE COMPANY

Gulf Island Fabrication, Inc. is a leading fabricator of offshore drilling
and production platforms and other specialized structures used in the
development and production of offshore oil and gas reserves. Structures and
equipment fabricated by the Company include jackets and deck sections of fixed
production platforms, hull and deck sections of floating production platforms
(such as tension leg platforms), piles, wellhead protectors, subsea templates
and various production, compressor and utility modules. The Company believes it
is one of only three domestic companies capable of fabricating fixed offshore
production platforms, including jackets, for installation in water depths
greater than 300 feet. The Company's focus on controlling costs and providing
high quality, reliable products and services has enabled it to be profitable
for each year since 1988.

Demand for the Company's products and services is primarily a function of the
level of offshore oil and gas activity in the Gulf of Mexico and, to a lesser
extent, offshore areas in West Africa and Latin America. Over the past five
years, improvements in seismic and drilling technology, production techniques
and oil and gas prices have resulted in an increased number of acreage blocks
leased by oil companies in the Gulf of Mexico, more intensive drilling activity
in shallow water areas, and increased exploration of deepwater areas of the
Gulf of Mexico. The number of 5,000 acre blocks leased by oil companies in the
Gulf of Mexico from the Mineral Management Service (the "MMS") has increased
from 204 in 1992 to 1,808 in 1997, a number of which are pending final MMS
approval. The number of active drilling rigs in the Gulf of Mexico has
increased from less than 60 in May 1992 to approximately 170 at the end of
October 1997.

The Company believes that the number of blocks leased and the number of
active drilling rigs are leading indicators of demand for the Company's
products, with fabrication activity trailing leasing and drilling activity by
one to three years. As a result, demand for the Company's products has improved

during the last two years. Revenue in 1996 increased 24% to \$79.0 million, earnings before interest, taxes, depreciation and amortization ("EBITDA") increased 172% to \$9.3 million and net income increased 360% to \$7.3 million, in each case as compared to 1995. For the nine months ended September 30, 1997, which includes the consolidated results of operations of Dolphin Services, revenue increased 68.2% to \$101.6 million, while EBITDA increased 157% to \$17.1 million, and net income increased 80.4% to \$9.4 million, in each case as compared to the corresponding nine-month period in 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. The Company's backlog at December 31, 1996 was \$87.1 million as compared to \$22.0 million at the end of 1995. At September 30, 1997, the Company's backlog was \$92.8 million.

The Company was founded in 1985 by a group of investors, including the Selling Shareholders, and began operations at its main fabrication yard on the Houma Navigation Canal in southern Louisiana, approximately 30 miles from the Gulf of Mexico. On January 2, 1997, the Company acquired Dolphin Services, a company that performs offshore and inshore fabrication and construction services (the "Dolphin Acquisition"). The Company completed the initial public offering of its Common Stock in April 1997 (the "Initial Public Offering"). The Company's facilities are located on 597 acres, of which 250 acres are currently developed for fabrication

3

activities with 347 acres available for expansion. These facilities allow the Company to build jackets for fixed production platforms for use in water depths up to 800 feet and deck sections for fixed or floating production platforms for use in unlimited water depths. In addition, the Company is able to build certain hull sections of tension leg platforms, typically for use in water depths greater than 1,000 feet.

GROWTH STRATEGY

The Company's growth strategy is to capitalize on the positive trends and opportunities in the offshore fabrication and construction industry. Key elements of this strategy are to:

. INCREASE PRODUCTION CAPACITY. In order to capitalize on the increased demand for its fabrication services, the Company is taking actions to increase the production capacity of its fabrication yards by (i) purchasing additional equipment, (ii) expanding and upgrading its existing buildings and equipment and (iii) increasing the size and capability of its workforce. In 1996, the Company spent approximately \$5.8 million to purchase equipment and modify its fabrication yards in order to increase capacity and improve productivity. The Company has spent \$12.8 million through September 30, 1997, and anticipates spending an additional \$19.0 million through the remainder of 1997 and 1998, for additional capital improvements to its fabrication yards. During 1997, the Company increased its workforce by 524 employees to 1,050 at September 28, 1997, including approximately 350 employees added as a result of the Dolphin Acquisition, and has recently expanded programs to attract additional workers.

. MAINTAIN A LOW COST STRUCTURE. The Company believes it is a low-cost fabricator of offshore structures due to its state-of-the-art production techniques, skilled and motivated workforce, efficient management and low overhead costs. The Company plans to continue to emphasize cost savings through, among other things, the addition of labor-saving equipment, while providing high quality products and reliable services to its customers.

. ACQUIRE RELATED BUSINESSES. Dolphin Services, which the Company acquired for approximately \$5.9 million, generated \$26.8 million in revenue, \$2.6 million in EBITDA and \$1.4 million in net income for the year ended December 31, 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. The Dolphin Acquisition significantly increased the Company's revenue, cash flow and number of employees and broadened the Company's product and service offerings. Management believes that there are additional opportunities to acquire companies that have related or complementary products or services to those currently provided by the Company. The Company is free of debt, and management believes that its capital structure will enable it to pursue such opportunities as they arise.

. PURSUE ADDITIONAL INTERNATIONAL OPPORTUNITIES. There are significant opportunities to supply platforms outside of the Gulf of Mexico. From January 1, 1992 through December 31, 1996, approximately 25% of the Company's revenue was derived from the fabrication of structures installed outside of the Gulf of Mexico, including offshore West Africa and Latin America. Many of the Company's customers who operate in the Gulf of Mexico also have extensive operations in international areas. Management believes that its established relationships with such customers, combined with its certification as an ISO 9002 fabricator, will continue to facilitate the Company's development of its international presence. The Company believes that some companies will continue to utilize U.S. fabricators to build platforms for use in foreign markets despite additional transportation costs because of the higher quality and lower costs available from U.S. fabricators. In the future, the Company

may pursue joint venture relationships or other cooperative arrangements in order to increase its participation in such projects.

The Company is incorporated under the laws of the State of Louisiana and its principal executive offices are located at 583 Thompson Road, Houma, Louisiana 70363, its telephone number is (504) 872-2100, and its mailing address is P.O. Box 310, Houma, Louisiana 70361-0310.

RECENT DEVELOPMENTS

The Company has recently entered into an agreement to acquire Southport, Inc., a corporation headquartered in Harvey, Louisiana ("Southport") which specializes in the fabrication of living quarters for offshore platforms, for \$6 million in cash, payable at the closing of the acquisition, plus contingency payments of up to an additional \$5 million payable out of Southport's net income over a four-year period ending December 31, 2001. The Company anticipates that substantially all of the initial and deferred portions of the acquisition price will be paid with available working capital. Completion of the transaction is subject to various conditions including the satisfactory completion of due diligence by the Company, and no assurance can be given that the acquisition will be successfully completed.

Southport's revenue and net income were \$17.8 million and \$0.6 million, respectively, for the year ended December 31, 1996, and \$14.4 million and \$1.1 million, respectively, for the nine months ended September 30, 1997. Due to a \$1.1 million net operating loss carry forward, Southport is expected to incur a very low effective tax rate for 1997. Southport had approximately 180 employees at September 30, 1997.

THE OFFERING

Common Stock offered by Selling Shareholders..... 2,000,000 shares

Common Stock to be outstanding after the Offering..... 11,600,000 shares(1)

Use of proceeds..... The Company will not receive any of the proceeds from the sale of Common Stock by the Selling Shareholders. See "Principal and Selling Shareholders."

Nasdaq National Market symbol..... GIF1

(1) Excludes 392,000 shares issuable upon exercise of outstanding options. See "Management--Compensation Pursuant to Plans--Long-Term Incentive Plan."

RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk. In particular, prospective investors should be aware of the effect on the Company of the risks presented by the factors listed under "Risk Factors."

SUMMARY FINANCIAL AND OPERATING DATA

The following table sets forth summary historical financial and operating data as of the dates and for the periods indicated. The historical financial data for each year in the three-year period ended December 31, 1996 are derived from the audited financial statements of the Company. The following table also sets forth unaudited historical financial and operating data as of September 30, 1996 and 1997 and for each of the nine-month periods then ended and unaudited pro forma financial information as of and for the year ended December 31, 1996 that gives effect to significant events that occurred subsequent to December 31, 1996, including the Dolphin Acquisition and the termination of the Company's S Corporation status, as further explained in the notes thereto. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and notes thereto included elsewhere in this Prospectus. All references to the number of outstanding shares of Common Stock and per share data have been adjusted for a two-for-one stock split that became effective October 28, 1997.

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,				NINE MONTHS ENDED	
-----				SEPTEMBER 30,	

PRO					
FORMA					
1994	1995	1996	1996(1)	1996(2)	1997

(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:						
Revenue.....	\$60,984	\$63,779	\$79,004	\$103,007	\$ 60,376	\$ 101,556
Cost of revenue.....	57,519	60,034	68,673	88,853	53,275	83,282
Gross profit.....	3,465	3,745	10,331	14,154	7,101	18,274
General and administrative expense.....	1,567	1,730	2,161	3,803	1,567	3,262
Non-recurring compensation charge(3).....	--	--	500	500	--	--
Operating income.....	1,898	2,015	7,670	9,851	5,534	15,012
Net interest expense..	328	430	384	899	297	212
Income before income taxes.....	1,570	1,585	7,286	8,952	5,237	14,800
Provision for income taxes.....	--	--	--	--	--	4,210
Cumulative deferred tax provision.....	--	--	--	--	--	1,144
Net income.....	\$ 1,570	\$ 1,585	\$ 7,286	\$ 8,952	\$ 5,237	\$ 9,446
UNAUDITED PRO FORMA DATA:						
Income before income taxes.....			\$ 7,286	\$ 8,952	\$ 5,237	\$ 14,800
Pro forma provision for income taxes(4)..			2,934	3,553 (5)	1,990	5,589
Pro forma net income..			\$ 4,352	\$ 5,399	\$ 3,247	\$ 9,211
Pro forma net income per share.....			\$ 0.55	\$ 0.69	\$ 0.41	\$ 0.89
Pro forma weighted average common shares(6).....			7,854	7,854	7,854	10,370
OTHER FINANCIAL DATA:						
Depreciation and amortization.....	\$ 1,370	\$ 1,382	\$ 1,586	\$ 2,013	\$ 1,128	\$ 2,104
Capital expenditures..	\$ 676	\$ 992	\$ 5,838	\$ 6,722	\$ 5,481	\$ 12,787
EBITDA(7).....	\$ 3,268	\$ 3,397	\$ 9,256	\$ 11,864	\$ 6,662	\$ 17,116
EBITDA margin(8).....	5.4%	5.3%	11.7%	11.5%	11.0%	16.9%

6

<TABLE>
<CAPTION>

<S>	AS OF DECEMBER 31, 1996		AS OF SEPTEMBER 30,	
	HISTORICAL	PRO FORMA (1)	1996 (2)	1997
	(IN THOUSANDS)			
<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:				
Working capital, excluding current maturities of long-term debt.....	\$ 11,532	\$ 14,637	\$ 8,092	\$ 16,887
Property, plant and equipment, net.....	17,735	21,292	17,833	31,533
Total assets.....	35,909	46,026	36,048	66,854
Debt, including current maturities.....	6,187 (9)	25,803 (9)	4,417	--
Shareholders' equity.....	23,498	9,240	21,926	47,630

<TABLE>
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<S>	NINE MONTHS ENDED				
	YEAR ENDED DECEMBER 31,			SEPTEMBER 30,	
	1994	1995	1996	1996	1997
<C>	<C>	<C>	<C>	<C>	
(IN THOUSANDS)					
OPERATING DATA:					
Direct labor hours worked(10)..	1,037	920	1,073	817	1,615

Backlog(11)					
In direct labor hours.....	400	427	1,038	1,037	1,363
In dollars.....	\$20,740	\$22,003	\$87,093	\$66,490	\$92,847

<CAPTION>

	NINE MONTHS				
	YEAR ENDED DECEMBER 31,			ENDED	
	-----			SEPTEMBER 30,	
	1994	1995	1996	1997	
	-----	-----	-----	-----	
<S>	<C>	<C>	<C>	<C>	<C>
GULF OF MEXICO INDUSTRY DATA:					
Total blocks leased(12).....	560	835	1,508	1,808	
Deep water blocks leased(13)...	94	326	888	1,261	
Drilling rigs under contract(14).....	129	133	148	167	
Offshore platforms installed(15).....	123	80	109	N/A	

</TABLE>

(1) Gives effect to the Dolphin Acquisition as if consummated at the end of the period presented for balance sheet data and as of the beginning of the period presented for all other data, and should be read in conjunction with the unaudited pro forma financial statements of the Company and the notes thereto included elsewhere in this Prospectus.

(2) The summary financial and operating data for the nine months ended September 30, 1996 does not give effect to Dolphin Acquisition and, accordingly, the summary financial and operating data for the nine months ended September 30, 1996 and 1997 is not comparable.

(3) In December 1996, the Company's principal shareholders sold an aggregate of 98,000 shares of Common Stock to the Company's executive officers at a total purchase price of \$350,000. The Company was required to recognize a non-cash expense equal to the difference between the aggregate purchase price for such shares (adjusted for certain distributions with respect to such shares that were paid in 1997 before completion of the Initial Public Offering) and the estimated value of such shares at the time of the Initial Public Offering.

(4) Includes pro forma effect for the application of federal and state income taxes to the Company as if it were a C Corporation for tax purposes. Prior to the Initial Public Offering, the Company elected to terminate its S Corporation status. As a result, the Company became subject to corporate level income taxation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Pro Forma Results of Operations; Tax Adjustments," notes 1 and 2 to the Company's audited financial statements and note 3 to the Company's financial statements for the nine months ended September 30, 1997 included elsewhere in this Prospectus.

7

(5) Includes approximately \$619,000 in federal and state income taxes, net of acquisition adjustments, accrued in 1996 by Dolphin Services, which operated as a C Corporation until January 1, 1997, at which time its shareholders elected to be taxed as an S Corporation.

(6) Calculated as weighted average common shares, increased to reflect sufficient additional shares required to be sold to pay the pro forma distribution payable to the shareholders in excess of historical net income for 1996 (854,000 shares). The number of such additional shares is based on the Initial Public Offering price of \$7.50 per share, less offering expenses.

(7) The Company calculates EBITDA (earnings before interest expense, income taxes, depreciation and amortization) as operating income plus depreciation and amortization. EBITDA should not be considered as an alternative to net income or any other measure of operating performance in accordance with generally accepted accounting principles. EBITDA is widely used by financial analysts as a measure of financial performance. The Company's measurement of EBITDA may not be comparable to similarly titled measures reported by other companies.

(8) EBITDA margin is calculated by dividing EBITDA by revenue.

(9) Historical and pro forma information includes \$530,000 of current maturities of debt. In addition, pro forma information includes approximately \$13.2 million of debt incurred (as of December 31, 1996) to fund a distribution to the Company's shareholders prior to the completion of the Initial Public Offering and \$206,000 of current maturities of debt of Dolphin Services. See "Prior S Corporation Status" and "Certain Transactions."

(10) Direct labor hours are hours worked by employees directly involved in the production of the Company's products. Data for the nine months ended September 30, 1997 excludes direct labor hours attributable to salaried employees of Dolphin Services.

(11) The Company's backlog is based on management's estimate of the number of direct labor hours required to complete, and the remaining amounts to be invoiced with respect to, those projects on which a customer has authorized the Company to begin work or purchase materials. Backlog at

September 30, 1997 included approximately 100,000 direct labor hours and \$5.2 million attributable to portions of orders expected to be completed after September 30, 1998. See "Risk Factors--Backlog" and "Business--Backlog."

- (12) Represents the number of 5,000 acre tracts leased by the MMS to oil and gas companies in the Gulf of Mexico. Data obtained from the MMS. Data for the nine months ended September 30, 1997 include leases subject to final approval of the MMS.
- (13) Represents the number of 5,000 acre tracts located in water depths greater than 200 meters leased by MMS to oil and gas companies in the Gulf of Mexico. Data obtained from the MMS.
- (14) Represents the average number of drilling rigs under contract in the Gulf of Mexico for the period presented. Data obtained from Oceandrill Data Services.
- (15) Represents the number of fixed development drilling and production platforms installed in the Gulf of Mexico in the period presented. Data obtained from Offshore Data Services.

8

RISK FACTORS

Prospective purchasers of the Common Stock should carefully consider the investment considerations set forth below, as well as the other information contained in this Prospectus.

CYCLICALITY; DEPENDENCE ON ACTIVITY IN THE OIL AND GAS INDUSTRY

The demand for the Company's services has traditionally been cyclical, depending on the condition of the oil and gas industry and, in particular, the level of capital expenditures of oil and gas companies who operate in the Gulf of Mexico. These capital expenditures are influenced by prevailing oil and natural gas prices, exploration and production companies' expectations about future prices, the cost of exploring for, producing and delivering oil and gas, the sale and expiration dates of offshore leases in the United States and overseas, the discovery rate of new oil and gas reserves in offshore areas, local and international political and economic conditions, and the ability of oil and gas companies to access or generate capital sufficient to fund capital expenditures for offshore exploration, development and production activities. Although the trend of oil and natural gas prices over the past year has been generally favorable, over the past several years, oil and natural gas prices and the level of offshore drilling and exploration activity have fluctuated substantially, resulting in significant fluctuations in demand for the Company's services. In addition, because of high demand for various services related to oil and gas drilling and development (for example, drilling rigs and offshore marine transportation services), the cost of such services has increased and this has had and may continue to have the effect of curtailing the amount available in the capital expenditure budgets of oil and gas companies for the Company's fabrication services. A significant or prolonged reduction in oil or natural gas prices in the future or continued elevated drilling and development costs would likely depress offshore drilling and development activity. A substantial reduction of such activity would reduce demand for the Company's services and could have a material adverse effect on the Company's financial condition and results of operations.

NEED FOR SKILLED WORKERS

The Company's ability to remain productive and profitable depends substantially on its ability to retain and attract skilled construction workers, primarily welders, fitters and equipment operators. The Company's ability to expand its operations depends primarily on its ability to increase its labor force. The demand for such workers is high, and the supply is extremely limited. While the Company believes that its wage rates are competitive and that its relationship with its skilled labor force is good, a significant increase in the wages paid by competing employers could result in a reduction in the Company's skilled labor force, increases in the wage rates paid by the Company, or both. If either of these events occurred, in the near-term, the profits realized by the Company from work in progress would be reduced or eliminated, and, in the long-term, the production capacity and profitability of the Company could be diminished, and the growth potential of the Company could be impaired.

BACKLOG

The Company's backlog is based on management's estimate of the direct labor hours required to complete, and the remaining amounts to be invoiced with respect to, those projects on which a customer has authorized the Company to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. All projects currently included in the Company's backlog are subject to change and/or termination at the option of the customer, either of which could substantially change the amount of backlog currently reported. In the case of a termination, the customer is generally required to pay the Company for work performed and materials purchased through the date of termination, and in some cases, pay the Company termination fees; however, due to the large dollar amounts of backlog estimated for each of a

small number of projects, amounts included in the Company's backlog could decrease substantially if one or more of these projects were to be terminated by the Company's customers. In particular, approximately 88% and 62% of the Company's backlog at December 31, 1996 and September 30, 1997, respectively, were attributable to three projects. In 1996, two of the three projects were for the same customer. A termination of one or more of these large projects could have a material adverse effect on the Company's revenue, net income and cash flow.

OPERATING RISKS

The Company's fabrication of large steel structures involves certain operating hazards that can cause personal injury or loss of life, severe damage to and destruction of property and equipment and suspension of

9

operations. The failure of such structures during and after installation can result in similar injuries and damages. In addition, certain activities engaged in by employees of Dolphin Services that are not engaged in by the Company's other employees, including piping interconnect and other service activities conducted on offshore platforms and activities performed on the spud barges owned by Dolphin Services, are covered by provisions of the Jones Act, the Death on the High Seas Act and general maritime law, which laws operate to make the liability limits established by state workers' compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against the Company for damages or job-related injuries, with generally no limitations on the Company's potential liability. The ownership and operation of the vessels acquired in the Dolphin Acquisition can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against both the Company and third parties for, among other things, personal injury, death, property damage, pollution and loss of business. Litigation arising from any such occurrences may result in the Company being named as a defendant in lawsuits asserting large claims. In addition, due to their proximity to the Gulf of Mexico, the Company's facilities are subject to the possibility of physical damage caused by hurricanes or flooding. Although the Company maintains such insurance protection as it considers economically prudent, there can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all claims or hazards to which the Company may be subject. A successful claim or damage resulting from a hazard for which the Company is not fully insured could have a material adverse effect on the Company. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable. See "Business--Insurance" and "--Legal Proceedings."

To the extent the Company's future operations involve international expansion, those operations would be subject to a number of risks inherent in business operations in foreign countries, including political, social and economic instability, potential seizure or nationalization of assets, currency restrictions and exchange rate fluctuations, nullification, modification or renegotiation of contracts, import-export quotas and other forms of public and governmental regulation, all of which are beyond the control of the Company. Additionally, the ability of the Company to compete in international markets may be adversely affected by import duties and fees, by foreign taxes, by foreign governmental regulations that favor or require the awarding of contracts to local contractors, or by regulations requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

CONTRACT BIDDING RISKS

Due to the nature of the marine construction industry, a substantial number of the Company's projects are performed on a fixed-price basis, although some projects are performed on an alliance/partnering or cost-plus basis. Under fixed-price contracts, the Company receives the price fixed in the contract, subject to adjustment only for change orders placed by the customer. As a result, the Company is responsible for all cost overruns. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price that includes specified levels of labor and material costs and profit margins. If the project is completed at less cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost to completion is greater than target costs, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor. Accordingly, under alliance/partnering arrangements, the Company has some protection against cost overruns but must share a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and material cost and so is protected against cost overruns but does not benefit directly from cost savings. The revenue, costs and gross profit realized on a contract will often vary from the estimated amounts on which such contracts were originally based because of various reasons, including errors in estimates or bidding, changes in the availability and cost

of labor and material and variations in productivity from the original estimates. These variations and the risks inherent in the marine construction industry may result in revenue and gross profits different from those originally estimated and reduced profitability or losses on projects. Depending on the size of a project, variations from estimated contract performance can have a significant impact on the Company's operating results for any particular fiscal quarter or year.

10

PERCENTAGE-OF-COMPLETION ACCOUNTING

Most of the Company's revenue is recognized on a percentage-of-completion basis based on the ratio of direct labor hours worked to the total estimated direct labor hours required for completion. Accordingly, contract price and cost estimates are reviewed monthly as the work progresses, and adjustments proportionate to the percentage of completion are reflected in revenue for the period when such estimates are revised. To the extent that these adjustments result in a reduction or elimination of previously reported profits, the Company would have to recognize a charge against current earnings, which may be significant depending on the size of the project or the adjustment. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

SEASONALITY

The Company's operations are subject to seasonal variations in weather conditions and daylight hours. Since most of the Company's construction activities take place outdoors, the number of direct labor hours worked generally declines in the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate amount of the Company's net income and, to a lesser extent, revenue and gross profit, has historically been earned during the second and third quarters of the year, and the Company has occasionally incurred losses during the fourth and first quarters of its fiscal year. For example, the portion of net income earned during the second and third quarters amounted to 103%, 81% and 61% of the Company's total net income for fiscal 1994, 1995 and 1996, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE ON SIGNIFICANT CUSTOMERS

A large portion of the Company's revenue has historically been generated by a few customers, although not necessarily the same customers from year to year. For example, the Company's largest customers (those which individually accounted for more than 10% of revenue in a given year) collectively accounted for 38% (2 customers), 40% (2 customers) and 35% (3 customers) of revenue for fiscal 1994, 1995 and 1996, respectively. In addition, at September 30, 1997, 62% of the Company's backlog was attributable to three projects. In 1996, two of the three projects were for the same customer. Because the level of fabrication that the Company may provide to any particular customer depends, among other things, on the size of that customer's capital expenditure budget devoted to platform construction plans in a particular year and the Company's ability to meet the customer's delivery schedule, customers that account for a significant portion of revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years. However, the loss of a significant customer for any reason, including a sustained decline in that customer's capital expenditure budget or competitive factors, can result in a substantial loss of revenue and could have a material adverse effect on the Company's operating performance.

COMPETITION

Marine construction companies servicing the oil and gas industry compete intensely for available projects. Contracts for the Company's services are generally awarded on a competitive bid basis and, while customers may consider, among other things, the availability and capabilities of equipment, the reputation, experience and safety record of the contractor, price and the contractor's ability to meet a customer's delivery schedule are the principal factors in determining which qualified contractor is awarded the job. The Company competes with both large and small companies, and certain of these competitors have greater financial and other resources than the Company. In addition, because of subsidies, import duties and fees, taxes imposed on foreign operators and lower wage rates in foreign countries along with fluctuations in the value of the U.S. dollar and other factors, the Company may not be able to remain competitive with foreign contractors for projects designed for use in international locations as well as those designed for use in the Gulf of Mexico. See "Business--Competition."

11

INTEGRATION AND AVAILABILITY OF ACQUISITIONS

A part of the Company's growth strategy is to acquire companies that have related or complementary products or services to those currently provided by the Company. To the extent the Company's success is contingent on making further acquisitions, there can be no assurance that the Company will be able to identify and acquire acceptable acquisition candidates on terms favorable to the Company or that the Company will be able to integrate such acquisitions successfully.

REGULATORY AND ENVIRONMENTAL MATTERS

The Company's operations and properties are subject to and affected by various types of governmental regulation, including numerous federal, state and local environmental protection laws and regulations, compliance with which is becoming increasingly complex, stringent and expensive. These laws may provide for "strict liability" for damages to natural resources or threats to public health and safety, rendering a party liable for the environmental damage without regard to its negligence or fault. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances. In addition, companies may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed. In addition, the Company depends on the demand for its products from the oil and gas industry and could be affected by changes in taxes, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration and development drilling for oil and gas for economic, environmental and other policy reasons would adversely affect the Company's operations by limiting demand for its products. The Company cannot determine to what extent future operations and earnings of the Company may be affected by new legislation, new regulations or changes in existing regulations. See "Business--Government and Environmental Regulation."

The Houma Navigation Canal provides the only means of access for the Company's products from the Company's facilities to open waters. Federal law authorizes maintenance of the canal by the United States Corps of Engineers at federal expense. The canal requires annual dredging to maintain its water depth and, while federal funding for this dredging has been provided for over 30 years, there is no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of the canal will be continued indefinitely. If sufficient funding were not appropriated for that purpose, the Houma Navigation Canal could become impassable by barges required to transport many of the Company's products, with the result that the Company's operations and financial position could be materially and adversely affected.

DEPENDENCE ON KEY PERSONNEL

The Company's success depends on, among other things, the continued active participation of Kerry J. Chauvin, President and Chief Executive Officer, and certain of the Company's other officers and key operating personnel. The loss of the services of any one of these persons could have a material adverse effect on the Company. See "Management."

CONCENTRATION OF COMMON STOCK OWNERSHIP

Upon completion of the Offering, the Company's directors and executive officers and certain of their affiliates will beneficially own approximately 39% (37% if the over-allotment option is exercised in full) of the outstanding shares of Common Stock. Accordingly, these shareholders will have the ability to influence the election of the Company's directors and the outcome of most other matters submitted to a vote of the Company's shareholders, which may have the effect of delaying or preventing a change of control of the Company. See "Principal and Selling Shareholders."

SHARES ELIGIBLE FOR FUTURE RESALE; REGISTRATION RIGHTS

Upon completion of the Offering, the Company will have outstanding 11,600,000 shares of Common Stock (excluding 392,000 shares issuable upon the exercise of outstanding options). All of the 4,600,000 shares of Common Stock offered in the Initial Public Offering and the 2,000,000 shares offered hereby (2,300,000 shares if the over-allotment option is exercised in full) will be eligible for sale in the public market without restriction upon completion of the Offering. Shareholders who own the 5,000,000 remaining shares (4,700,000 shares if the over-allotment option is exercised in full) of Common Stock may sell such shares pursuant to the provisions of Rule 144 under the Securities Act or otherwise. In addition, each of the Selling Shareholders has been granted certain demand and "piggy-back" registration rights by the Company with respect to all of the shares of Common Stock owned by him. Although the

Company cannot predict the timing or amount of future sales of Common Stock or the effect that the availability of such shares for sale will have on the market price prevailing from time to time, sales of substantial amounts of Common Stock in the public market following this Offering could adversely affect the market price of the Common Stock. See "Principal and Selling Shareholders" and "Certain Transactions."

POSSIBLE VOLATILITY OF MARKET PRICE; DILUTION

There can be no assurance that future market prices at which the Common Stock will sell in the public market after the Offering will not be lower than the public offering price of the shares of Common Stock offered in the Offering. Following the Offering, the market price of the Common Stock may fluctuate depending on various factors, including the general economy, stock market conditions, general trends in the marine construction business, fluctuations in oil and gas prices, announcements by the Company or its competitors and variations in the Company's quarterly and annual operating results.

DIVIDENDS

The Company currently intends to retain earnings, if any, to meet its working capital requirements and to finance the future operation and growth of the Company's business and, therefore, does not plan to pay cash dividends to holders of its Common Stock in the foreseeable future. In addition, the agreement governing the Bank Credit Facility (as hereinafter defined) limits the Company's ability to pay dividends on its Common Stock. See "Price Range of Common Stock and Dividend Policy."

UNCERTAINTY OF FORWARD-LOOKING INFORMATION

Certain of the statements set forth under "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," and elsewhere in this Prospectus, such as statements relating to increasing production capacity, acquiring related businesses and market opportunities, are forward-looking and are based upon the Company's current belief as to the outcome and timing of such future events. Many risks and uncertainties can affect the outcome and timing of such events, including many factors beyond the control of the Company. These factors include, but are not limited to, the matters described in "Risk Factors." Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, the Company's actual results and plans could differ materially from those expressed in the forward-looking statements.

PRIOR S CORPORATION STATUS

Prior to the Initial Public Offering, the Company operated as an S Corporation for federal and state income tax purposes. As a result, the Company paid no federal or state income tax, and the entire earnings of the Company were subject to tax directly at the shareholder level. Immediately prior to the Initial Public Offering, the Company's shareholders made an election terminating the Company's S Corporation status, and the Company is currently subject to corporate level income taxation. The Company recorded a one-time deferred tax liability in the amount of \$1.1 million in the second quarter of 1997. See the Company's financial statements and notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Prior to the Initial Public Offering, the Company made cash distributions to its shareholders in order to provide a cash return to them as well as to fund their federal and state income tax liability that resulted from the Company's prior status as an S Corporation. These distributions totaled \$433,671 and \$2.7 million in the years ended December 31, 1995 and 1996, respectively, and \$16.6 million through the April 4, 1997 termination of S Corporation Status. See "Certain Transactions."

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

The Common Stock is traded on the Nasdaq National Market under the symbol "GIFI." The following table sets forth the high and low sales prices per share of the Common Stock, as reported by the Nasdaq National Market, for each fiscal quarter since trading in the Common Stock began on April 4, 1997 (adjusted to give retroactive effect for the two-for-one stock split effective October 28, 1997).

<TABLE>
<CAPTION>

	HIGH	LOW
	-----	-----
<S>	<C>	<C>
Fiscal Year 1997		
Second Quarter (commencing April 4, 1997).....	\$13.31	\$ 7.88

Third Quarter.....	25.50	12.50
Fourth Quarter (through November 12, 1997).....	39.50	23.75

</TABLE>

On November 12, 1997, the last reported sales price of the Common Stock on the Nasdaq National Market was \$29.75 per share. At October 31, 1997, the Company had approximately 230 holders of its Common Stock, including record holders and individual participants in security position listings.

The Company currently intends to retain earnings, if any, to meet its working capital requirements and to finance the future operation and growth of its business and, therefore, does not plan to pay cash dividends to holders of its Common Stock in the foreseeable future. In addition, the agreements governing the Bank Credit Facility (as hereinafter defined) limit the Company's ability to pay dividends on its Common Stock. See "Risk Factors--Dividends."

CAPITALIZATION

The following table sets forth the short-term debt and capitalization of the Company at September 30, 1997. The table set forth below should be read in conjunction with the Company's financial statements and the notes thereto included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30, 1997
	----- (IN THOUSANDS)
<S>	<C>
Short-term debt.....	\$ --
	=====
Long-term debt, less current maturities.....	\$ --
Shareholders' equity:	
Preferred stock, no par value per share; 5,000,000 shares authorized; none issued or outstanding.....	--
Common stock, no par value per share; 20,000,000 shares authorized; 11,600,000 shares issued and outstanding(1).....	4,133
Additional paid-in capital.....	34,865
Retained earnings.....	8,632

Total shareholders' equity.....	47,630

Total capitalization.....	\$47,630
	=====

</TABLE>

(1) Excludes 392,000 shares issuable upon exercise of outstanding options. See "Management--Compensation Pursuant to Plans--Long-Term Incentive Plan."

SELECTED FINANCIAL AND OPERATING DATA

The following table sets forth selected historical financial and operating data as of the dates and for the periods indicated. The historical financial data for each year in the five-year period ended December 31, 1996 are derived from the audited financial statements of the Company. The selected financial data for the nine-month periods ended September 30, 1996 and 1997 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which the Company considers necessary for a fair presentation of the financial position and results of operations for these periods. The operating results for the nine months ended September 30, 1997 are not necessarily indicative of the results to be expected for any future periods. The table also sets forth unaudited pro forma financial information as of and for the year ended December 31, 1996 that gives effect to significant events that occurred subsequent to December 31, 1996, including the Dolphin Acquisition and the termination of the Company's S Corporation status, as further explained in the notes thereto. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and notes thereto included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	NINE MONTHS ENDED SEPTEMBER 30,
-----	-----
PRO FORMA	

	1992	1993	1994	1995	1996	1996(1)	1996(2)	1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:								
Revenue.....	\$51,462	\$65,435	\$60,984	\$63,779	\$79,004	\$103,007	\$ 60,376	\$ 101,556
Cost of revenue.....	45,457	60,599	57,519	60,034	68,673	88, 853	53,275	83,282
Gross profit.....	6,005	4,836	3,465	3,745	10,331	14,154	7,101	18,274
General and administra- tive expense.....	1,566	1,585	1,567	1,730	2,161	3,803	1,567	3,262
Non-recurring compensation charge(3).....	--	--	--	--	500	500	--	--
Operating income.....	4,439	3,251	1,898	2,015	7,670	9,851	5,534	15,012
Net interest expense...	208	70	328	430	384	899	297	212
Income before income taxes.....	4,231	3,181	1,570	1,585	7,286	8,952	5,237	14,800
Provision for income taxes.....	--	--	--	--	--	--	--	4,210
Cumulative deferred tax provision.....	--	--	--	--	--	--	--	1,144
Net income.....	\$ 4,231	\$ 3,181	\$ 1,570	\$ 1,585	\$ 7,286	\$ 8,952	\$ 5,237	\$ 9,446
UNAUDITED PRO FORMA DA- TA:								
Income before income taxes.....					\$ 7,286	\$ 8,952	\$ 5,237	\$ 14,800
Pro forma provision for income taxes(4).....					2,934	3,553(5)	1,990	5,589
Pro forma net income...					\$ 4,352	\$ 5,399	\$ 3,247	\$ 9,211
Pro forma net income per share.....					\$ 0.55	\$ 0.69	\$ 0.41	\$ 0.89
Pro forma weighted average common shares(6).....					7,854	7,854	7,854	10,370
OTHER FINANCIAL DATA:								
Depreciation and amor- tization.....	\$ 1,351	\$ 1,415	\$ 1,370	\$ 1,382	\$ 1,586	\$ 2,013	\$ 1,128	\$ 2,104
Capital expenditures...	\$ 445	\$ 367	\$ 676	\$ 992	\$ 5,838	\$ 6,722	\$ 5,481	\$ 12,787
EBITDA(7).....	\$ 5,790	\$ 4,666	\$ 3,268	\$ 3,397	\$ 9,256	\$ 11,864	\$ 6,662	\$ 17,116
EBITDA margin(8).....	11.3%	7.1%	5.4%	5.3%	11.7%	11.5%	11.0%	16.9%

<CAPTION>

	AS OF DECEMBER 31,						AS OF SEPTEMBER 30,	
	1992	1993	1994	1995	1996	PRO FORMA 1996(1)	1996(2)	1997
(IN THOUSANDS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:								
Working capital, excluding current maturities of long- term debt.....	\$ 3,593	\$ 8,217	\$ 7,437	\$10,048	\$11,532	\$ 14,637	\$ 8,092	\$ 16,887
Property, plant and equipment, net.....	15,550	14,567	13,873	13,483	17,735	21,292	17,833	31,533
Total assets.....	24,678	29,225	25,665	30,414	35,909	46,026	36,048	66,854
Debt, including current maturities(9).....	425	2,424	4,477	5,545	6,187	25,803	4,417	--
Shareholders' equity...	19,136	20,782	17,251	18,403	23,498	9,240	21,926	47,630

</TABLE>

16

<TABLE>
<CAPTION>

	Year Ended December 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1992	1993	1994	1995	1996	1996(2)	1997
(IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:							
Direct labor hours worked(10).....	878	981	1,037	920	1,073	817	1,615
Backlog(11)							

In direct labor hours..	457	404	400	427	1,038	1,037	1,363
In dollars.....	\$27,472	\$20,832	\$20,740	\$22,003	\$87,093	\$ 66,490	\$ 92,847

</TABLE>

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- (1) Gives effect to the Dolphin Acquisition as if consummated at the end of the period presented for balance sheet data and as of the beginning of the period presented for all other data, and should be read in conjunction with the unaudited pro forma financial statements of the Company and the notes thereto included elsewhere in this Prospectus.
 - (2) The selected financial and operating data for the nine months ended September 30, 1996 does not give effect to the Dolphin Acquisition and, accordingly, the selected financial and operating data for the nine months ended September 30, 1996 and 1997 is not comparable.
 - (3) In December 1996, the Company's principal shareholders sold an aggregate of 98,000 shares of Common Stock to the Company's executive officers at a total purchase price of \$350,000. The Company was required to recognize a non-cash expense equal to the difference between the aggregate purchase price for such shares (adjusted for certain distributions with respect to such shares that were paid in 1997 before completion of the Initial Public Offering) and the estimated value of such shares at the time of the Initial Public Offering.
 - (4) Includes pro forma effect for the application of federal and state income taxes to the Company as if it were a C Corporation for tax purposes. Prior to the Initial Public Offering, the Company elected to terminate its S Corporation status. As a result, the Company became subject to corporate level income taxation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Pro Forma Results of Operations; Tax Adjustments," notes 1 and 2 to the Company's audited financial statements and note 3 to the Company's financial statements for the nine months ended September 30, 1997 included elsewhere in this Prospectus.
 - (5) Includes approximately \$619,000 in federal and state income taxes, net of acquisition adjustments, accrued in 1996 by Dolphin Services, which operated as a C Corporation until January 1, 1997, at which time its shareholders elected to be taxed as an S Corporation.
 - (6) Calculated as weighted average common shares, increased to reflect sufficient additional shares required to be sold to pay the pro forma distribution payable to the shareholders in excess of historical net income for 1996 (854,000 shares). The number of such additional shares is based on the Initial Public Offering price of \$7.50 per share, less offering expenses.
 - (7) The Company calculates EBITDA (earnings before interest expense, income taxes, depreciation and amortization) as operating income plus depreciation and amortization. EBITDA should not be considered as an alternative to net income or any other measure of operating performance in accordance with generally accepted accounting principles. EBITDA is widely used by financial analysts as a measure of financial performance. The Company's measurement of EBITDA may not be comparable to similarly titled measures reported by other companies.
 - (8) EBITDA margin is calculated by dividing EBITDA by revenue.
 - (9) Historical information for 1992, 1993, 1994, 1995 and 1996 includes \$421,000, \$324,000, \$477,000, \$434,000, and \$530,000, respectively, of current maturities of debt. Pro forma information includes \$530,000 in current maturities of debt, approximately \$13.2 million of debt incurred (as of December 31, 1996) to fund a distribution to the Company's existing shareholders prior to the completion of the Initial Public Offering and \$206,000 of current maturities of debt of Dolphin Services. See "Prior S Corporation Status" and "Certain Transactions."
 - (10) Direct labor hours are hours worked by employees directly involved in the production of the Company's products. Data for the nine months ended September 30, 1997 excludes direct labor hours attributable to salaried employees of Dolphin Services.
 - (11) The Company's backlog is based on management's estimate of the number of direct labor hours required to complete, and the remaining amounts to be invoiced with respect to, those projects on which a customer has authorized the Company to begin work or purchase materials. Backlog at September 30, 1997 included approximately 100,000 direct labor hours and \$5.2 million attributable to portions of orders expected to be completed after September 30, 1998. See "Risk Factors--Backlog" and "Business--Backlog."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's results of operations are affected primarily by (i) the level of oil and gas exploration and development activity maintained by oil and gas companies in the Gulf of Mexico, and to a lesser extent, West Africa and Latin America, (ii) the Company's ability to win contracts through competitive bidding or alliance/partnering arrangements and (iii) the Company's ability to

manage those contracts to successful completion. The level of exploration and development activity is related to several factors, including trends of oil and gas prices, exploration and production companies' expectations of future oil and gas prices, and changes in technology which reduce costs and improve expected returns on investment. Over the past five years, favorable trends in these factors have led to increased activity levels in the Gulf of Mexico.

In addition to higher oil and gas prices, improvements in three-dimensional seismic, directional drilling, production techniques, and other advances in technology have increased drilling success rates and reduced costs. Drilling activity has increased in and around existing fields in shallow water (less than 300 feet) where technology has allowed for the identification of smaller, previously overlooked oil and gas deposits. Technological improvements have also led to larger discoveries of oil and gas in subsalt geological formations (which generally are located in 300 to 800 feet of water) and in deep water (800 to 6,000 feet) areas of the Gulf of Mexico. Increased activity in water depths greater than 300 feet, where larger structures requiring more steel tonnage are needed, has placed increased demand on the available capacity of the major platform fabricators serving the Gulf of Mexico with a resulting improvement in pricing levels for their services. Although the physical limitations of the Houma Navigation Canal prevent the transporting of jackets for use in water depths greater than 800 feet, the increased activity in the deepwater areas of the Gulf of Mexico has also benefitted the Company's pricing levels as the Company is able to fabricate deck sections for installation on platforms used in any water depths and sections of floating platforms, which are generally better suited than fixed platforms for deep water projects. In addition, to the extent the Company's competitors are involved in deepwater projects, these projects occupy a portion of the resources that the Company's competitors could apply to projects designed for shallower waters, resulting in less industry capacity for such projects.

Demand for the Company's products and services is primarily a function of the level of offshore oil and gas activity in the Gulf of Mexico and, to a lesser extent, offshore areas in West Africa and Latin America. Over the past five years, improvements in seismic and drilling technology, production techniques and oil and gas prices have resulted in an increased number of acreage blocks leased by oil companies in the Gulf of Mexico, more intensive drilling activity in shallow water areas, and increased exploration of deepwater areas of the Gulf of Mexico. The number of 5,000 acre blocks leased by oil companies in the Gulf of Mexico from the MMS has increased from 204 in 1992 to 1,808 in 1997, a number of which are pending MMS approval. The number of active drilling rigs in the Gulf of Mexico has increased from less than 60 in May 1992 to approximately 170 at the end of October 1997.

The Company believes the number of blocks leased and the number of active drilling rigs are leading indicators of demand for the Company's products, with fabrication activity trailing leasing and drilling activity by one to three years. As a result, demand for the Company's products has improved during the last two years. Revenue in 1996 increased 24% to \$79.0 million, EBITDA increased 172% to \$9.3 million and net income increased 360% to \$7.3 million, in each case as compared to 1995. For the nine months ended September 30, 1997, which includes the consolidated results of operations of Dolphin Services, revenue increased 68.2% to \$101.6 million, while EBITDA increased 157% to \$17.1 million and net income increased 80.4% to \$9.4 million, in each case compared to the corresponding nine-month period in 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. The Company's backlog at December 31, 1996 was \$87.1 million as compared to \$22.0 million at the end of 1995. At September 30, 1997, the Company's backlog was \$92.8 million.

Most of the Company's contracts are awarded on a fixed-price or alliance/partnering basis although some contracts are bid on a cost-plus basis. Under fixed-price contracts, the Company receives the price fixed in the

contract, subject to adjustment only for change orders placed by the customer. As a result, the Company retains all cost savings but is also responsible for all cost over-runs. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price that includes specified levels of labor and materials costs and profit margins. If the project is completed at a lower cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost to completion is greater than target costs, the contract price is increased, but generally to the target price plus the actual cost of incremental materials and direct labor. Accordingly, under alliance/partnering arrangements, the Company has some protection from cost overruns but also must share a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and materials cost and so is protected against cost overruns but does not benefit directly from cost savings. Because the Company generally prices materials as pass-through items on its contracts, the cost and productivity of the Company's labor force are key factors affecting the Company's operating profits. Consequently, it is essential that the Company control the cost and

productivity of the direct labor hours worked on the Company's projects. See "Business--Customers and Contracting."

The ability of the Company to operate profitably and to expand its operations depends substantially on its ability to attract skilled production workers, primarily welders, fitters and equipment operators. Through its recruiting efforts, the Company was able to add approximately 80 production employees to its workforce in 1996. As part of an effort to increase and improve its workforce, the Company recently hired a full-time recruiter responsible for coordinating all aspects of the Company's recruiting efforts, instituted and enhanced several recruitment incentive programs for its current employees and expanded its training facility. While the supply of production workers is limited, the demand for their services has increased as oil and gas development and production activity has increased. As a result, the Company has increased the average hourly wages of its employees and, in some circumstances, has subcontracted work to others on a fixed-price basis and, in 1994 and 1995, engaged contract labor. During 1997, the Company increased its work force by 524 to 1,050 employees at September 28, 1997, including approximately 350 employees added in the Dolphin Acquisition. Because the Company has succeeded in increasing its production workforce through the Dolphin Acquisition and recruiting efforts, the Company does not anticipate the need to engage a material amount of contract labor in the foreseeable future.

The Company's operations are subject to seasonal variations in weather conditions and daylight hours. Because most of the Company's construction activities take place outdoors, the number of direct labor hours worked generally declines in winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate amount of the Company's net income and, to a lesser extent, revenue and gross profit, has historically been earned during the second and third quarters of the year, and the Company has occasionally incurred losses during the first and fourth quarters of its fiscal year. Because of this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters. The table below indicates for each quarter of the Company's last three fiscal years the percentage of the annual revenue, gross profit and net income, and the number of direct labor hours worked.

<TABLE>
<CAPTION>

	1994				1995				1996			
	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
Revenue.....	23%	27%	31%	19%	22%	26%	30%	22%	25%	27%	24%	24%
Gross profit.....	24%	39%	36%	1%	7%	25%	40%	28%	13%	26%	30%	31%
Net income (loss).....	27%	54%	49%	(30%)	(12%)	26%	55%	31%	11%	27%	34%	28%
Direct labor hours (in 000's).....	258	291	298	190	219	256	245	200	249	304	264	256

Most of the Company's revenue is recognized on a percentage-of-completion basis based on the ratio of direct labor hours worked to the total estimated direct labor hours required for completion. Accordingly, contract price and cost estimates are reviewed monthly as the work progresses, and adjustments proportionate to the percentage of completion are reflected in revenue for the period when such estimates are revised. To the extent that these adjustments result in a reduction of previously reported profits, the Company would have to recognize a charge against current earnings, which may be significant depending on the size of the project or the adjustment.

RESULTS OF OPERATIONS

Comparison of the Nine Months Ended September 30, 1997 and 1996

On January 2, 1997, the Company acquired all the outstanding stock of Dolphin Services, Inc. and its two affiliated corporations (collectively, "Dolphin Services"). As used hereinafter, unless the context requires otherwise, the term "Company" refers to the Company and Dolphin Services on a consolidated basis and the term "Dolphin Services" refers to Dolphin Services only. The income statement data, balance sheet data and operating data set forth under "Selected Financial and Operating Data" and discussed in this section presents the consolidated results of operations of the Company and Dolphin Services for the nine months ended September 30, 1997, compared to the results of operations of the Company for the nine months ended September 30, 1996, without giving effect to the Dolphin Acquisition.

The Company's revenue for the nine months ended September 30, 1997 was \$101.6 million, an increase of 68.2% compared to \$60.4 million in revenue for the nine months ended September 30, 1996. Revenue increased as a result of the Dolphin Acquisition and high activity levels in the oil industry during 1997 which caused increased demand and, thus, upward pressure on the pricing of the Company's goods and services. In addition, the on-going labor recruiting and retention efforts at the Company generated an increase in the volume of direct labor hours applied to contracts for the nine months ended September 30, 1997, compared to the same period in 1996. The increased volume and strong pricing enabled the Company to produce a gross profit of \$18.3 million (18.0% of revenue) for the nine months ended September 30, 1997, compared to the \$7.1 million (11.8% of revenue) of gross profit for the nine months ended September 30, 1996.

The Company's general and administrative expense was \$3.3 million (3.2% of revenue) for the nine months ended September 30, 1997, compared to \$1.6 million (2.6% of revenue) for the nine months ended September 30, 1996. This increase of \$1.7 million for the nine-month period was caused by (i) additional general and administrative costs associated with Dolphin Services, (ii) greater accrual of performance-based employee incentives which resulted from increased profits for the nine months ended September 30, 1997, and (iii) additional costs associated with increased production levels and the reporting requirements of a public company for 1997.

The Company's interest expense decreased to \$0.2 million for the nine months of 1997 compared to \$ 0.3 million for the nine months of 1996. As a result of the use of the net proceeds from the Company's Initial Public Offering and a greater net cash provided by operations, the weighted average borrowings for the nine months ended September 30, 1997 was lower in comparison to the corresponding nine months of 1996.

The Company converted to C Corporation status on April 4, 1997. Pro forma provision for income taxes and pro forma net income give effect to federal and state income taxes as if all entities presented had been taxed as C Corporations during all the periods presented of both 1996 and 1997. Pro forma net income excludes a non-recurring charge of \$1.1 million to record the cumulative deferred income tax provision upon the election on April 4, 1997 to convert from S Corporation status to C Corporation status.

Comparison of the Years Ended December 31, 1996 and 1995

During the year ended December 31, 1996, the Company generated revenue of \$79.0 million, an increase of 24% compared to the \$63.8 million generated in 1995. This increase was caused by a 16.6% increase in production volume (1.1 million direct labor hours worked in 1996 versus 0.9 million in 1995) and an increase of 6.2% in the Company's average selling rate. The Company's average selling rate is computed by dividing revenue for any period by the number of direct labor hours worked in such period. As a result of stronger demand for fabricated structures in the oil and gas industry, the Company was able to increase the number of direct labor hours worked by hiring additional employees and increase its average selling rate by raising the prices charged to its customers. The 6.2% increase in average selling rate is not fully indicative of the prices charged by the Company on all of its projects since it includes work performed and projects completed in the early part of 1996 for contracts awarded during 1995 as well as work performed and projects completed in late 1996 for projects awarded during the improving market conditions of early 1996.

20

Cost of revenue was \$68.7 million in 1996 compared to \$60.0 million in 1995. Cost of revenue consists of costs associated with the fabrication process, including direct costs (such as direct labor hours and raw materials) allocated to specific projects and indirect costs (such as supervisory labor, utilities, welding supplies and equipment costs) that are associated with production but are not directly related to a specific project. These costs depend upon the volume of fabrication activity and decreased from 94.1% of revenue in 1995 to 86.9% of revenue in 1996, primarily as a result of the increase in pricing discussed above and a decrease in the cost of revenue that resulted primarily from (i) productivity increases caused by labor saving equipment and production incentives, (ii) a reduction in equipment rental costs which was partially offset by increased depreciation expense which resulted from equipment purchases and (iii) an increase in the amount of scrap steel sold.

General and administrative expense was \$2.2 million in 1996 compared to \$1.7 million in 1995, remaining a constant 2.7% of revenue for each period.

Interest expense decreased slightly to \$0.4 million in 1996 as the weighted average of the Company's borrowings decreased.

Comparison of the Years Ended December 31, 1995 and 1994

During the year ended December 31, 1995, the Company generated revenue of \$63.8 million, an increase of 4.6% compared to \$61.0 million generated in

1994. This increase resulted from an increase in total labor hours worked (including contract labor hours) and a greater average selling rate for the Company's direct labor hours. Cost of revenue was \$60.0 million for 1995 as compared to \$57.5 million in 1994 (94% of revenue for both years). Materials and indirect costs remained relatively constant in 1995 as compared to 1994. An increase in contract labor costs in 1995 was offset by a reduction in direct labor costs.

General and administrative expense was \$1.7 million (2.7% of revenue) in 1995 compared to \$1.6 million (2.6% of revenue) in 1994. This increase was primarily due to increased legal and other professional fees.

Interest expense increased to \$0.4 million in 1995 from \$0.3 million in 1994 due to increases in the amount of borrowings under the Company's Bank Credit Facility (as hereinafter defined) and a higher interest rate charged on such borrowings.

PRO FORMA RESULTS OF OPERATIONS; TAX ADJUSTMENTS

On January 2, 1997, the Company completed the Dolphin Acquisition. On a pro forma basis, giving effect to the Dolphin Acquisition as if completed on January 1, 1996, the Company's revenue for the year ended December 31, 1996, would have been \$103.0 million (giving effect to the pro forma elimination of sales from Dolphin Services to Gulf Island in 1996). Pro forma cost of revenue would have been \$88.9 million (86.2% of pro forma revenue for the year ended December 31, 1996), and general and administrative expense would have been \$3.8 million (3.7% of pro forma revenue). Pro forma interest expense would have been \$0.9 million due to the increased level of indebtedness resulting from the debt incurred to finance the Dolphin Acquisition. Pro forma income before taxes would have been \$9.0 million. Because Dolphin Services was a C Corporation for income tax purposes, it incurred income tax expense of \$0.6 million in 1996. On January 1, 1997, the former shareholders of Dolphin Services elected to be taxed as an S Corporation. Immediately prior to the Initial Public Offering, the Company terminated its S Corporation status. This termination did not result in any material adverse tax consequences to the Company.

From April 1989 until April 4, 1997, the Company operated as an S Corporation for federal and state income tax purposes. As a result, the Company paid no federal or state income tax, and the entire earnings of the Company were subject to tax directly at the shareholder level. Immediately prior to the Initial Public Offering, the Company's shareholders elected to terminate the Company's S Corporation status. As a result, the Company recorded a one-time deferred tax liability in the amount of approximately \$1.1 million in the second quarter of 1997. If the Company had been a C Corporation during 1996, income tax expense would have been \$2.9 million. As a result, net income would have decreased from \$7.3 million (\$0.93 per share) to \$4.4 million (\$0.55 per share). On a pro forma basis, giving effect to the Dolphin Acquisition as if it were completed on January 1, 1996

21

and assuming the Company had operated as a C Corporation for the year ended December 31, 1996, the provision for income taxes and net income would have been \$3.6 million and \$5.4 million (\$0.69 per share), respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company completed the Initial Public Offering on April 9, 1997 in which it sold 4.6 million shares of common stock for net proceeds of \$31.3 million after underwriting discounts and other costs of \$3.2 million. Of the net proceeds, the Company used \$31.1 million to repay all of the indebtedness outstanding under the Company's Bank Credit Facility (as hereinafter defined). The balance of the proceeds was used by the Company as additional working capital.

Historically, the Company has funded its business activities through funds generated from operations and borrowings under its Bank Credit Facility. Net cash provided by operations was \$13.8 million for the nine months ended September 30, 1997, primarily attributable to cash received from customers related to increased sales. Net cash used in investing activities for the nine months ended September 30, 1997 was \$18.3 million, related to the \$5.9 million purchase of Dolphin Services and \$12.8 million of capital expenditures. The Company's capital expenditures were for improvements to its production facilities and for equipment designed to increase the capacity of its facilities and the productivity of its labor force. During the nine months ended September 30, 1997, the Company purchased four new Manitowoc cranes and a used American crane, expanded its fabrication shop, installed construction skidways, and acquired various other fabrication equipment and facilities.

Net cash provided by financing activities of \$7.9 million for the nine months ended September 30, 1997 represented the net proceeds of \$31.3 million of the Initial Public Offering offset by \$16.6 million of dividends paid to shareholders in connection with the termination of the Company's S Corporation

status prior to the Initial Public Offering, and \$6.8 million net payments of notes payable under the Bank Credit Facility.

The Company's bank credit facility (the "Bank Credit Facility") currently provides for a revolving line of credit (the "Revolver") of up to \$20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by Citibank, N.A. or LIBOR plus 1 1/2%. The Bank Credit Facility matures December 31, 1999 and is secured by a mortgage on the Company's real estate, equipment and fixtures, and by the stock of Dolphin Services. As additional security, the Company has caused Dolphin Services to guarantee the Company's obligations under the Bank Credit Facility. At September 30, 1997, there were no borrowings outstanding under the Bank Credit Facility.

Capital expenditures for the remaining three months of 1997 are estimated to be approximately \$4.9 million, including the purchase of one new Manitowoc Model 888 crawler crane, expansion of the main yard fabrication shop, expansion of the west yard fabrication area and various other fabrication equipment purchases and facility expansions. Management believes that its available funds, cash generated by operating activities and funds available under the Bank Credit Facility will be sufficient to fund these capital expenditures and its working capital needs. However, the Company may expand its operations through acquisitions in the future, which may require additional equity or debt financing.

If the acquisition of Southport is successfully completed, the purchase price will consist of \$6 million payable at the closing of the acquisition plus 50% of Southport's net after-tax income (up to an aggregate maximum of \$5 million) over the four years ending December 31, 2001. In addition, the Company may acquire the real property on which the Southport facilities are located for an additional \$1 million. The Company anticipates that its working capital will be sufficient to fund substantially all of such expenditures, with any excess to be funded by borrowings under the Revolver.

22

BUSINESS

GENERAL

The Company is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. Structures and equipment fabricated by the Company include jackets and deck sections of fixed production platforms, hull and deck sections of floating production platforms (such as tension leg platforms), piles, wellhead protectors, subsea templates and various production, compressor and utility modules. The Company believes it is one of only three domestic companies capable of fabricating fixed offshore production platforms, including jackets, for installation in water depths greater than 300 feet. The Company's focus on controlling costs and providing high quality, reliable products and services has enabled it to be profitable for each year since 1988.

Demand for the Company's products and services is primarily a function of the level of offshore oil and gas activity in the Gulf of Mexico and, to a lesser extent, offshore areas in West Africa and Latin America. Over the past five years, improvements in seismic and drilling technology, production techniques and oil and gas prices have resulted in an increased number of acreage blocks leased by oil companies in the Gulf of Mexico, more intensive drilling activity in shallow water areas, and increased exploration of deepwater areas of the Gulf of Mexico. The number of 5,000 acre blocks leased by oil companies in the Gulf of Mexico from the MMS has increased from 204 in 1992 to 1,808 in 1997, a number of which are pending final MMS approval. The number of active drilling rigs in the Gulf of Mexico has increased from less than 60 in May 1992 to approximately 170 at the end of October 1997.

The Company believes the number of blocks leased and the number of active drilling rigs are leading indicators of demand for the Company's products, with fabrication activity trailing leasing and drilling activity by one to three years. As a result, demand for the Company's products has improved during the last two years. Revenue in 1996 increased 24% to \$79.0 million, EBITDA increased 172% to \$9.3 million and net income increased 360% to \$7.3 million, in each case as compared to 1995. For the nine months ended September 30, 1997, which includes the consolidated results of operations of Dolphin Services, revenue increased 68.2% to \$101.6 million, while EBITDA increased 157% to \$17.1 million and net income increased 80.4% to \$9.4 million, in each case compared to the corresponding nine-month period in 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. The Company's backlog at December 31, 1996 was \$87.1 million as compared to \$22.0 million at the end of 1995. At September 30, 1997, the Company's backlog was \$92.8 million.

The Company's predecessor, then named Gulf Island Fabrication, Inc. ("old Gulf Island") was founded in 1985 by a group of investors including the Selling Shareholders, and shortly thereafter acquired the assets of Delta

Fabrication, a division of Delta Services Industries, Inc. The acquired assets included what is now the Company's main fabrication yard on the east bank of the Houma Navigation Canal in southern Louisiana, approximately 30 miles from the Gulf of Mexico.

In 1989, the Selling Shareholders incorporated the Company (then named GIFI, Inc.) under the laws of Louisiana and caused GIFI, Inc. to purchase certain property and equipment from Park Corporation. In this transaction, GIFI, Inc. acquired approximately 437 acres on the west bank of the Houma Navigation Canal directly across the canal from the fabrication yard then owned by the old Gulf Island, of which 130 acres were developed as a fabrication yard. GIFI, Inc. leased this facility to the old Gulf Island until 1990, when the old Gulf Island was merged into GIFI, Inc. and GIFI, Inc. changed its name to Gulf Island Fabrication, Inc. The facilities owned by the Company consist of two yards directly across the Houma Navigation Canal from each other. The combined facilities are located on a total of 597 acres, of which 250 acres are currently developed for fabrication activities with 347 acres available for expansion. These facilities allow the Company to build jackets for fixed production platforms for use in water depths up to 800 feet and deck sections for fixed or floating production platforms for use in unlimited water depths. In addition, the Company is able to build certain hull sections of tension leg platforms, typically for use in water depths greater than 1,000 feet.

23

ACQUISITION OF DOLPHIN SERVICES, INC

On January 2, 1997, the Company acquired all the outstanding stock of Dolphin Services and two related companies for approximately \$5.9 million. The two related companies were subsequently merged into Dolphin Services which is now a wholly-owned subsidiary of the Company. Dolphin Services performs offshore and inshore fabrication and other construction services for the oil and gas industry in the Gulf of Mexico and generated \$26.8 million in revenue, \$2.6 million in EBITDA and \$1.4 million in net income for the year ended December 31, 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. Dolphin Services' facility is located a quarter of a mile from the Company's main yard.

The Dolphin Acquisition provided an entrance for the Company into new market segments, in particular offshore interconnect piping hook-up, inshore marine construction and steel warehousing and sales, which allows the Company to provide a more integrated array of services to its customers. Management believes that the Dolphin Acquisition allows for more efficient use of both companies' facilities, equipment and personnel.

GROWTH STRATEGY

The Company's growth strategy is to capitalize on the positive trends and opportunities in the offshore fabrication and construction industry. Key elements of this strategy are to:

. INCREASE PRODUCTION CAPACITY. In order to capitalize on the increased demand for its fabrication services, the Company is taking actions to increase the production capacity of its fabrication yards by (i) purchasing additional equipment, (ii) expanding and upgrading its existing buildings and equipment and (iii) increasing the size and capability of its workforce. In 1996, the Company spent approximately \$5.8 million to purchase equipment and modify its fabrication yards in order to increase capacity and improve productivity. The Company has spent \$12.8 million through September 30, 1997, and anticipates spending an additional \$19.0 million through the remainder of 1997 and 1998, for additional capital improvements to its fabrication yards. During 1997, the Company increased its workforce by 524 employees to 1,050 at September 28, 1997, including approximately 350 employees added as a result of the Dolphin Acquisition, and has recently expanded programs to attract additional workers.

. MAINTAIN A LOW COST STRUCTURE. The Company believes it is a low-cost fabricator of offshore structures due to its state-of-the-art production techniques, skilled and motivated workforce, efficient management and low overhead costs. The Company plans to continue to emphasize cost savings through, among other things, the addition of labor-saving equipment, while providing high quality products and reliable services to its customers.

. ACQUIRE RELATED BUSINESSES. Dolphin Services, which the Company acquired for approximately \$5.9 million, generated \$26.8 million in revenue, \$2.6 million in EBITDA and \$1.4 million in net income for the year ended December 31, 1996. See "Selected Financial and Operating Data--Footnote 7" for a further explanation of EBITDA. The Dolphin Acquisition significantly increased the Company's revenue, cash flow and number of employees and broadened the Company's product and service offerings. Management believes that there are additional opportunities to acquire companies that have related or complementary products or services to those currently provided by the Company. The Company is free of debt, and management believes that its capital structure will enable it to pursue such opportunities as they arise.

. PURSUE ADDITIONAL INTERNATIONAL OPPORTUNITIES. There are significant opportunities to supply platforms outside of the Gulf of Mexico. From January 1, 1992 through December 31, 1996, approximately 25% of the Company's revenue was derived from the fabrication of structures installed outside of the Gulf of Mexico, including offshore West Africa and Latin America. Many of the Company's customers who operate in the Gulf of Mexico also have extensive operations in international areas. Management believes that its established relationships with such customers, combined with its certification as an ISO 9002 fabricator, will continue to facilitate the Company's development of its international presence. The Company believes that

24

some companies will continue to utilize U.S. fabricators to build platforms for use in foreign markets despite additional transportation costs because of the higher quality and lower costs available from U.S. fabricators. In the future, the Company may pursue joint venture relationships or other cooperative arrangements in order to increase its participation in such projects.

RECENT DEVELOPMENTS

The Company has recently entered into an agreement to acquire Southport, a corporation headquartered in Harvey, Louisiana which specializes in the fabrication of living quarters for offshore platforms, for \$6 million in cash, payable at the closing of the acquisition, plus contingency payments of up to an additional \$5 million payable out of Southport's net income over a four-year period ending December 31, 2001. The Company anticipates that substantially all of the initial and deferred portions of the acquisition price will be paid with available working capital. Completion of the transaction is subject to various conditions including the satisfactory completion of due diligence by the Company, and no assurance can be given that the acquisition will be successfully completed.

Southport's revenue and net income were \$17.8 million and \$0.6 million, respectively, for the year ended December 31, 1996, and \$14.4 million and \$1.1 million, respectively, for the nine months ended September 30, 1997. Due to a \$1.1 million net operating loss carry forward, Southport is expected to incur a very low effective tax rate for 1997. Southport had approximately 180 employees at September 30, 1997.

DESCRIPTION OF OPERATIONS

The Company's primary activity is the fabrication of offshore drilling and production platforms, including jackets and deck sections of fixed production platforms, hull and deck sections of floating production platforms (such as tension leg platforms), piles, wellhead protectors, subsea templates and various production, compressor and utility modules. The Company also has the ability to produce and repair pressure vessels used in the oil and gas industry, refurbish existing platforms and fabricate various other types of steel structures.

The Company uses the latest welding and fabrication technology available, and all of the Company's products are manufactured in accordance with industry standards and specifications, including those published by the American Petroleum Institute, the American Welding Society and the American Society of Mechanical Engineers. The Company has also been certified as an ISO 9002 fabricator for its quality assurance programs. This certification is based on a review of the Company's programs and procedures designed to maintain and enhance quality production and is subject to annual review and recertification. This certification is often a criterion for prequalification of contractors, especially by potential international customers. Dolphin Services is currently in the process of applying for ISO 9002 certification.

Fabrication of Offshore Platforms. The Company fabricates structural components of fixed platforms for use in the offshore development and production of oil and gas. A fixed platform is the traditional type of platform used for the offshore development and production of oil and gas, although recently there has been an increase in the use of floating production platforms and tension leg platforms as a result of increased drilling and production activities in deeper waters. Most fixed platforms built today can accommodate both drilling and production operations. These combination platforms are large and generally more costly than single-purpose structures. However, because directional drilling techniques permit a number of wells to be drilled from a single platform and because drilling and production can take place simultaneously, combination platforms are often more efficient.

The most common type of fixed platform consists of a jacket (a tubular steel, braced structure extending from the mudline on the seabed to a point above the water surface) which is supported on tubular pilings driven deep into the seabed and supports the deck structure located above the level of storm waves. The deck structure,

extending above the surface of the water and attached to the top end of the jacket, is designed to accommodate multiple functions, including drilling, production, separating, gathering, piping, compression, well support and crew quartering. Platforms can be joined by bridges to form complexes of platforms for very large developments or to improve safety by dividing functions among specialized platforms. Jacket-type platforms are generally the most viable solution for water depths of 1,000 feet or less. Although there is no height limit to the size of the jackets that can be fabricated at the Company's facilities, the dimensions of the Houma Navigation Canal prevent the transportation to the Gulf of Mexico of most jackets designed for water depths exceeding 800 feet. However, the Company can also build decks, piles and other structures for installation in any water depth. Often, customers split projects among fabricators, contracting with different companies for the fabrication of the jacket, deck sections and piles for the same platform. Therefore, the Company is able, through the construction of decks and piles, to participate in the construction of platforms requiring jackets that are larger than those the Company can transport through the Houma Navigation Canal.

Most of the steel used in the Company's operations arrives at the Company's fabrication yards as steel plate. The plate is cut and rolled into tubular sections at rolling mills in the fabrication yards. The tubular sections (which vary in diameter, up to 12 feet) are welded together in long straight tubes to become legs or into shorter tubes to become part of the network of bracing that supports the legs. Various cuts and welds in the fabrication process are made by computer-controlled equipment that operates from data developed during the design of the structure. The Company's ability to fabricate and assemble the large tubular sections needed for jackets built for use in water depths over 300 feet distinguish the Company from all but two of its domestic competitors.

Jackets are built on skidways (which are long parallel rails along which the jacket will slide when it is transferred to a barge for towing out to sea) and are generally built in sections so that, to the extent possible, much of their fabrication is done on the ground. As each section of legs and bracing is complete, large crawler cranes pick up an entire side and "roll up" the section, which is then joined to another uprighted section. When a jacket is complete and ready for launch, it is pulled along the skidway onto a launch barge, which is gradually deballasted to compensate for the weight of the structure as more of it moves aboard the barge. Using ocean-going tugs, the barge and jacket are transported to the offshore installation site.

Decks are built either as single structures or in sections and are installed on location by marine construction contractors. The composition and quantity of petroleum in the well stream generally determine the makeup of the production deck on a processing platform. Typical deck equipment includes crude oil pumps, gas and oil separators and gas compressors. Unlike large jackets, which are transported in a horizontal position, decks are transported upright, and their largest dimensions are above the width restrictions of the Houma Navigation Canal. Therefore, the only limitation on the Company's ability to fabricate decks is the weight capacity of the barges that transport the decks from the Company's yard to the installation site. Barges currently exist that have the weight capacity and other characteristics required to transport even the largest of the decks currently installed in the Gulf of Mexico, and management believes that currently there are no decks installed in the Gulf of Mexico that could not have been constructed at the Company's facilities. While larger deck structures to be built in the future could exceed the capacities of currently existing barges, management does not believe that this will materially affect its share of the market for deck construction.

The Company can also fabricate sections of, and structures used in connection with, tension leg platforms ("TLPs"). TLPs consist of a deck that sits atop one or more column-shaped hulls, which are positioned on site with vertical tendons running from the hulls to the seabed. The tendons hold the hulls partially submerged and are highly tensioned using the buoyancy of the hulls. This system develops a restoring force against wave, wind and current actions in proportion to the lateral displacement of the vessel. Wells for a TLP are often pre-drilled through a subsea template. Long, flexible production risers, which carry the petroleum to the deck of the TLP, are supported in tension by mechanical tensioner machines on the platform's deck and are directly subject to wave, wind and current forces. TLPs can be used in any water depths and are generally better suited than fixed platforms for water depths greater than 1,000 feet.

The size of a TLP depends on a number of factors, including the intended scope of production of the platform, the length of the production risers connected to the platform, the size of the deck to be installed on the platform and the water depth for which the platform is designed. The Company can fabricate deck sections for use with TLPs of any size. The constraints of the Houma Navigation Canal, however, limit the Company's ability to deliver

certain hulls for use with TLPs, depending on the size and weight of the hull sections. For example, the hulls that are used to support the four currently operational TLPs in the Gulf of Mexico were too large to transport through the Houma Navigation Canal. All of these hull sections were fabricated by overseas shipbuilding companies.

The Company is currently constructing the deck section and floating hull of a TLP designed for installation in 1,700-1,800 feet of water. The Company has also entered into a letter of intent to construct a similar hull to be installed in 3,200 feet of water. The Company should be able to compete for further TLP projects of this size, including the fabrication of hull sections. To the Company's knowledge, these are the first two TLPs of this size to be constructed entirely in the United States. No assurance can be given as to whether the use of such structures in the Gulf of Mexico will increase.

The Company has fabricated subsea templates for use in connection with TLPs, which are structures that are installed on the seabed before development drilling begins. As exploration and drilling move into the deep water of the Gulf of Mexico, the Company believes that there will be increased opportunities to fabricate subsea templates, as well as decks and other structures, for use in connection with TLPs.

The Company also fabricates piles and other rolled goods, templates, bridges for connecting offshore platforms, wellhead protectors, various production, compressor and utility modules and other structures used in offshore oil and gas production and development activities. All of the Company's products are installed by marine construction contractors.

The Dolphin Acquisition has enabled the Company to provide several services previously not available from the Company, including piping interconnect services on offshore platforms, inshore steel and wood structure construction, and steel warehousing and sales. Piping interconnect services involve sending employee crews to offshore platforms that have been installed in the Gulf of Mexico in order to perform welding and other activities required to connect production equipment, service modules and other equipment to a platform prior to its becoming operational. Through Dolphin Services, the Company also contracts with oil and gas companies that have platforms and other structures located in the inland lakes and bays throughout the Southeast for various on-site construction and maintenance activities. At its existing facility, a quarter of a mile from the Company's main yard, Dolphin Services can fabricate jackets up to 100 feet tall along with decks and other steel structures. Dolphin Services has also been active in the refurbishment of existing platforms. Platform operators occasionally remove platforms previously installed in the Gulf of Mexico and return the platforms to a fabricator for refurbishment, which usually consists of general repairs, maintenance work and modification. Gulf Island has provided such refurbishment services in the past, but in recent years has been more active in the construction of new platforms. Management believes that the Dolphin Acquisition allows for more efficient use of both companies' facilities, equipment and personnel.

FACILITIES AND EQUIPMENT

Facilities. The Company's corporate headquarters and main fabrication yard are located on the east bank of the Houma Navigation Canal at Houma, Louisiana, approximately 30 miles from the Gulf of Mexico. That facility includes approximately 140 acres with approximately 100 acres developed for fabrication, one 13,200 square foot building that houses administrative staff, approximately 150,000 square feet of covered fabrication area (including 40,000 square feet that is currently under construction) and over 18,000 square feet of warehouse storage area. The main yard also has approximately 2,800 linear feet of water frontage, of which 1,500 feet is steel bulkhead which permits outloading of heavy structures.

The Company's west yard is located across the Houma Navigation Canal from the main yard and includes 437 acres, with 130 acres developed for fabrication and over 300 acres of unimproved land, which could be used

27

for expansion. The west yard, which has approximately 65,000 square feet of covered fabrication area and 2,500 square feet of warehouse storage area, spans 6,750 linear feet of the Houma Navigation Canal, of which 2,350 feet is steel bulkhead.

In connection with the Dolphin Acquisition, the Company acquired a 20-acre site located approximately a quarter of a mile from the Company's main yard on a channel adjacent to the Houma Navigation Canal. The facility, which continues to be used by Dolphin Services, includes a 7,000 square foot building that houses administrative staff, approximately 14,000 square feet of covered fabrication area, 1,500 square feet of warehouse storage area and a 10,000-square foot blasting and coating facility.

Equipment. The Company's main yard houses its Bertsch Model 34 and Model 20 plate bending rolls, a Frye Wheelabrator grit blast system, a hydraulic plate shear, a hydraulic press brake and various other equipment needed to build

offshore structures and fabricate steel components. The Company's west yard has a Bertsch Model 38 plate bending roll, a computerized Vernon brace coping machine used for cutting steel in complex geometric sections and various other equipment used in the Company's fabrication business. The Company also currently uses 18 crawler cranes, which range in tonnage capacity from 150 to 300 tons and service both of the Company's yards. The Company owns eight such crawler cranes and rents the remaining 10 cranes on a monthly basis. The Company recently purchased and installed a plasma-arc cutting system that cuts steel up to one inch thick at a rate of two hundred inches per minute. The Company performs routine maintenance on all of its equipment.

The Company's plate bending rolls allow it to roll and weld into tubular pipe sections approximately 50,000 tons of plate per year. By having such capacity at its fabrication facility, the Company is able to coordinate all aspects of platform construction, which can reduce the risk of cost overruns, delays in project completion and labor costs. In addition, these facilities often allow the Company to participate as subcontractors on projects awarded to other contractors. The Company's grit blast system can blast steel at a rate approximately ten times faster than conventional sandblasting. This greatly reduces labor costs and also decreases the Company's use of conventional sandblasting, which is considered to be a more hazardous and slower method of preparing steel for painting.

For use in connection with its inshore construction activities Dolphin Services owns two spud barges. Dolphin Services also leases five barges for use with inshore construction activities. Each barge is equipped with a crane with a lifting capacity of 80 to 100 tons. Dolphin Services also owns two Manitowoc 4100 cranes with lifting capacities of 200 to 230 tons and four smaller cranes with lifting capacities ranging from 60 to 100 tons.

MATERIALS

The principal materials used by the Company in its fabrication business, standard steel shapes, steel plate, welding gases, fuel oil, gasoline and paint, are currently available in adequate supply from many sources. The Company does not depend upon any single supplier or source.

SAFETY AND QUALITY ASSURANCE

Management is concerned with the safety and health of the Company's employees and maintains a stringent safety assurance program to reduce the possibility of costly accidents. The Company's safety department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education through orientations for new employees and subcontractors, weekly crew safety meetings and first aid and CPR training. The Company also employs two in-house medical personnel. The Company has a comprehensive drug program and conducts periodic employee health screenings. A safety committee, whose members consist of management representatives and peer elected field representatives, meet monthly to discuss safety concerns and suggestions that could prevent future accidents. The Company also rewards its supervisory employees with safety bonuses based on the amount that the Company saves under its self-insured workers' compensation program compared to the existing rates of the Louisiana Worker's Compensation Corporation. The Company believes that its safety program and commitment to quality are vital to attracting and retaining customers and employees.

28

The Company fabricates to the standards of the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers and specific customer specifications. The Company uses welding and fabrication procedures in accordance with the latest technology and industry requirements. Training programs have been instituted to upgrade skilled personnel and maintain high quality standards. In addition, the Company maintains on-site facilities for the x-ray of all pipe welds, which process is performed by an independent contractor. Management believes that these programs generally enhance the quality of its products and reduce their repair rate.

The Company has also been certified as an ISO 9002 fabricator. ISO 9002 is an internationally recognized verification system for quality management overseen by the International Standard Organization based in Geneva, Switzerland. The certification is based on a review of the Company's programs and procedures designed to maintain and enhance quality production and is subject to annual review and recertification. Dolphin Services is currently applying for ISO 9002 certification.

CUSTOMERS AND CONTRACTING

The Company's customers are primarily major and independent oil and gas companies. Over the past five years, sales of structures used in the Gulf of Mexico by oil and gas companies accounted for approximately 77% of the Company's revenue. The balance of its revenue was derived from the fabrication of structures installed outside the Gulf of Mexico, including offshore West Africa and Latin America.

A large portion of the Company's revenue has historically been generated by a few customers, although not necessarily the same customers from year to year. For example, the Company's largest customers (those which individually accounted for more than 10% of revenue in a given year) collectively accounted for 38% (Anadarko Petroleum and British Gas), 40% (Texaco and British Gas) and 35% (Shell Offshore, Global Industries and Coastal Offshore), of revenue for fiscal 1994, 1995 and 1996, respectively. In addition, at September 30, 1997, 62% of the Company's backlog was attributable to three projects. Because the level of fabrication that the Company may provide to any particular customer depends, among other things, on the size of that customer's capital expenditure budget devoted to platform construction plans in a particular year and the Company's ability to meet the customer's delivery schedule, customers that account for a significant portion of revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years.

Most of the Company's projects are awarded on a fixed-price or alliance/partnering basis, and while customers may consider other factors, including the availability, capability, reputation and safety record of a contractor, price and the ability to meet a customer's delivery schedule are the principal factors on which the Company is awarded contracts. The Company's contracts generally vary in length from one month to eighteen months depending on the size and complexity of the project. Generally, the Company's contracts and projects are subject to termination at any time prior to completion at the option of the customer. Upon termination, however, the customer is generally required to pay the Company for work performed and materials purchased through the date of termination and, in some instances, termination fees.

Under fixed price contracts, the Company receives the price fixed in the contract, subject to adjustment only for change orders placed by the customer. As a result, the Company retains all cost savings but is also responsible for all cost overruns. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price that includes specified levels of labor and material costs and profit margins. If the project is completed at less cost than those targeted in the contract, the contract price is reduced by a portion of the savings. If the cost to completion is greater than those targeted in the contract, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor costs. Accordingly, under alliance/partnering arrangements, the Company has some protection from cost overruns but also shares a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and material cost and so is protected against cost overruns but does not benefit directly from cost savings. Because the Company generally prices materials as pass-through items on its

29

contracts, the cost and productivity of the Company's labor force are the primary factors affecting the Company's operating costs. Consequently, it is essential that the Company control the cost and productivity of the direct labor hours worked on the Company's projects. As an aid to achieving this control, the Company places a single project manager in charge of the production operations related to each project and gives significant discretion to the project manager, with oversight by the Company's Vice President for Operations. As an incentive to control man-hours, the Company gives production bonuses to its supervisory employees if the actual hours worked on a contract are less than the estimated hours used to formulate a bid for the project. Although no assurance can be given that the Company will realize profits on its current or future contracts, the Company believes that its single project manager and incentive policies reduce the likelihood of significant cost overruns.

SEASONALITY

The Company's operations are subject to seasonal variations in weather conditions and daylight hours. Since most of the company's construction activities take place outdoors, the number of direct labor hours worked generally declines in the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate portion of the Company's income has historically been earned during the second and third quarters of the year, and the Company has occasionally incurred losses during the first and fourth quarters of its fiscal year. For example, the portion of net income earned during the second and third quarters amounted to 103%, 81% and 61% of the Company's total net income for fiscal 1994, 1995 and 1996, respectively. Because of this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

COMPETITION

The offshore platform fabrication industry is highly competitive and influenced by events largely outside of the control of offshore platform fabrication companies. Although oil and natural gas prices have generally increased since late 1994, as a result of the substantial declines in oil and gas prices in 1992, 1993 and parts of 1994, many oil and gas companies significantly decreased their expenditures for development projects in the Gulf of Mexico during those years. During that period, there was consolidation in the industry as a number of marine construction companies combined with other companies or ceased operations altogether. The remaining companies compete intensely for available projects, which are generally awarded on a competitive bid basis with customers usually requesting bids on projects one to three months prior to commencement. The Company's marketing staff contacts oil and gas companies believed to have fabrication projects scheduled to allow the Company an opportunity to bid for the projects. Although price and the contractor's ability to meet a customer's delivery schedule are the principal factors in determining which qualified fabricator is awarded a contract for a project, customers also consider, among other things, the availability of technically capable personnel and facility space, a fabricator's efficiency, condition of equipment, reputation, safety record and customer relations.

The Company currently has two primary competitors, Aker Gulf Marine and J. Ray McDermott, S.A., for the fabrication of platform jackets to be installed in the Gulf of Mexico in water depths greater than 300 feet. In addition to these two companies, the Company primarily competes with five other fabricators for platform jackets for intermediate water depths from 150 feet to 300 feet. A number of other companies compete for projects designed for shallower waters. Certain of the Company's competitors have greater financial and other resources than the Company. At least one of the Company's competitors also has fabrication yards located throughout the world, can offer a customer engineering, design and installation services in addition to fabrication services and has deep water access that enables it to build and transport jackets for use in water depths greater than 800 feet.

The Company believes that certain barriers exist that prevent new companies from competing with the Company for platforms designed for use in water depths greater than 300 feet, including the substantial investment required to establish an adequate facility, the difficulty of locating a facility adjacent to an adequate

30

waterway due to environmental and wetland regulations, and the limited availability of experienced supervisory and management personnel. Although new companies can enter the market for small structures more easily, management believes these factors will likely prevent an increase in domestic competition for larger structures, especially jackets.

The Company believes that its competitive pricing, expertise in fabricating offshore marine structures and its certification as an ISO 9002 fabricator will enable it to continue to compete effectively for projects destined for international waters. The Company recognizes, however, that foreign governments often use subsidies and incentives to create jobs where oil and gas production is being developed. In addition, the additional transportation costs that will be incurred when exporting structures from the U.S. to foreign locations may hinder the Company's ability to successfully bid for projects against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators and lower wage rates in foreign countries along with fluctuations in the value of the U.S. dollar and other factors, the Company may not be able to remain competitive with foreign contractors for projects designed for use in international waters as well as those designed for use in the Gulf of Mexico.

BACKLOG

As of September 30, 1997, the Company's backlog was \$92.8 million, \$87.6 million of which management expects to be performed by September 30, 1998. Of the \$92.8 million backlog at September 30, 1997, approximately 62% was attributable to three projects.

The Company's backlog is based on management's estimate of the direct labor hours required to complete, and the remaining amounts to be invoiced with respect to, those projects as to which a customer has authorized the Company to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. Often, however, management's estimates are based on incomplete engineering and design specifications. As engineering and design plans are finalized or changes to existing plans are made, management's estimate of the direct labor hours required to complete and price at completion for such projects is likely to change. In addition, all projects currently included in the Company's backlog are subject to termination at the option of the customer, although the customer in that case is generally required to pay the Company for work performed and materials purchased through the date of termination and, in some instances, pay the Company termination fees.

GOVERNMENT AND ENVIRONMENTAL REGULATION

Many aspects of the Company's operations and properties are materially affected by federal, state and local regulation, as well as certain international conventions and private industry organizations. The exploration and development of oil and gas properties located on the outer continental shelf of the United States is regulated primarily by the MMS. The MMS has promulgated federal regulations under the Outer Continental Shelf Lands Act requiring the construction of offshore platforms located on the outer continental shelf to meet stringent engineering and construction specifications. Violations of these regulations and related laws can result in substantial civil and criminal penalties as well as injunctions curtailing operations. The Company believes that its operations are in compliance with these and all other regulations affecting the fabrication of platforms for delivery to the outer continental shelf of the United States. In addition, the Company depends on the demand for its services from the oil and gas industry and, therefore, can be affected by changes in taxes, price controls and other laws and regulations relating to the oil and gas industry. In addition, offshore construction and drilling in certain areas have been opposed by environmental groups and, in certain areas, has been restricted. To the extent laws are enacted or other governmental actions are taken that prohibit or restrict offshore construction and drilling or impose environmental protection requirements that result in increased costs to the oil and gas industry in general and the offshore construction industry in particular, the business and prospects of the Company could be adversely affected, although such restrictions in the areas of the Gulf of Mexico where the Company's products are used have not been substantial. The Company cannot determine to what extent future operations and earnings of the Company may be affected by new legislation, new regulations or changes in existing regulations.

31

The Houma Navigation Canal provides the only means of access for the Company's products from the Company's facilities to open waters. The Houma Navigation Canal is considered to be a navigable waterway of the United States and, as such, is protected by federal law from unauthorized obstructions that would hinder water-borne traffic. Federal law also authorizes federal maintenance of the canal by the United States Corps of Engineers. The canal requires annual dredging to maintain its water depth and, while federal funding for this dredging has been provided for over 30 years, no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of the canal will be continued indefinitely. If sufficient funding were not appropriated for that purpose, the Houma Navigation Canal could become impassable by barges required to transport many of the Company's products, with the result that the Company's operations and financial position could be materially and adversely affected.

The Company's operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. These laws may provide for "strict liability" for damages to natural resources and threats to public health and safety, rendering a party liable for the environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar foreign, state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances. Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. The Company believes that its facilities are in substantial compliance with current regulatory standards.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require the Company to obtain certain permits, licenses and certificates with respect to its operations. The kind of permits, licenses and certificates required in the Company's

operations depend upon a number of factors. The Company believes that it has all material permits, licenses and certificates necessary to the conduct of its existing business.

The Company's compliance with these laws and regulations has entailed certain additional expenses and changes in operating procedures. For the years ended 1994, 1995 and 1996, the Company incurred approximately \$100,000 in expenditures for such compliance. The Company anticipates approximately \$100,000 will be incurred for such expenditures in 1997. The Company believes that compliance with these laws and regulations will not have a material adverse effect on the Company's business or financial condition for the foreseeable future. However, future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by the Company, which expenditures may be material.

Certain activities engaged in by employees of Dolphin Services that are not engaged in by the Company's other employees, including piping interconnect and other service activities conducted on offshore platforms and

32

activities performed on the spud barges owned by Dolphin Services, are covered by the provisions of the Jones Act, the Death on the High Seas Act and general maritime law, which laws operate to make the liability limits established under state workers' compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against the Company for damages or job related injuries, with generally no limitations on the Company's potential liability. The Company's ownership and operation of vessels can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against both the Company and third parties for, among other things, personal injury, death, property damage, pollution and loss of business.

In addition to government regulation, various private industry organizations, such as the American Petroleum Institute, the American Society of Mechanical Engineers and the American Welding Society, promulgate technical standards that must be adhered to in the fabrication process.

INSURANCE

The Company maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to the Company's facilities. All policies are subject to deductibles and other coverage limitations. The Company also maintains a builder's risk policy for its construction projects and general liability insurance. The Company is self-insured for workers' compensation liability except for losses in excess of \$300,000 per occurrence for Louisiana workers' compensation and for U.S. longshoreman and harbor workers' coverage. The Company also maintains maritime employer's liability insurance. Although management believes that the Company's insurance is adequate, there can be no assurance that the Company will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance such coverage will be adequate to cover all claims that may arise.

LEGAL PROCEEDINGS

The Company is one of four defendants in a lawsuit (AGIP Petroleum Co. Inc. v. Gulf Island Fabrication, Inc., McDermott Incorporated, Snamprogetti USA, Inc. and Petro-Marine Engineering of Texas, Inc., Civil Action No. H-94-3382, United States Federal District Court for the Southern District of Texas) in which AGIP Petroleum Co. Inc. (the "Plaintiff") claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the Plaintiff. The decision was made, without the Company's participation, to remove the attachments prior to placing the jacket in its intended location in the Gulf of Mexico and modified the offshore installation plan. The installation was unsuccessful and the jacket, after retrieval, required repair and refurbishment. The Plaintiff, which has recovered most of its out-of-pocket losses from its own insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events and punitive damages. Co-defendants with the Company include the installation contractor, the firm that acted as the Plaintiff's agent in supervising the fabrication and installation of the jacket and the design engineer that provided engineering services related to the design and installation of the jacket. The Company has received certain favorable rulings from the Court, particularly the Court's ruling that the Company is not liable for economic losses with respect to certain of the Plaintiff's principal causes of action; however, the Plaintiff could appeal these rulings in the future. The Company believes that it has meritorious defenses to the remaining claims of the Plaintiff. In addition, the Company has asserted that it is entitled to coverage as an additional insured under

the Plaintiff's builders risk insurance policy relating to this project, although the insurer is contesting coverage. The Company is vigorously contesting the Plaintiff's claims. Based on the Company's analysis of the Plaintiff's claims, the Company's defenses thereto and the Court's rulings received to date, the Company believes that its liability for such claims, if any, will not be material to its financial position. In view of the uncertainties inherent in litigation, however, no assurance can be given as to the ultimate outcome of such claims.

The Company is a party to various other routine legal proceedings primarily involving commercial claims, workers' compensation claims, and claims for personal injury under the General Maritime Laws of the United States and the Jones Act. While the outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty, management believes that the outcome of all such proceedings, even if determined adversely, would not have a material adverse effect on the Company's business or financial condition.

EMPLOYEES

The Company's workforce varies based on the level of ongoing fabrication activity at any particular time. During 1996, the number of Company employees ranged from approximately 420 to more than 520. Although the seasonality of the Company's operations may cause a decline in Company output during the winter months, the Company generally does not lay off employees during those months but reduces the number of hours worked per day by many employees to coincide with the reduction in daylight hours during that period. See "-- Seasonality."

As of September 28, 1997, the Company had approximately 1,050 employees, approximately 350 of which were added in the Dolphin Acquisition. None of the Company's employees is employed pursuant to a collective bargaining agreement, and the Company believes that its relationship with its employees is good.

The Company's ability to remain productive and profitable depends substantially on its ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, the Company's ability to expand its operations depends primarily on its ability to increase its labor force. The demand for such workers is high and the supply is extremely limited. While the Company believes its relationship with its skilled labor force is good, a significant increase in the wages paid by competing employers could result in a reduction in the Company's skilled labor force, increases in the wage rates paid by the Company, or both. If either of these occurred, in the near-term, the profits expected by the Company from work in progress could be reduced or eliminated and, in the long-term, to the extent such wage increases could not be passed on to the Company's customers, the production capacity of the Company could be diminished and the growth potential of the Company could be impaired.

As part of an effort to increase and improve its workforce, the Company employs a full-time recruiter responsible for coordinating all aspects of the Company's recruiting efforts, instituted and enhanced several incentive programs for its current employees and expanded its training facility. The Company has facilities to train its employees on productivity and safety matters. The Company is committed to training its employees and offers advancement through in-house training programs.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, as of November 1, 1997, certain information with respect to the Company's directors and executive officers.

<TABLE>
<CAPTION>

NAME ----	AGE ---	POSITION -----
<S>	<C>	<C>
Alden J. Laborde.....	81	Chairman of the Board of Directors
Kerry J. Chauvin.....	50	President, Chief Executive Officer and Director
William A. Downey.....	51	Vice President--Operations
Murphy A. Bourke.....	51	Vice President--Marketing
Joseph P. Gallagher, III.....	47	Vice President--Finance, Chief Financial Officer, Treasurer and Secretary
Gregory J. Cotter.....	49	Director
Thomas E. Fairley.....	49	Director
Hugh J. Kelly.....	72	Director
John P. "Jack" Laborde..	48	Director
Huey J. Wilson.....	69	Director

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Alden J. "Doc" Laborde has served as Chairman of the Board of the Company since 1986 and as a director since 1985. He also served as the Company's Chief Executive Officer from 1986 to January 1990. Mr. Laborde founded ODECO, Inc., an offshore drilling contractor ("ODECO"), and served as its Chairman of the Board and Chief Executive Officer from 1953 to 1977. In 1954, Mr. Laborde founded Tidewater Inc. ("Tidewater"), a supplier of offshore marine transportation and other services, and served as a director of Tidewater from 1978 to 1986 and as director emeritus from 1986 to September 1993. Mr. Laborde graduated from the United States Naval Academy with a degree in engineering and served in World War II as a combat officer. Mr. Laborde is the father of John P. "Jack" Laborde.

Kerry J. Chauvin has served as the Company's President and as a director since the Company's inception and has served as Chief Executive Officer since January 1990. Mr. Chauvin also served as the Company's Chief Operating Officer from January 1989 to January 1990. He has over 20 years of experience in the fabrication industry including serving from 1979 to 1984 as President of Delta Fabrication, the assets of which were purchased by the Company in 1985, and as Executive Vice President, General Manager and Manager of Engineering with Delta Fabrication from 1977 to 1979. From 1973 to 1977, he was employed by Delta Shipyard as Manager of New Construction and as a Project Manager. Mr. Chauvin holds both an M.B.A. degree and a B.S. degree in Mechanical Engineering from Louisiana State University.

William A. Downey has been Vice President--Operations of the Company since 1985. From 1980 to 1984, Mr. Downey served as the Vice President of Engineering of Delta Fabrication. With over 20 years of experience in the fabrication industry, he has served in various capacities with Avondale Industries, Inc., including Senior Project Manager and Senior Cost & Design Analyst, and has also been employed by Sanderson Enterprises, Inc. and Mission Drilling & Exploration Corp. Mr. Downey received his B.S. degree in Industrial Technology from Southeastern Louisiana University in 1971.

Murphy A. Bourke has been Vice President--Marketing since the Company began operations in 1985. Mr. Bourke also served as Vice President Marketing for Delta Fabrication from 1979 to 1984 and as the General Sales Manager of Louisiana State Liquor Distributors, Inc., a beverage distributor, from 1972 to 1979. He holds a B.A. degree in marketing from Southeastern Louisiana University.

Joseph P. "Duke" Gallagher, III was elected Vice President--Finance and Chief Financial Officer of the Company in January 1997. Mr. Gallagher has been the Company's Contoller since 1985, the Treasurer since 1986 and Secretary since January 1993. Mr. Gallagher also served as Secretary from 1986 to 1990. From 1981 to 1985, he was employed as the Contoller of TBW Industries, Incorporated, a manufacturer of machinery and

35

pressure vessels, and from 1979 to 1981 as the Assistant Contoller of Brock Exploration Corporation, a publicly traded oil and gas exploration company. Mr. Gallagher, a Certified Public Accountant, also worked as a Senior Auditor for the accounting firm A.A. Harmon & Co., CPA's Inc. He received a B.S. degree in Production Management in 1973 from the University of Southwestern Louisiana.

Gregory J. Cotter has been a director of the Company since 1985 and has served as a non-compensated financial advisor to the Company since its formation. Mr. Cotter has also been President, Chief Operating and Financial Officer and a director of Huey Wilson Interests, Inc. since January 1989. Mr. Cotter also served in that capacity from 1985 through 1986. During 1987 and 1988, Mr. Cotter was President, Chief Operating Officer and a director of Great American Corporation, then a publicly traded multibank holding company. Since October 1989, Mr. Cotter has served as President, Chief Financial Officer and a director of Wilson Jewelers, Inc. From 1977 to 1985, Mr. Cotter was Senior Vice President and Chief Financial Officer of H. J. Wilson, Co., Inc., then a publicly traded jewelry and retail merchandising chain. Mr. Cotter received his B.S. degree in Chemical Engineering in 1970 and his M.B.A. in 1972, both from Tulane University.

Thomas E. Fairley has served as a director of the Company since January 1997 and is the Chief Executive Officer and President of Trico Marine Services, Inc. ("Trico"), a publicly traded marine vessel operator. He has served in that capacity since October 1993 and as President of Trico Marine Operators, the predecessor of Trico, since 1980. From 1978 to 1980, Mr. Fairley served as Vice President of Trans Marine International, an offshore marine service company and wholly-owned subsidiary of GATX Leasing Corporation. From 1975 to 1978, Mr. Fairley served as General Manager of International Logistics, Inc., a company engaged in the offshore marine industry. Prior to 1975, Mr. Fairley held various positions with Petrol Marine Company, an offshore marine service company.

Hugh J. Kelly has served as a director of the Company since January 1997, and has been an oil and gas consultant since 1989. From 1977 to 1989, Mr.

Kelly served as the Chief Executive Officer of ODECO. Mr. Kelly is a director of Tidewater, Hibernia Corporation (regional bank holding company), Chieftain International, Inc. (oil and gas exploration and development concern) and Central Louisiana Electric Co. (electric utility company).

John P. "Jack" Laborde has served as a director of the Company since January 1997. Mr. Laborde is the Chief Executive Officer of All Aboard Development Corporation, an independent oil and gas exploration and production company. He has served in that capacity since April 1996 and as a Vice President since April 1992. Mr. Laborde served as a consultant to the Company from April 1996 to December 1996. From April 1992 to March 1996, Mr. Laborde served as the International Marketing Manager of the Company. From 1978 to 1992, Mr. Laborde served in various capacities, including Vice President--International Operations and Marketing Manager, for ODECO. Mr. Laborde received his B.S. in Civil Engineering in 1971 and his M.B.A. in 1973, both from Tulane University. Jack Laborde is the son of Alden J. Laborde.

Huey J. Wilson, one of the Company's founding shareholders, was elected director in January 1997. Mr. Wilson founded H.J. Wilson, Co., Inc. ("Wilson's"), a jewelry and retail merchandising chain that grew to become the largest publicly traded company headquartered in Baton Rouge, Louisiana. He was Chairman of the Board and Chief Executive Officer of Wilson's from 1957 to 1985, when it was sold to Service Merchandise Company. Until June 1993, Mr. Wilson served as Chairman of the Board since 1982, Chief Executive Officer since 1983, and a director since 1973 of Great American Corporation, a then publicly traded multibank holding company. Currently, Mr. Wilson is the Chairman of the Board and Chief Executive Officer of Huey Wilson Interests, Inc., a financial and business management company he founded in 1985, and Chairman of the Board and Chief Executive Officer of Wilson Jewelers, Inc., a jewelry store chain he established in 1989.

The Company's Articles of Incorporation ("Articles") and By-laws provide for the Board of Directors to be divided into three classes of directors with each class to be as nearly equal in number of directors as possible, with directors serving staggered three-year terms. The terms of the Class I directors, Messrs. Fairley and Kelly, will expire in 1998. The terms of the Class II directors, Messrs. Cotter and Jack Laborde, will expire in 1999,

and the terms of the Class III directors, Messrs. Chauvin, Wilson and Alden Laborde, will expire in 2000. Each director serves until the end of his term or until his successor is elected and qualified. See "Description of Capital Stock--Certain Anti-Takeover and Other Provisions of the Articles and By-laws."

DIRECTOR COMPENSATION

As Chairman of the Board, Alden J. Laborde receives an annual fee of \$100,000. Each non-employee director other than Mr. Alden Laborde is paid an annual director's fee of \$12,000 plus \$1,000 for each board or committee meeting attended. All directors are reimbursed for reasonable out-of-pocket expenses incurred in attending board and committee meetings.

COMMITTEES

The Company's Board of Directors has established an Audit Committee and a Compensation Committee. The Audit Committee reviews the Company's annual audit and meets with the Company's independent public accountants to review the Company's internal controls and financial management practices. The current members of the Audit Committee are Messrs. Cotter, Fairley and Jack Laborde.

The Compensation Committee recommends to the Board of Directors compensation for the Company's key employees, administers the Company's stock incentive plan and performs such other functions as may be prescribed by the Board of Directors. The current members of the Compensation Committee are Messrs. Alden Laborde, Wilson and Kelly.

EXECUTIVE COMPENSATION

The following table summarizes the compensation paid to its Chief Executive Officer and each of its most highly compensated executive officers for the year ended December 31, 1996. No other employee of the Company earned more than \$100,000 in 1996.

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ALL OTHER		
		ANNUAL COMPENSATION		COMPENSATION(2)
		SALARY	BONUS(1)	
<S>	<C>	<C>	<C>	<C>
Kerry J. Chauvin, President and Chief Executive Officer.....	1996	\$ 199,370	\$ 162,783	\$ 8,796

William A. Downey, Vice President--Operations.....	1996	124,400	81,392	14,403
Murphy A. Bourke, Vice President--Marketing.....	1996	120,417	81,392	7,320
Joseph P. Gallagher, III, Vice President--Finance and Chief Financial Officer.....	1996	80,860	27,131	4,670

</TABLE>

- -----

- (1) For fiscal 1996, the Board of Directors voted to pay bonuses to the Company's executive officers based on a percentage of the Company's income before taxes, adjusted for the bonuses and a non-recurring compensation charge (the "Profit Participation Amount"). In 1996, Messrs. Chauvin, Downey, Bourke and Gallagher were paid bonuses equal to 2%, 1%, 1% and 1/3%, respectively, of the Profit Participation Amount. The Compensation Committee presently intends to pay 1997 bonuses to these executive officers that will be similarly calculated, except that it has been recommended that Mr. Gallagher's bonus be 2/3% of the Profit Participation Amount in 1997.
- (2) Includes (i) matching and profit-sharing contributions of \$7,810, \$7,152, \$6,910 and \$4,358 to the Company's 401(k) plan on behalf of Messrs. Chauvin, Downey, Bourke and Gallagher, respectively, (ii) premium payments in the amount of \$410, \$410, \$410 and \$312 for Messrs. Chauvin, Downey, Bourke and Gallagher, respectively, under a long-term disability insurance plan, which premium payments are attributable to benefits in excess of those provided generally for other employees and (iii) personal use of a company vehicle in the amount of \$576 and \$6,841 for Messrs. Chauvin and Downey, respectively.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to January 31, 1997, the Board of Directors had no compensation committee, and Mr. Chauvin participated in deliberations of the Company's Board of Directors concerning executive officer compensation.

37

COMPENSATION PURSUANT TO PLANS

Retirement Plan. In 1988, the Company implemented the Gulf Island Fabrication, Inc. Qualified Retirement Plan (the "Retirement Plan"), which has both a profit sharing and a 401(k) savings plan feature. The Retirement Plan permits each employee (other than non-resident alien employees and employees covered by collective bargaining agreements, of which the Company has none) to become a participant in the Retirement Plan on the first day of each month (an entry date) following the latest of the employee's completion of three months of employment or the attainment of age 18.

The Company makes an annual contribution, if any, to the profit sharing feature in an amount determined by the Board of Directors. Subject to certain limitations required by law, the Company's contribution is allocated to each participant in the proportion that the total compensation paid by the Company to such participant during the plan year bears to the aggregate compensation paid by the Company to all participants during the plan year.

Under the savings plan feature of the Retirement Plan, each active participant may elect, subject to certain limitations required by law, to defer, on a pre-tax basis, payment of up to 15% of his or her compensation and have this amount credited to the participant's Plan account. The Company contributes to the account of each participant a matching contribution equal to 50% of such participant's contributions that are not in excess of 6% of compensation. The savings plan feature also provides for additional Company contributions, if any, at the discretion of the Board. Subject to certain limitations required by law, the Company's discretionary match is allocated to each participant in the proportion that the total matching contribution paid by the Company to such participant during the plan year bears to the aggregate matching contribution paid by the Company to all participants during the plan year.

In accordance with the employee's instructions, all funds in a participant's account are invested in one or more of the four investment alternatives of Invesco Trust Company, the Plan's trustee, which are designated by the plan administrator.

Employee contributions to the savings plan feature and earnings thereon are 100% vested at all times. Contributions by the Company, and earnings thereon, vest based on the participant's years of service with the Company, vesting 20% after two years of service and increasing in 20% increments with each additional year of service, thus becoming 100% vested following six years of service. All contributions vest, regardless of years of service, upon termination of employment by reason of death or disability, attainment of age 65 or the termination or discontinuance of the Retirement Plan. After termination of employment, an employee is entitled to receive a lump-sum distribution of his or her entire vested interest in the Retirement Plan.

During the 1996 plan year, the Company made contributions of \$125,000 to the profit sharing feature, contributions of \$292,000 to the match feature, and contributions of \$125,000 to the discretionary match feature of the Retirement Plan. For amounts credited to the accounts of Messrs. Chauvin, Downey, Bourke and Gallagher, see "--Executive Compensation."

Long-Term Incentive Plan. In February 1997, the Company adopted and its shareholders approved the Long-Term Incentive Plan (the "1997 Plan") to provide long-term incentives to its key employees, including officers and directors who are employees of the Company (the "Eligible Employees"). Under the 1997 Plan, which is administered by the Compensation Committee of the Board of Directors, the Company may grant incentive stock options, non-qualified stock options, restricted stock, stock awards or any combination thereof (the "Incentives") to Eligible Employees. The Compensation Committee will establish the exercise price of any stock options granted under the Incentive Plan, provided that the exercise price may not be less than the fair market value of the Common Stock on the date of grant. The option exercise price may be paid in cash, in Common Stock held for at least six months, in a combination of cash and Common Stock, or through a broker-assisted exercise arrangement approved by the Compensation Committee.

A total of 1,000,000 shares of Common Stock are available for issuance under the 1997 Plan. Incentives with respect to no more than 400,000 shares of Common Stock may be granted to any single Eligible Employee

38

in one calendar year. Proportionate adjustments will be made to the number of shares subject to the 1997 Plan, including the shares subject to outstanding Incentives, in the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock. In the event of such adjustments, the purchase price of any outstanding option will be adjusted as and to the extent appropriate, in the reasonable discretion of the compensation Committee, to provide participants with the same relative rights before and after such adjustment.

All outstanding Incentives will automatically become exercisable and fully vested and all performance criteria will be deemed to be waived by the Company upon (i) a reorganization, merger or consolidation of the Company in which the Company is not the surviving entity, (ii) the sale of all or substantially all of the assets of the Company, (iii) a liquidation or dissolution of the Company, (iv) a person or group of persons, other than Messrs. Alden Laborde or Wilson or any employee benefit plan of the Company, becoming the beneficial owner of 30% or more of the Company's voting stock or (v) the replacement of a majority of the Board in a contested election (a "Significant Transaction"). The Committee also has the authority to take several actions regarding outstanding Incentives upon the occurrence of a Significant Transaction, including requiring that outstanding options remain exercisable only for a limited time, providing for mandatory conversion of outstanding options in exchange for either a cash payment or Common Stock, making equitable adjustments to Incentives or providing that outstanding options will become options relating to securities to which a participant would have been entitled in connection with the Significant Transaction if the options had been exercised.

As of the date of this Prospectus, options to purchase 392,000 shares of Common Stock have been granted under the 1997 Plan to employees of the Company, including options to purchase 96,000, 45,000, 40,000, and 32,000 shares to Messrs. Chauvin, Downey, Bourke and Gallagher, respectively. All of the options granted to the Company's executive officers as of the date of this Prospectus under the 1997 Plan have a ten-year term, an exercise price equal to the price per share of which shares of Common Stock were sold in the Initial Public Offering, as adjusted to give effect to the stock split, and will become fully exercisable five years from the date of grant.

LIMITATION OF DIRECTORS' AND OFFICERS' LIABILITY AND INDEMNIFICATION

In accordance with Louisiana law, the Company's Articles (described further below) contain provisions eliminating the personal liability of directors and officers to the Company and its shareholders for monetary damages for breaches of their fiduciary duties as directors or officers, except for (i) a breach of a director's or officer's duty of loyalty to the Company or its shareholders, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) dividends or stock repurchases or redemptions that are illegal under Louisiana law and (iv) any transaction from which a director or officer receives an improper personal benefit. As a result of the inclusion of such provisions, shareholders may be unable to recover monetary damages against directors or officers for actions taken by them that constitute negligence or gross negligence or that are in violation of their fiduciary duties, although it may be possible to obtain injunctive or other equitable relief with respect to such actions. If equitable remedies are found not to be available to shareholders in any particular case, shareholders may not have any effective remedy against the challenged conduct.

The Company believes that these provisions are necessary to attract and

retain qualified individuals to serve as directors and officers. In addition, such provisions will allow directors and officers to perform their duties in good faith without undue concern about personal liability if a court finds their conduct to have been negligent or grossly negligent. On the other hand, the potential remedies available to a Company shareholder will be limited, and it is possible, although unlikely, that directors or officers protected by these provisions may not demonstrate the same level of diligence or care that they would otherwise demonstrate.

The Company's By-laws require the Company to indemnify its officers and directors against certain expenses and costs, judgments, settlements and fines incurred in the defense of any claim, including any claim brought by or in the right of the Company, to which they were made parties by reason of being or having been officers or directors, subject to certain conditions and limitations. The By-law provisions that govern such indemnification are included as an exhibit to the Company's Registration Statement, of which this Prospectus forms a part.

39

Each of the Company's directors and executive officers has entered into an indemnity agreement with the Company, pursuant to which the Company has agreed under certain circumstances to purchase and maintain directors' and officers' liability insurance. The agreements also provide that the Company will indemnify the directors and executive officers against any costs and expenses, judgments, settlements and fines incurred in connection with any claim involving a director or executive officer by reason of his position as director or executive officer that are in excess of the coverage provided by any such insurance, provided that the director or executive officer meets certain standards of conduct. A form of indemnity agreement containing such standards of conduct is included as an exhibit to the Company's Registration Statement, of which this Prospectus forms a part. Under the indemnity agreements, the Company is not required to purchase and maintain directors' and officers' liability insurance if it is not reasonably available or, in the reasonable judgment of the Board of Directors, there is insufficient benefit to the Company from the insurance.

40

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth, as of November 1, 1997, and as adjusted to give effect to the Offering, certain information regarding beneficial ownership of the Common Stock by (i) each shareholder known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, (ii) each Selling Shareholder, (iii) each director of the Company, (iv) each of the Company's executive officers and (v) all of the Company's directors and executive officers as a group. Unless otherwise indicated, the Company believes that the shareholders listed below have sole investment and voting power with respect to their shares based on information furnished to the Company by such shareholders.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES		PERCENT OF OUTSTANDING COMMON STOCK		
	BEFICIALLY OWNED PRIOR TO OFFERING	NUMBER OF SHARES TO BE SOLD	NUMBER OF SHARES BEFICIALLY OWNED AFTER OFFERING	BEFORE OFFERING	AFTER OFFERING
<S>	<C>	<C>	<C>	<C>	<C>
Alden J. Laborde (/1/) (/2/)	2,832,382	1,000,000	1,832,382	24%	16%
Huey J. Wilson (/1/)	3,451,000	1,000,000	2,451,000	30%	21%
Kerry J. Chauvin	65,600 (3)	--	65,600 (3)	*	*
William A. Downey	29,000	--	29,000	*	*
Murphy A. Bourke	22,200	--	22,200	*	*
Thomas E. Fairley	10,000	--	10,000		
Hugh J. Kelly	4,000	--	4,000		
Gregory J. Cotter	3,000	--	3,000		
Joseph P. Gallagher, III	40,000	--	40,000	*	*
John P. "Jack" Laborde	86,400 (4)	--	86,400 (4)	*	*
All directors and executive officers as a group (10 persons)	6,543,582	2,000,000	4,543,582	56%	39%

</TABLE>

* Less than one percent.

(1) Includes 100,000 shares that each of the Selling Shareholders may contribute to the WSW 1997 Exchange Fund prior to the Offering but the transfer of which may not occur until after the Offering. Investors in such fund consist of individuals like the Selling Shareholders who

- contribute highly appreciated capital stock on a tax-free basis as a means of asset diversification and estate planning. With respect to Mr. Wilson's ownership, this number includes 100,000 shares held by a foundation of which Mr. Wilson is a trustee and as to which he disclaims beneficial ownership. The address of Alden J. Laborde is 210 Baronne Street, Suite 822, New Orleans, Louisiana 70112. The address of Huey J. Wilson is 3636 S. Sherwood Forest Boulevard, Suite 650, Baton Rouge, Louisiana 70816.
- (2) Includes approximately 182 shares with respect to which Mr. Laborde's wife shares voting control and as to which he disclaims beneficial ownership.
 - (3) Includes 1,600 shares owned by Mr. Chauvin's spouse and one of his children, as to which Mr. Chauvin disclaims beneficial ownership.
 - (4) Includes 50,800 shares owned by Mr. Laborde's spouse and children, as to which Mr. Laborde disclaims beneficial ownership.

41

CERTAIN TRANSACTIONS

Between January 1, 1997 and April 4, 1997, the Company distributed \$16.6 million to certain of its shareholders, which amount represented undistributed earnings of the Company through the date of the termination of the Company's S Corporation status, on which such shareholders incurred federal and state income taxes. Directors and executive officers of the Company who are also shareholders received, in the aggregate, approximately \$15.3 million as a result of this distribution.

In connection with the Initial Public Offering, the Company entered into registration rights agreements (the "Registration Rights Agreements") with Messrs. Alden Laborde and Wilson, pursuant to which Messrs. Alden Laborde and Wilson have limited rights to require the Company to register shares of Common Stock owned by them under the Securities Act. This Offering is being made pursuant to the Registration Rights Agreements. If this Offering is completed, each of Messrs. Alden Laborde and Wilson will be entitled to one additional demand registration under the Registration Rights Agreements. If either of Messrs. Laborde or Wilson makes such a demand, the other is entitled to include his shares in such registration.

If the Company proposes to register any Common Stock under the Securities Act in connection with a public offering, each of Messrs. Laborde and Wilson may require the Company to include all or a portion of the shares of Common Stock held by such shareholder. The Company has agreed to pay all the expenses of registration under the Registration Rights Agreements, other than underwriting discounts and commissions. See "Risk Factors--Shares Eligible for Future Resale; Registration Rights."

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of the Company consists of 20,000,000 shares of Common Stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share, issuable in series (the "Preferred Stock"). On October 6, 1997, the Company declared a two-for-one stock split, effectuated as a stock dividend on October 28, 1997. Subsequent to the stock split, and as of October 31, 1997, 11,600,000 shares of Common Stock were outstanding and held of record by approximately 230 persons, and no shares of Preferred Stock were outstanding. The Company's Common Stock is listed for trading on the Nasdaq National market. The following description of the capital stock of the Company is qualified in its entirety by reference to the Company's Articles and By-laws, copies of which are incorporated by reference as exhibits to the Registration Statement of which this Prospectus forms a part.

COMMON STOCK

Each holder of Common Stock is entitled to one vote for each share of Common Stock held of record on all matters on which shareholders are entitled to vote; shareholders may not cumulate votes for the election of directors. Subject to any preferences accorded to the holders of the Preferred Stock, if and when issued by the Board of Directors, holders of Common Stock are entitled to dividends at such times and in such amounts as the Board of Directors may determine. The Company currently does not intend to pay dividends for the foreseeable future. In addition, the Company's Bank Credit Facility contains provisions that limit the Company from paying dividends to holders of its Common Stock. See "Risk Factors--Dividends" and "Price Range of Common Stock and Dividend Policy." Upon the dissolution, liquidation or winding up of the Company, after payment of debts, expenses and the liquidation preference plus any accrued dividends on any outstanding shares of Preferred Stock, the holders of Common Stock will be entitled to receive all remaining assets of the Company ratably in proportion to the number of shares held by them. Holders of Common Stock have no preemptive, subscription or conversion rights and are not subject to further calls or assessments, or rights of redemption by the Company. The outstanding shares of Common Stock are, and the shares of Common Stock being sold in the Offering will be, validly issued, fully paid and nonassessable.

42

PREFERRED STOCK

The Company's Board of Directors has the authority, without approval of the stockholders, to issue shares of Preferred Stock in one or more series and to fix the number of shares and rights, preferences and limitations of each series. Among the specific matters with respect to the Preferred Stock that may be determined by the Board of Directors are the dividend rights, the redemption price, if any, the terms of a sinking fund, if any, the amount payable in the event of any voluntary liquidation, dissolution or winding up of the affairs of the Company, conversion rights, if any, and voting powers, if any.

One of the effects of the existence of authorized but unissued Common Stock and undesignated Preferred Stock may be to enable the Board of Directors to make more difficult or to discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby to protect the continuity of the Company's management. If, in the exercise of its fiduciary obligations, the Board of Directors were to determine that a takeover proposal was not in the Company's best interest, such shares could be issued by the Board of Directors without stockholder approval in one or more transactions that might prevent or make more difficult or costly the completion of the takeover transaction by diluting the voting or other rights of the proposed acquiror or insurgent stockholder group, by creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent Board of Directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise. In this regard, the Company's Articles grant the Board of Directors broad power to establish the rights and preferences of the authorized and unissued Preferred Stock, one or more series of which could be issued that would entitle holders (i) to vote separately as a class on any proposed merger or consolidation, (ii) to cast a proportionately larger vote together with the Common Stock on any such transaction or for all purposes, (iii) to elect directors having terms of office or voting rights greater than those of other directors, (iv) to convert Preferred Stock into a greater number of shares of Common Stock or other securities, (v) to demand redemption at a specified price under prescribed circumstances related to a change of control or (vi) to exercise other rights designated to impede a takeover. The issuance of shares of Preferred Stock pursuant to the Board of Directors' authority described above may adversely effect the rights of holders of the Common Stock.

In addition, certain other charter provisions that are described below may have the effect of, either alone or in combination with each other or with the existence of authorized but unissued capital stock, of making more difficult or discouraging an acquisition of the Company deemed undesirable by the Board of Directors.

CERTAIN ANTI-TAKEOVER AND OTHER PROVISIONS OF THE ARTICLES AND BY-LAWS

Classified Board of Directors. The Articles and By-laws divide the members of the Board of Directors who are elected by the holders of the Common Stock into three classes with each class to be as nearly equal in number of directors as possible, serving three-year staggered terms. See "Management--Executive Officers and Directors."

Advance Notice of Intention to Nominate a Director. The Articles and By-laws permit a stockholder to nominate a person for election as a director only if written notice of such stockholder's intent to make a nomination has been given to the Secretary of the Company not less than 45 days or more than 90 days prior to an annual meeting, unless less than 55 days notice is given of the meeting, in which case notice by the stockholder must be received on the 10th day after notice of the meeting was given. This provision also requires that the stockholder's notice set forth, among other things, a description of all arrangements or understandings between the nominee and the stockholder pursuant to which the nomination is to be made or the nominee is to be elected and such other information regarding the nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), had the nominee been nominated by the Board of Directors of the Company. Any nomination that fails to comply with these requirements may be disqualified.

Shareholders' Right to Call Special Meeting. The Articles and By-laws provide that a special shareholders' meeting may be requested by a shareholder or group of shareholders holding in the aggregate 50% or more of the Company's total voting power.

Shareholder Action by Unanimous Consent. Under Louisiana law, unless a corporation's articles of incorporation specify otherwise, shareholders may only act at a duly called meeting or by unanimous written consent. The Company's Articles do not contain a provision permitting action by a consent signed by less than all shareholders; therefore, the Company's shareholders can only act at a duly called meeting or by unanimous written consent.

Removal of Directors; Filling Vacancies on Board of Directors. The Articles and By-laws provide that any director elected by holders of the Common Stock may be removed at any time by a two-thirds vote of the entire Board of Directors. In addition, any director or the entire Board may be removed at any time for cause by a vote of the holders of not less than two-thirds of the total voting power held by all holders of voting stock present or represented at a special stockholders' meeting called for that purpose. "Cause" is defined for these purposes as conviction of a felony involving moral turpitude or adjudication of gross negligence or misconduct in the performance of duties in a matter of substantial importance to the Company. The Articles and By-laws also provide that any vacancies on the Board of Directors (including any resulting from an increase in the authorized number of directors) may be filled by the affirmative vote of two-thirds of the directors, provided the shareholders shall have the right, at any special meeting called for that purpose prior to such action by the Board, to fill the vacancy.

Adoption and Amendment of By-laws. The Articles provide that the By-laws may be (i) adopted only by a majority vote of the Board of Directors and (ii) amended or repealed by either a two-thirds vote of the Board of Directors or the holders of at least 80% of the total voting power present or represented at any shareholders' meeting. Any provisions amended or repealed by the stockholders may be re-amended or re-adopted by the Board of Directors.

Consideration of Tender Offers and Other Extraordinary Transactions. Under Louisiana law, the Board of Directors, when considering a tender offer, exchange offer, merger or consolidation, may consider, among other factors, the social and economic effects of the proposal on the Company, its subsidiaries and their respective employees, customers, creditors and communities.

Amendment of Certain Provisions of the Articles; Other Corporate Action. Under Louisiana law, unless a corporation's articles of incorporation specify otherwise, a corporation's articles of incorporation may be amended by the affirmative vote of the holders of two-thirds of the voting power present at a meeting of the shareholders. The Company's Articles require the affirmative vote of not less than 80% of the total voting power of the Company to amend, alter or repeal certain provisions of the Company's Articles with respect to (i) the classification, filling of vacancies and removal of the Board of Directors, (ii) amendments to the By-laws, (iii) the application of certain anti-takeover provisions of the Louisiana law by which the Company has elected not to be governed, (iv) changes to shareholder vote requirements, (v) limitation of liability of directors and (vi) requirements for special meetings called by shareholders. Unless approved by a vote of at least two-thirds of the Board of Directors, a merger, consolidation, sale of all or substantially all of the assets or a voluntarily dissolution of the Company may be authorized only by the affirmative vote of the holders of 80% of the total voting power.

The provisions of the Company's Articles and By-laws summarized in the preceding paragraphs may have anti-takeover effects and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in such shareholder's best interest, including those attempts that might result in the payment of a premium over the market price for the shares of Common Stock held by such shareholder.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Common Stock is American Stock Transfer and Trust Company.

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement among the Selling Shareholders and the Underwriters named below (the "Underwriting Agreement"), the Selling Shareholders have collectively agreed to sell to each of such Underwriters named below, and each of such Underwriters, for whom Morgan Keegan & Company, Inc., Raymond James & Associates, Inc. and Johnson Rice & Company L.L.C. are acting as representatives (the "Representatives"), has severally agreed to purchase from the Company, the respective number of shares of Common Stock set forth opposite its name below.

<TABLE>
<CAPTION>

UNDERWRITER -----	NUMBER OF SHARES OF COMMON STOCK -----
<S>	<C>
Morgan Keegan & Company, Inc.	
Raymond James & Associates, Inc.	
Johnson Rice & Company L.L.C.	

Total..... 2,000,000
=====

</TABLE>

The Underwriting Agreement provides that the Underwriters' obligation to pay for and accept delivery of the shares of Common Stock offered hereby is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all such shares, excluding shares covered by the over-allotment option, if any are purchased. The Underwriters have informed the Company that no sales of Common Stock will be confirmed to discretionary accounts.

In connection with the Offering, the Underwriters may purchase and sell the Common Stock in the open market. These transactions may include over-allotment and stabilizing transactions, "passive" market making and purchases to cover syndicate short positions created in connection with the Offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Common Stock and syndicate short positions involve the sale by the Underwriters of a greater number of shares of Common Stock than they are required to purchase from the Company and the Selling Shareholders in the Offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the shares of Common Stock sold in the Offering for their account may be reclaimed by the syndicate if such shares of Common Stock are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Common Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the Nasdaq National Market in the over-the-counter market or otherwise.

As permitted by Rule 103 under the Exchange Act, certain Underwriters (and selling group members, if any) that are market makers ("passive market makers") in the Common Stock may make bids for or purchases of the Common Stock in the Nasdaq National Market until such time, if any, when a stabilizing bid for such securities has been made. Rule 103 generally provides that (i) a passive market maker's net daily purchases of the Common Stock may not exceed 30% of its average daily trading volume in such securities for the two full consecutive calendar months (or any 60 consecutive days ending within the 10 days) immediately preceding the filing date of the registration statement of which this Prospectus forms a part, (ii) a passive market maker may not effect transactions or display bids for the Common Stock at a price that exceeds the highest independent bid for the Common Stock by persons who are not passive market makers and (iii) bids made by passive market makers must be identified as such.

The Selling Shareholders have granted the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of 300,000 additional shares of Common Stock solely to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares of Common Stock to be purchased by each of them, as shown in the table above, bears to the 2,000,000 shares of Common Stock offered hereby.

45

The Selling Shareholders, who will beneficially own an aggregate of 4,283,382 (3,983,382 if the over-allotment option is exercised in full) shares of Common Stock after the Offering, have agreed, during the period beginning from the date of this Prospectus and continuing to and including the date 180 days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of any securities of the Company (other than, with respect to the Company, pursuant to employee stock option plans existing, or on the conversion or exchange of convertible or exchangeable securities outstanding, on the date of this Prospectus or in connection with the acquisitions of businesses or assets by the Company) which are substantially similar to the shares of the Common Stock or which are convertible or exchangeable into securities which are substantially similar to the shares of the Common Stock without the prior consent of the Representatives.

Certain of the Underwriters have from time to time provided investment banking and financial advisory services to the Company, and such firms may in the future provide similar services to the Company, for which they have received or are expected to receive customary fees.

In accordance with the Registration Rights Agreements with the Selling Shareholders, the Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

The legality of the shares of Common Stock offered hereby is being passed upon for the Company by Jones, Walker, Waechter, Poitevent, Carrere & Denegre,

L.L.P., New Orleans, Louisiana. Certain legal matters in connection with the shares of Common Stock offered hereby are being passed upon for the Underwriters by Andrews & Kurth L.L.P., Houston, Texas.

EXPERTS

The financial statements of the Company as of December 31, 1995 and 1996 and for each of the three years in the period ended December 31, 1996, and the combined financial statements of Dolphin Services as of and for the year ended December 31, 1996 included in this Prospectus have been so included in reliance on the reports of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

The Company is subject to the information and reporting requirements of the Exchange Act, and in accordance therewith files periodic reports and other information with the Securities and Exchange Commission (the "Commission"). The Company has also filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the Common Stock being offered pursuant to this Prospectus. This Prospectus does not contain all information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any documents are not necessarily complete and, in each instance, reference is made to the copy of such document filed or incorporated by reference as an exhibit to the Registration Statement. Such periodic reports and Registration Statement may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission (<http://www.sec.gov>). The Company intends to furnish its shareholders with annual reports containing audited financial statements certified by independent public accountants. The Company's Common Stock is traded on the Nasdaq National Market. Reports, proxy statements and other information may also be inspected at the offices of the National Association of Securities Dealers, at 1735 K Street, N.W., Washington, D.C. 20006.

46

GLOSSARY OF CERTAIN TECHNICAL TERMS

blasting and coating facility:	Building and equipment used to clean steel products and prepare them for coating with marine paints and other coatings.
compliant tower:	A fixed platform designed for certain deep water drilling and production.
coping machine:	A computerized machine that cuts ends of tubular pipe sections to allow for changes in weld bevel angles and fits onto other tubular pipe sections.
deck:	The component of a platform on which development drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
direct labor hours:	Direct labor hours are hours worked by employees directly involved in the production of the Company's products. These hours do not include contractor labor hours and support personnel hours such as maintenance, warehousing and drafting.
fixed platform:	A platform consisting of a rigid jacket which rests on tubular steel pilings driven into the seabed and which supports a deck structure above the water surface.
floating production platform:	Floating structure that supports offshore oil and gas production equipment (tension leg, semi submersible, SPAR).
grit blast system:	System of preparing steel for coating by using steel grit rather than sand as a blasting medium.

hydraulic plate shear: Machine that cuts steel by a mechanical system similar to scissors.

inshore: Inside coastlines, typically in bays, lakes and marshy areas.

ISO 9002: International Standards of Operations 9002-- Defines quality management system of procedures and goals for certified companies.

jacket: A component of a fixed platform consisting of a tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is supported on tubular steel pilings driven into the seabed.

modules: Packaged equipment usually consisting of major production, utility or compression equipment with associated piping and control system.

offshore: In unprotected waters outside coastlines.

piles: Rigid tubular pipes that are driven into the seabed to support platforms.

plasma-arc cutting system: Steel cutting system that uses a ionized gas cutting rather than oxy-fuel system.

platform: A structure from which offshore oil and gas development drilling and production are conducted.

47

spud barge: Construction barge rigged with vertical tubular or square lengths of steel pipes that are lowered to anchor the vessel.

subsea templates: Tubular frames which are placed on the seabed and anchored with piles. Usually a series of oil and gas wells are drilled through these underwater structures.

tension leg platform (TLP): A platform consisting of a floating hull and deck anchored by vertical tensioned cables or pipes connected to pilings driven into the seabed. A tension leg platform is typically used in water depths exceeding 1,000 feet.

48

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

	PAGE

<S>	<C>
Pro Forma Combined Financial Statements (unaudited):	
Pro Forma Combined Balance Sheet as of December 31, 1996.....	F-3
Pro Forma Combined Statement of Income for the year ended December 31, 1996.....	F-5
Notes to Pro Forma Combined Balance Sheet.....	F-6
Notes to Pro Forma Combined Statement of Income.....	F-7
Gulf Island Fabrication, Inc. Financial Statements:	
Report of Independent Accountants.....	F-8
Balance Sheet as of December 31, 1995 and 1996.....	F-9
Statement of Income for the years ended December 31, 1994, 1995 and 1996.....	F-10
Statement of Changes in Shareholders' Equity for the years ended December 31, 1994, 1995 and 1996.....	F-11
Statement of Cash Flows for the years ended December 31, 1994, 1995 and 1996.....	F-12
Notes to the Financial Statements.....	F-13
Gulf Island Fabrication, Inc. Interim Consolidated Financial Statements (unaudited):	
Consolidated Balance Sheet as of September 30, 1997.....	F-19
Consolidated Statement of Income for the nine months ended September 30, 1996 and 1997.....	F-20
Consolidated Statement of Changes in Shareholders' Equity for the nine months ended September 30, 1997.....	F-21
Consolidated Statement of Cash Flows for the nine months ended September 30, 1996 and 1997.....	F-22

Notes to Consolidated Financial Statements.....	F-23
Dolphin Services, Inc. Combined Financial Statements:	
Report of Independent Accountants.....	F-26
Combined Balance Sheet as of December 31, 1996.....	F-27
Combined Statement of Income and Retained Earnings for the year ended December 31, 1996.....	F-28
Combined Statement of Cash Flows for the year ended December 31, 1996...	F-29
Notes to the Combined Financial Statements.....	F-30

F-1

GULF ISLAND FABRICATION, INC.

PRO FORMA COMBINED FINANCIAL STATEMENTS

(UNAUDITED)

The following unaudited pro forma combined financial statements reflect termination of Gulf Island Fabrication, Inc.'s (the "Company") status as an S Corporation, assuming that such termination occurred on December 31, 1996. The pro forma financial statements also reflect the acquisition by the Company of Dolphin Services, Inc., Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. (collectively, "Dolphin Services"), using the purchase method of accounting. The pro forma combined balance sheet combines the Company's pro forma balance sheet, as adjusted for the termination of the status as an S Corporation, and the historical statement of Dolphin Services, assuming the acquisition occurred on December 31, 1996. The pro forma combined statement of income combines the historical statements of the Company and Dolphin Services assuming the acquisition had occurred on January 1, 1996 and further reflects a pro forma provision for income taxes that would have been recorded had the Company operated as a C Corporation during the year ended December 31, 1996.

The unaudited pro forma combined financial statements do not purport to present the actual financial condition or results of operations of the Company as if the termination of the Company's S Corporation status and the acquisition of Dolphin Services had occurred on the dates specified. The unaudited pro forma combined financial statements should be read in conjunction with the historical financial statements of the Company and Dolphin Services included elsewhere in this document.

F-2

GULF ISLAND FABRICATION, INC.

PRO FORMA COMBINED BALANCE SHEET (UNAUDITED)

DECEMBER 31, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

ASSETS	PRO FORMA		DOLPHIN		PRO FORMA	
	GULF ISLAND FABRICATION INC. HISTORICAL BALANCE SHEET	ADJUSTMENTS FOR CONVERSION FROM SUBCHAPTER S CORPORATION TO C CORPORATION (NOTE 1)	PRO FORMA BALANCE SHEET	HISTORICAL BALANCE SHEET (NOTE 2)	PRO FORMA ACQUISITION ADJUSTMENTS (NOTE 2)	PRO FORMA BALANCE SHEET, AS ADJUSTED FOR DOLPHIN ACQUISITION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current assets:						
Cash.....	\$ 1,357	\$--	\$ 1,357	\$ 83	\$ --	\$ 1,440
Contracts receivable, net.....	11,674	--	11,674	4,513	--	16,187
Contract retainage....	1,806	--	1,806	193	--	1,999
Other receivables.....	--	--	--	616	--	616
Costs and estimated earnings in excess of billings on uncompleted contracts.....	1,306	--	1,306	55	--	1,361
Prepaid expenses.....	500	--	500	53	--	553
Inventory.....	1,113	--	1,113	767	26 (a)	1,906
	-----	---	-----	-----	----	-----
Total current assets.....	17,756	--	17,756	6,280	26	24,062
Property, plant and equipment, net	17,735	--	17,735	3,172	385 (a)	21,292
Other assets.....	418	--	418	254	--	672
	-----	---	-----	-----	----	-----
	\$35,909	\$--	\$35,909	\$9,706	\$411	\$46,026
	=====	===	=====	=====	=====	=====

</TABLE>

See accompanying notes to pro forma financial statements.

F-3

GULF ISLAND FABRICATION, INC.

PRO FORMA COMBINED BALANCE SHEET (UNAUDITED)

DECEMBER 31, 1996

(IN THOUSANDS)

<TABLE>
<CAPTION>

	GULF ISLAND FABRICATION INC. HISTORICAL BALANCE SHEET	PRO FORMA ADJUSTMENTS FOR CONVERSION FROM SUBCHAPTER S CORPORATION TO C CORPORATION (NOTE 1)	PRO FORMA BALANCE SHEET	DOLPHIN COMBINED HISTORICAL BALANCE SHEET (NOTE 2)	PRO FORMA ACQUISITION ADJUSTMENTS (NOTE 2)	PRO FORMA BALANCE SHEET, AS ADJUSTED FOR DOLPHIN ACQUISITION
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Current liabilities:						
Accounts payable.....	\$ 1,081	\$ --	\$ 1,081	\$1,455	\$ --	\$ 2,536
Billings in excess of costs and estimated earnings on uncompleted contracts.....	2,204	--	2,204	488	--	2,692
Accrued employee costs.....	1,903	--	1,903	562	--	2,465
Accrued expenses.....	1,036	--	1,036	151	--	1,187
Other liabilities.....	--	--	--	92	--	92
Current portion of notes payable.....	530	--	530	206	--	736
Income taxes payable..	--	--	--	453	--	453
Notes payable-- distribution to shareholders.....	--	13,158 (b)	13,158	--	--	13,158
Total current liabilities.....	6,754	13,158	19,912	3,407	--	23,319
Deferred income taxes...	--	1,100 (a)	1,100	301	157 (a)	1,558
Notes payable, less current portion.....	5,657	--	5,657	366	5,886 (b)	11,909
Total liabilities...	12,411	14,258	26,669	4,074	6,043	36,786
Shareholders' equity:						
Gulf Island Fabrication, Inc.-- Common stock.....	1,000	--	1,000	--	--	1,000
Dolphin entities-- Common stock	--	--	--	479	(479) (c)	--
Dolphin treasury stock, at cost.....	--	--	--	(303)	303 (c)	--
Additional paid-in capital.....	6,670	--	6,670	--	--	6,670
Retained earnings.....	15,828	(14,258) (b)	1,570	5,456	(5,456) (c)	1,570
Total shareholders' equity.....	23,498	(14,258)	9,240	5,632	(5,632)	9,240
Total liabilities and shareholders' equity.....	\$35,909	\$ --	\$35,909	\$9,706	\$ 411	\$46,026

</TABLE>

See accompanying notes to pro forma financial statements.

F-4

GULF ISLAND FABRICATION, INC.

PRO FORMA COMBINED STATEMENT OF INCOME (UNAUDITED)

YEAR ENDED DECEMBER 31, 1996

(IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

	GULF ISLAND FABRICATION INC. HISTORICAL STATEMENT OF INCOME		DOLPHIN COMBINED HISTORICAL STATEMENT OF INCOME		PRO FORMA ACQUISITION ADJUSTMENTS (NOTE 1)		COMBINED
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue.....	\$79,004	\$26,802	\$26,802	\$ (2,799) (d)	\$103,007		\$103,007
Cost of revenue.....	68,673	22,950	22,950	(2,770) (b) (d)	88,853		88,853
Gross profit.....	10,331	3,852	3,852	(29)	14,154		14,154
General and administrative expense.....	2,161	1,642	1,642	--	3,803		3,803
Non-recurring compensation charge....	500	--	--	--	500		500
Operating income.....	7,670	2,210	2,210	(29)	9,851		9,851
Net interest expense....	384	4	4	511 (a)	899		899
Income before income taxes.....	7,286	2,206	2,206	(540)	8,952		8,952
Provision for income taxes.....	--	(822)	(822)	203 (c)	(619)		(619)
Net income.....	\$ 7,286	\$ 1,384	\$ 1,384	\$ (337)	\$ 8,333		\$ 8,333
Additional pro forma data (Note 2):							
Net income reported above.....	\$ 7,286				\$ 8,333		\$ 8,333
Pro forma provision for income taxes related to operations as S Corporation.....	(2,934)				(2,934)		(2,934)
Pro forma net income..	\$ 4,352				\$ 5,399		\$ 5,399
Pro forma per share data (Note 3):							
Pro forma net income per share (using 7,854,000 shares)....					\$.69		\$.69

</TABLE>

See accompanying notes to pro forma financial statements.

F-5

GULF ISLAND FABRICATION, INC.

NOTES TO PRO FORMA COMBINED BALANCE SHEET
(UNAUDITED)

NOTE 1

The Company has operated as an S Corporation since 1989. Shortly before closing of the contemplated public offering, the Company's shareholders will elect to terminate the Company's status as an S Corporation and the Company will thereafter be subject to federal and state income taxation as a C Corporation. In connection with the S Corporation termination, the Company will distribute to its shareholders previously undistributed S Corporation tax basis earnings.

Pro forma adjustments to record the assumed S Corporation termination and distribution of previously undistributed earnings reflect:

(a) Net deferred income tax liability at December 31, 1996 resulting from change to a C Corporation from an S Corporation is comprised of the following:

<S>	<C>
Differences between book and tax base of property and equipment.....	\$1,420,000
Accrual for workers' compensation.....	(150,000)
Accrual for health insurance.....	(159,000)
Other differences.....	(11,000)

	\$1,100,000
	=====

</TABLE>

The deferred tax liability that will be recorded as a charge to income in the second quarter of 1997 will be calculated based on the book and tax differences on the date of termination of S Corporation status.

(b) Accrual of dividend to shareholders of undistributed S Corporation tax basis earnings at December 31, 1996. The pro forma balance sheet does not give effect to distributions that may be paid for S Corporation earnings subsequent to December 31, 1996. The remaining retained earnings of the Company at December 31, 1996 of \$1,570,000 represent primarily C Corporation earnings prior to the Company becoming an S Corporation in 1989.

NOTE 2

Effective January 2, 1997, the Company acquired all of the outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. for a cash purchase price of \$5,886,083, (the "Dolphin Acquisition") including \$55,000 of direct expenses, which exceeds the book value of assets acquired and liabilities acquired by \$255,000. The purchase price was allocated to acquired assets and liabilities based on estimated fair values.

Pro forma adjustments to record the Dolphin Acquisition under the purchase method of accounting reflect:

(a) Allocation of purchase price based on estimated fair values of assets acquired and liabilities assumed.

(b) Borrowings under Company's line of credit to acquire shares of Dolphin Services.

(c) Elimination of shareholders' equity accounts of Dolphin Services.

F-6

GULF ISLAND FABRICATION, INC.

NOTES TO PRO FORMA COMBINED STATEMENT OF INCOME (UNAUDITED)

NOTE 1

Pro forma adjustments to record the Dolphin Acquisition reflect:

(a) Interest charges on additional borrowings of \$5,886,083 at an estimated average interest rate of 8.69%.

(b) Additional depreciation of property, plant and equipment using the straight-line method over estimated useful lives of 3 to 5 years for machinery and equipment and 30 years for buildings.

(c) Tax benefit related to interest and additional depreciation charges.

(d) Elimination of intercompany sales between the Company and Dolphin Services.

NOTE 2

Additional pro forma data includes a pro forma adjustment to reflect the provision for income taxes assuming the Company had operated as a C Corporation.

NOTE 3

Pro forma net income per share is calculated by dividing the pro forma net income (\$5,399,000) by the weighted average shares outstanding (7,000,000), which gives retroactive effect to the stock splits authorized on February 14, 1997 and October 6, 1997, and increased to reflect sufficient additional shares to pay the distributions to shareholders in excess of 1996 historical net income (854,000 shares). All such additional shares are based on an assumed offering price of \$7.50 per share, net of offering expenses. The pro forma net income per share does not give effect to distributions that may be paid from earnings generated subsequent to December 31, 1996.

F-7

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Gulf Island Fabrication, Inc.

In our opinion, the accompanying balance sheet and the related statements of income, of changes in shareholders' equity and of cash flows present fairly,

in all material respects, the financial position of Gulf Island Fabrication, Inc. (the "Company") at December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

New Orleans, Louisiana
 January 23, 1997, except for the
 third paragraph of Note 1 and the
 second paragraph of Note 9 which
 are as of February 13, 1997,
 the third paragraph of Note 9
 which is as of February 14, 1997 and
 the fourth paragraph of Note 9
 which is as of October 28, 1997.

F-8

GULF ISLAND FABRICATION, INC.

BALANCE SHEET

<TABLE>
 <CAPTION>

ASSETS	DECEMBER 31,		
	PRO FORMA		
	1995	1996	1996 (NOTE 2) (UNAUDITED)
	<C>	<C>	<C>
Current assets:			
Cash.....	\$ 2,083,809	\$ 1,357,232	\$ 1,357,232
Contracts receivable, net.....	10,877,491	11,673,883	11,673,883
Contract retainage.....	2,064,565	1,806,211	1,806,211
Costs and estimated earnings in excess of billings on uncompleted contracts.....	505,096	1,306,341	1,306,341
Prepaid expenses.....	541,722	499,782	499,782
Inventory.....	440,645	1,112,913	1,112,913
Total current assets.....	16,513,328	17,756,362	17,756,362
Property, plant and equipment, net.....	13,482,529	17,734,642	17,734,642
Other assets.....	417,760	417,760	417,760
	\$30,413,617	\$35,908,764	\$35,908,764

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<C>	<C>	<C>
Current liabilities:			
Accounts payable.....	\$ 2,162,127	\$ 1,080,567	\$ 1,080,567
Billings in excess of costs and estimated earnings on uncompleted contracts.....	2,509,877	2,204,482	2,204,482
Accrued employee costs.....	1,267,013	1,903,114	1,903,114
Accrued expenses.....	526,553	1,036,305	1,036,305
Current portion of notes payable.....	433,502	529,752	529,752
Notes payable--distribution to shareholders.....	--	--	13,158,000
Total current liabilities.....	6,899,072	6,754,220	19,912,220
Deferred income taxes.....	--	--	1,100,000
Notes payable, less current portion.....	5,111,900	5,657,142	5,657,142
Total liabilities.....	12,010,972	12,411,362	26,669,362

Commitments and contingent liabilities
 (Note 10)

Shareholders' equity (Note 9):

Common stock, no par value, 20,000,000
 shares authorized, 7,000,000 shares issued

and outstanding.....	1,000,000	1,000,000	1,000,000
Additional paid-in capital.....	6,170,000	6,670,000	6,670,000
Retained earnings.....	11,232,645	15,827,402	1,569,402
	-----	-----	-----
Total shareholders' equity.....	18,402,645	23,497,402	9,239,402
	-----	-----	-----
	\$30,413,617	\$35,908,764	\$35,908,764
	=====	=====	=====

</TABLE>

See accompanying notes to financial statements.

F-9

GULF ISLAND FABRICATION, INC.

STATEMENT OF INCOME

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue.....	\$60,983,704	\$63,778,740	\$79,004,536
Cost of revenue.....	57,519,192	60,033,442	68,672,909
	-----	-----	-----
Gross profit.....	3,464,512	3,745,298	10,331,627
General and administrative expense.....	1,567,097	1,730,059	2,161,348
Non-recurring compensation charge.....	--	--	500,000
	-----	-----	-----
Operating income.....	1,897,415	2,015,239	7,670,279
Net interest expense.....	327,780	429,981	383,814
	-----	-----	-----
Net income.....	\$ 1,569,635	\$ 1,585,258	\$ 7,286,465
	=====	=====	=====
Unaudited pro forma data (Note 2):			
Net income, reported above.....	\$ 1,569,635	\$ 1,585,258	\$ 7,286,465
Pro forma provision for income taxes related to operations as S Corporation..	594,000	602,000	2,934,000
	-----	-----	-----
Pro forma net income.....	\$ 975,635	\$ 983,258	\$ 4,352,465
	=====	=====	=====
Unaudited pro forma per share data (Note 2):			
Pro forma net income per share (using 7,854,000 shares).....			\$.55
			=====

</TABLE>

See accompanying notes to financial statements.

F-10

GULF ISLAND FABRICATION, INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>

<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN SHARES	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1993.....	7,000,000	\$1,000,000	\$6,170,000	\$13,612,089	\$20,782,089
Dividends paid.....	--	--	--	(5,100,666)	(5,100,666)
Net income.....	--	--	--	1,569,635	1,569,635
	-----	-----	-----	-----	-----
Balance at December 31, 1994.....	7,000,000	1,000,000	6,170,000	10,081,058	17,251,058
Dividends paid.....	--	--	--	(433,671)	(433,671)
Net income.....	--	--	--	1,585,258	1,585,258
	-----	-----	-----	-----	-----
Balance at December 31, 1995.....	7,000,000	1,000,000	6,170,000	11,232,645	18,402,645
Dividends paid.....	--	--	--	(2,691,708)	(2,691,708)
Non-recurring compensation charge (Note 9).....	--	--	500,000	--	500,000
Net income.....	--	--	--	7,286,465	7,286,465

Balance at December 31, 1996.....	7,000,000	\$1,000,000	\$6,670,000	\$15,827,402	\$23,497,402
--------------------------------------	-----------	-------------	-------------	--------------	--------------

</TABLE>

See accompanying notes to financial statements.

F-11

GULF ISLAND FABRICATION, INC.

STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Cash received from customers.....	\$62,702,694	\$60,262,661	\$78,208,144
Cash paid to suppliers and employees.....	(59,069,196)	(57,491,434)	(70,631,705)
Interest paid.....	(228,018)	(447,364)	(414,963)
Net cash provided by operating activities.....	3,405,480	2,323,863	7,161,476
Cash flows from investing activities:			
Capital expenditures, net.....	(675,571)	(991,714)	(5,837,837)
Cash flows from financing activities:			
Proceeds from issuance of notes payable.....	20,877,844	21,595,186	24,353,157
Principal payments on notes payable..	(18,825,455)	(20,526,383)	(23,711,665)
Dividends paid.....	(5,100,666)	(433,671)	(2,691,708)
Net cash provided by (used in) financing activities.....	(3,048,277)	635,132	(2,050,216)
Net increase (decrease) in cash.....	(318,368)	1,967,281	(726,577)
Cash at beginning of year.....	434,896	116,528	2,083,809
Cash at end of year.....	\$ 116,528	\$ 2,083,809	\$ 1,357,232

SUPPLEMENTAL CASH FLOW INFORMATION:

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
Reconciliation of net income to net cash provided by operating activities:			
Net income.....	\$ 1,569,635	\$ 1,585,258	\$ 7,286,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	1,369,767	1,381,935	1,585,723
Non-recurring non-cash compensation charge.....	--	--	500,000
(Increase) decrease in contracts receivable.....	1,937,978	(3,516,079)	(796,391)
(Increase) decrease in contract retainage.....	(506,962)	(1,302,499)	258,354
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts...	1,125,284	1,572,933	(801,245)
(Increase) decrease in prepaid expenses and other assets.....	(9,629)	74,495	(630,328)
Increase (decrease) in accounts payable.....	(1,077,013)	933,458	(1,081,560)
Increase (decrease) in accrued expenses and employee costs.....	(847,702)	422,885	1,145,853
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts...	(155,878)	1,171,477	(305,395)
Net cash provided by operating activities.....	\$ 3,405,480	\$ 2,323,863	\$ 7,161,476

See accompanying notes to financial statements.

F-12

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Gulf Island Fabrication, Inc. (the "Company"), located in Houma, Louisiana, is engaged in the fabrication and refurbishment of offshore oil and gas platforms for oil and gas industry companies. The Company's principal markets are concentrated in the offshore regions of the coast of the Gulf of Mexico.

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales Inc. and Dolphin Sales and Rentals Inc. (collectively, "Dolphin Services") for \$5,886,083. Dolphin Services performs fabrication, sandblasting, painting and construction for offshore oil and gas platforms in inland and offshore regions of the coast of the Gulf of Mexico. (See Note 3.)

On February 13, 1997, the Board of Directors approved the filing of an initial registration statement on Form S-1 with the Securities and Exchange commission to register and sell 4,000,000 shares of common stock. Shortly before the closing of the offering, the Company's current shareholders will elect to terminate its status as an S Corporation and will become subject to federal and state income taxes thereafter. (See Note 2.)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory consists of materials and production supplies and is stated at the lower of cost or market determined on the first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 25 years. Ordinary maintenance and repairs which do not extend the physical or economic lives of the plant or equipment are charged to expense as incurred.

Revenue Recognition

Revenue from fixed-price and cost-plus construction contracts is recognized on the percentage-of-completion method, computed by the efforts-expended method which measures percentage of labor hours incurred to date as compared to estimated total labor hours for each contract.

Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies and tools. Also included in contract costs are a portion of those indirect contract costs related to plant capacity, such as depreciation, insurance and repairs and maintenance. These indirect costs are allocated to jobs based on actual direct labor hours incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

F-13

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS--(CONTINUED)

The asset caption entitled "costs and estimated earnings in excess of billings on uncompleted contracts," represents revenue recognized in excess of the amounts billed. The liability caption entitled "billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenue recognized.

Income Taxes

The Company's shareholders have elected to have the Company taxed as an S Corporation for federal and state income tax purposes whereby shareholders are liable for individual federal and state income taxes on their allocated portions of the Company's taxable income. Accordingly, the historical financial statements do not include any provision for income taxes.

Shortly before the closing of the public offering, the Company's shareholders will elect to terminate the Company's status as an S Corporation, and the Company will become subject to federal and state income taxes. This will result in the establishment of a net deferred tax liability calculated at applicable federal and state income tax rates. (See Note 2.)

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments at December 31, 1996, including cash, contracts receivable, and notes payable, closely approximates fair value.

Basis for Cash Flows

For purposes of the statement of cash flows, the Company includes cash on hand and cash in banks.

NOTE 2--TERMINATION OF S CORPORATION STATUS (UNAUDITED)

Shortly before the closing of the offering (Note 1), the Company's shareholders will elect to terminate the Company's status as an S Corporation and the Company will become subject to federal and state income taxes. Prior to its termination as an S Corporation, the Company intends to declare a distribution to its current shareholders representing substantially all of the Company's remaining undistributed S Corporation earnings through such date.

The pro forma balance sheet of the Company as of December 31, 1996 reflects a deferred income tax liability of \$1,100,000 resulting from the assumed termination of the S Corporation status and an accrual of \$13,158,000 for distribution of S Corporation undistributed tax basis earnings at that date. The pro forma balance sheet does not give effect to distributions that might be paid from S Corporation earnings generated subsequent to December 31, 1996. The amount of the Company's retained earnings that is not reclassified represents primarily the C Corporation earnings prior to the Company's election of subchapter S Corporation status in 1989.

Pro forma net income per share consists of the Company's historical income as an S Corporation, adjusted for income taxes that would have been recorded had the Company operated as a C Corporation. This amount is divided by the weighted average shares of common stock outstanding after giving effect to the stock splits described in Note 9 (7,000,000 shares), and increased to reflect sufficient additional shares to pay the distributions to shareholders in excess of 1996 historical net income (854,000 shares). All such additional shares are based on an assumed offering price of \$7.50 per share, net of offering expenses. The pro forma net income per share does not give effect to distributions that may be paid from earnings generated subsequent to December 31, 1996.

NOTE 3--ACQUISITION OF DOLPHIN SERVICES

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales Inc., and Dolphin Sales and Rentals Inc. for \$5,886,083 (the "Dolphin Acquisition"), which includes

F-14

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS--(CONTINUED)

\$55,000 of direct acquisition costs. The purchase price exceeded book value of the assets and liabilities acquired by \$255,000. The acquisition was financed by borrowings under the Company's line of credit and will be accounted for under the purchase method of accounting subsequent to January 2, 1997.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and Dolphin Services as if the acquisition had occurred on January 1, 1996. Pro forma adjustments include (1) elimination of intercompany sales between the Company and Dolphin Services, (2) adjustments for the increase in interest expense on acquisition debt, (3) additional depreciation on property, plant and equipment and (4) related tax effects. The effects of termination of the S corporation status (Note 2) are excluded.

<TABLE>
<CAPTION>

YEAR ENDED

DECEMBER 31, 1996

<S>	<C>
Revenue.....	\$ 103,007,964
Net income.....	8,332,880
Net income per share.....	1.19

</TABLE>

NOTE 4--CONTRACTS RECEIVABLE

Amounts due on contracts as of December 31, are as follows:

<S>	1995	1996
Completed contracts.....	\$ 763,617	\$ 2,993,275
Contracts in progress:		
Current.....	10,118,194	8,684,928
Retainage due within one year.....	2,064,565	1,806,211
Less: Allowance for doubtful accounts.....	(4,320)	(4,320)
	-----	-----
	\$12,942,056	\$ 13,480,094
	=====	=====

The portion of the retainage due in excess of one year is not significant.

NOTE 5--COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Information with respect to uncompleted contracts as of December 31, is as follows:

<S>	1995	1996
Costs incurred on uncompleted contracts.....	\$31,469,005	\$ 23,419,376
Estimated profit earned to date.....	3,981,149	2,296,505
	-----	-----
	35,450,154	25,715,881
Less: Billings to date.....	(37,454,935)	(26,614,022)
	-----	-----
	\$ (2,004,781)	\$ (898,141)
	=====	=====

The above amounts are included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 505,096	\$ 1,306,341
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(2,509,877)	(2,204,482)
	-----	-----
	\$ (2,004,781)	\$ (898,141)
	=====	=====

</TABLE>

F-15

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at December 31:

<S>	1995	1996
Land.....	\$ 2,123,447	\$ 2,123,447
Buildings.....	5,143,537	5,159,744
Machinery and equipment.....	7,332,982	10,813,566
Improvements.....	7,100,252	9,385,147
Furniture and fixtures.....	397,773	425,991
Transportation equipment.....	403,879	404,286
Construction in progress.....	152,742	127,651
	-----	-----
	22,654,612	28,439,832
Less: Accumulated depreciation.....	(9,172,083)	(10,705,190)
	-----	-----
	\$13,482,529	\$ 17,734,642
	=====	=====

</TABLE>

The Company leases certain equipment used in the normal course of its operations under month-to-month lease agreements cancelable only by the Company. During 1994, 1995 and 1996, the Company expensed \$2,800,000, \$3,000,000 and \$2,801,000, respectively, related to these leases.

NOTE 7--LINES OF CREDIT AND NOTES PAYABLE

Lines of credit consist of the following at December 31:

<TABLE>
<CAPTION>

	1995	1996
	-----	-----
<S>	<C>	<C>
Revolving credit agreement with two banks aggregating \$12,000,000 available through December 31, 1998. Interest at prime rate or LIBOR plus 2% (9% and 8.25% at December 31, 1995 and 1996), payable quarterly. A fee on unused commitment of three-eighths of one percent per annum is payable quarterly.....	\$5,100,000	\$3,800,000
Non-revolving line of credit with two banks aggregating \$10,000,000. Principal payable quarterly commencing June 30, 1997; interest at prime rate or LIBOR plus 2% (8.25% at December 31, 1996) payable quarterly.....		-- 2,000,000
Other notes payable.....	445,402	386,894
	-----	-----
	5,545,402	6,186,894
Less current portion.....	433,502	529,752
	-----	-----
	\$5,111,900	\$5,657,142
	=====	=====

</TABLE>

On January 2, 1997, the amount available under the non-revolving line of credit was increased to \$15,000,000, and amounts outstanding at June 30, 1997 will automatically convert to a term loan due June 30, 2004. All other provisions remain the same. The revolving credit agreement and the non-revolving line of credit are secured by substantially all of the fixed assets of the Company. The Company is required to maintain certain balance sheet and cash flow ratios, and there are certain dividend restrictions.

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS--(CONTINUED)

Aggregate maturities of long-term debt in the fiscal years subsequent to 1996 are as follows:

<S>	<C>
1997.....	\$ 529,752
1998.....	4,085,714
1999.....	285,714
2000.....	285,714
2001.....	285,714
Thereafter.....	714,286

	\$6,186,894
	=====

</TABLE>

NOTE 8--RETIREMENT PLAN

The Company has a defined contribution plan (the Plan) for all employees that is qualified under Section 401(k) of the Internal Revenue Code. Contributions to the Plan by the Company are based on the participants' contributions, with an additional year end discretionary contribution determined by the Board of Directors. For the years ended December 31, 1994 and 1995, the Company contributed \$347,900 and \$239,200. In 1996, the Company contributed \$542,000, including a discretionary contribution of \$250,000. No discretionary contributions were made in 1994 or 1995. The Company pays expenses associated with the administration of the Plan.

NOTE 9--SHAREHOLDERS' EQUITY

On December 1, 1996, the Company's principal shareholders sold 98,000 (1.4%) of their existing shares to officers and management employees at \$3.57 per share. The per share price on that date was based on an independent appraisal that valued the Company as a privately held business. As a result of the Initial Public Offering, the Company has determined that it should record a

non-recurring, non-cash compensation charge of \$500,000 for the year ended December 31, 1996 related to the 98,000 shares. This charge was based on the difference between the net offering price the Company expects to receive in the public offering and the net cash price recipients of the 98,000 shares expect to have paid. The net cash price to recipients of \$1.78 per share represents the \$3.57 per share price charged by the shareholders, less \$1.88 per share of tax-free dividends that the recipients expect to receive as a result of the shareholder distributions described in Note 2, increased by the recipient's share of taxable income for the year of \$.09 per share. The compensation charge resulted in a corresponding increase to additional paid-in capital.

On February 13, 1997, the Board of Directors adopted a long-term incentive compensation plan under which options for 1,000,000 shares of common stock may be granted to officers and key employees. The exercise price for options may not be less than the fair market value of the common stock on the date of grant. Options for 213,000 shares were granted.

On February 14, 1997, the shareholders enacted the following:

(a) Authorized the issuance of 2.5 shares of no par value common stock for each of the then outstanding 2,000,000 shares.

(b) Authorized 5,000,000 shares of no par value preferred stock. There are no preferred shares issued or outstanding.

F-17

GULF ISLAND FABRICATION, INC.

NOTES TO THE FINANCIAL STATEMENTS--(CONTINUED)

(c) Increased the authorized common shares from 10,000,000 shares to 20,000,000 shares.

On October 6, 1997, the Company declared a two-for-one stock split, effectuated as a stock dividend on October 28, 1997. All share and per share data included in the financial statements have been restated to reflect the stock split.

NOTE 10--COMMITMENTS AND CONTINGENT LIABILITIES

The Company has a commitment to purchase two cranes in 1997 for \$4,303,000.

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its own insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for punitive damages and for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. Management is vigorously defending its case and, after consultation with legal counsel, does not expect that the ultimate resolution of this matter will have a material adverse effect on the financial position or results of operations of the Company.

The Company is subject to other claims through the normal conduct of its business. While the outcome of such claims cannot be determined, management does not expect that resolution of these matters will have a material adverse effect on the financial position or results of operations of the Company.

NOTE 11--SALES TO MAJOR CUSTOMERS

The Company's customer base is primarily concentrated in the oil and gas industry. The Company is not dependent on any one customer, and the revenue earned from each customer varies from year to year based on the contracts awarded. Sales to customers comprising 10% or more of the Company's total revenue are summarized as follows:

<TABLE>

<CAPTION>

	1994	1995	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Customer A.....	\$ 8,008,840	\$ --	\$ --
Customer B.....	15,018,718	12,035,534	--
Customer C.....	--	13,230,05	--
Customer D.....	--	--	8,195,638
Customer E.....	--	--	9,378,628
Customer F.....	--	--	10,118,798

</TABLE>

GULF ISLAND FABRICATION, INC.

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1997
ASSETS	-----
<S>	<C>
Current assets:	
Cash.....	\$ 4,774
Contracts receivable, net.....	23,777
Contract retainage.....	1,209
Costs and estimated earnings in excess of billings on uncompleted contracts.....	3,333
Prepaid expenses.....	579
Inventory.....	1,221

Total current assets.....	34,893
Property, plant and equipment, net.....	31,533
Other assets.....	428

	\$66,854
	=====

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

	SEPTEMBER 30, 1997
LIABILITIES AND SHAREHOLDERS' EQUITY	-----
<S>	<C>
Current liabilities:	
Accounts payable.....	\$ 5,499
Billings in excess of costs and estimated earnings on uncompleted contracts.....	5,635
Accrued employee costs.....	3,072
Accrued expenses.....	2,359
Income taxes payable.....	1,441

Total current liabilities.....	18,006
Deferred income taxes.....	1,218

Total liabilities.....	19,224

Contingencies (Note 5)	
Shareholders' equity (Note 1):	
Preferred stock, no par value, 5,000,000 shares authorized, no shares issued and outstanding.....	--
Common stock, no par value, 20,000,000 shares authorized, 11,600,000 shares issued and outstanding.....	4,133
Additional paid-in capital.....	34,865
Retained earnings.....	8,632

Total shareholders' equity.....	47,630

	\$66,854
	=====

</TABLE>

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

F-19

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997
	-----	-----
<S>	<C>	<C>
Revenue.....	\$ 60,376	\$ 101,556
Cost of revenue.....	53,275	83,282
	-----	-----
Gross profit.....	7,101	18,274

General and administrative expense.....	1,567	3,262
Operating income.....	5,534	15,012
Interest expense, net.....	297	212
Income before income taxes.....	5,237	14,800
Provision for income taxes.....	--	4,210
Cumulative deferred tax provision.....	--	1,144
Net income.....	\$ 5,237	\$ 9,446
Pro forma data (Note 3):		
Income before income taxes.....	\$ 5,237	\$ 14,800
Provision for income taxes.....	--	4,210
Pro forma provision for income taxes related to operations as S Corporation.....	1,990	1,379
Pro forma net income.....	\$ 3,247	\$ 9,211
Pro forma per share data (Notes 4 and 6):		
Pro forma net income per share.....	\$ 0.41	\$ 0.89
Pro forma weighted average common shares.....	7,854,000	10,370,000

</TABLE>

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

F-20

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1997...	7,000,000	\$1,000	\$ 6,670	\$ 15,827	\$ 23,497
Net proceeds from issuance of common stock.....	4,600,000	3,133	28,195	--	31,328
Dividends paid.....	--	--	--	(16,641)	(16,641)
Net income.....	--	--	--	9,446	9,446
Balance at September 30, 1997.....	11,600,000	\$4,133	\$34,865	\$ 8,632	\$ 47,630

</TABLE>

See Accompanying Notes to Consolidated Financial Statements (Unaudited)

F-21

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997
<S>	<C>	<C>
Cash flows from operating activities:		
Cash received from customers.....	\$ 59,048	\$ 96,009
Cash paid to suppliers and employees.....	(50,804)	(81,971)
Interest paid.....	(298)	(212)

Net cash provided by operating activities.....	7,946	13,826

Cash flows from investing activities:		
Capital expenditures, net.....	(5,481)	(12,787)
Payment for purchase of Dolphin Services, net of cash acquired (Note 2).....	--	(5,803)
Proceeds from cash surrender value policy.....	--	253

Net cash used in investing activities.....	(5,481)	(18,337)

Cash flows from financing activities:		
Proceeds from initial public offering.....	--	31,328
Proceeds from issuance of notes payable.....	15,898	41,900
Principal payments on notes payable.....	(17,028)	(48,659)
Dividends paid.....	(1,707)	(16,641)

Net cash provided by (used in) financing activities....	(2,837)	7,928

Net increase (decrease) in cash.....	(372)	3,417
Cash at beginning of period.....	2,084	1,357

Cash at end of period.....	\$ 1,712	\$ 4,774
=====		
Reconciliation of net income to net cash provided by oper- ating activities:		
Net income.....	\$ 5,237	\$ 9,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	1,128	2,104
Increase in accounts receivable.....	(999)	(7,307)
Decrease in retainage.....	436	790
Increase in costs and estimated earnings in excess of billings on uncompleted contracts.....	(458)	(1,972)
(Increase) Decrease in other current assets.....	(635)	967
Increase in accounts payable and accrued expenses.....	3,546	4,649
Increase in income taxes payable.....	--	988
Increase in deferred income taxes.....	--	1,218
Increase (Decrease) in billings in excess of costs and estimated earnings on uncompleted contracts.....	(309)	2,943

Net cash provided by operating activities.....	\$ 7,946	\$ 13,826
=====		

</TABLE>

See Accompanying Notes to Financial Statements (Unaudited)

F-22

GULF ISLAND FABRICATION, INC.
SEPTEMBER 30, 1997

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1--ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements include the accounts of Gulf Island Fabrication, Inc. and its wholly-owned subsidiaries (the "Company"). The Company, located in Houma, Louisiana, is engaged in the fabrication and refurbishment of offshore oil and gas platforms for oil and gas industry companies. The Company's principal markets are concentrated in the offshore regions of the Gulf of Mexico.

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. for \$5.9 million. The acquired corporations perform fabrication, sandblasting, painting and construction for offshore oil and gas platforms in inland and offshore regions of the coast of the Gulf of Mexico. On April 30, 1997, Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. merged into Dolphin Services, Inc., referred to hereinafter collectively as "Dolphin Services" (See Note 2.)

On February 13, 1997, the Board of Directors approved the filing of an initial registration statement on Form S-1 with the Securities and Exchange Commission to register and sell 4.6 million shares of common stock. Shortly before closing of the offering on April 9, 1997, the Company's current shareholders elected to terminate its status as an S Corporation, and the Company has become subject to federal and state income taxes. (See Note 3.)

On April 3, 1997, the Securities and Exchange Commission declared the Company's Registration Statement on Form S-1 (Registration No. 333-21863) effective. On April 9, 1997, the Company sold 4.6 million common shares pursuant to the registration statements, increasing the total shares outstanding to 11.6 million. The Company received net proceeds from the sale of \$31.3 million.

The information presented as of September 30, 1997 and for the nine month periods ended September 30, 1996 and 1997, is unaudited. In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for the fair presentation of the Company's financial position as of September 30, 1997 and the results of its operations and its cash flows for the nine month periods ended September 30, 1996 and 1997. The results of operations for the nine months ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

In the opinion of management, the financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

NOTE 2--ACQUISITION OF DOLPHIN SERVICES

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services for \$5.9 million, which was financed by borrowings under the Company's line of credit. The Company acquired assets with a fair value of \$9.6 million and assumed liabilities of \$3.8 million. The acquisition was accounted for under the purchase method of accounting. Accordingly, the operations of Dolphins Services are included in the Company's operations from January 2, 1997. Assuming the acquisition of Dolphin Services had occurred on January 1, 1996, pro forma revenue and pro forma net income for the nine months ended September 30, 1996 would have been \$77.4 million and \$4.3 million, respectively, including a pro forma provision for income taxes assuming the Company had operated as a C Corporation. Pro forma net income per share for the nine months ended September 30, 1996 would have been \$.54, based on pro forma weighted average common shares outstanding of 7,854,000.

F-23

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 3--TERMINATION OF S CORPORATION STATUS

On April 4, 1997, the Company's shareholders elected to terminate the Company's status as an S Corporation, and the Company became subject to federal and state income taxes. In conjunction with the termination of S Corporation status, the Company paid a distribution of \$14 million to its current shareholders representing substantially all of the Company's remaining undistributed S Corporation earnings through April 4, 1997. The S Corporation earnings for the period April 1, 1997 to April 4, 1997 were an immaterial part of the total distribution.

The balance sheet of the Company as of September 30, 1997 reflects a deferred income tax liability of \$1,218,000, which includes \$1,144,000 of deferred income tax liability resulting from the termination of the S Corporation status. The amount of the Company's retained earnings represents primarily the C Corporation earnings prior to the Company's election of S Corporation status in 1989 and earnings after April 4, 1997.

The pro forma income statement presentation reflects an additional provision for income taxes as if the Company had been subject to federal and state income taxes since January 1, 1996 using an assumed effective tax rate of approximately 38%.

NOTE 4--PRO FORMA PER SHARE DATA

Pro forma per share data for the nine month periods ended September 30, 1996 and 1997 consist of the Company's historical income, adjusted to reflect income taxes as if the Company had operated as a C Corporation for the nine month periods ended September 30, 1996 and 1997. This calculation excludes the charge of \$1,144,000 related to cumulative deferred income taxes resulting from conversion to a C Corporation on April 4, 1997. The weighted average share calculations include the assumed issuance of additional shares sufficient to pay the distributions made to shareholders in connection with the Company's initial public offering in 1997, to the extent such distributions exceeded net income for the year ended December 31, 1996.

The Company used proceeds received from its public offering to repay all outstanding debt at the time of the offering. Accordingly, the Company has calculated a pro forma supplemental net income per share of \$.83 for the nine months ended September 30, 1997. The amount is calculated by (a) dividing the pro forma supplemental net income, increased by the interest expense, net of tax, on the debt extinguished, by (b) average shares outstanding, as increased to reflect the assumed issuance of sufficient additional shares to retire the debt calculated based on the date of issue of the debt. All such additional

shares are assumed to be issued at the offering price of \$7.50 per share, net of offering expenses.

NOTE 5--CONTINGENCIES

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for punitive damages and for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. The Company is vigorously contesting the plaintiff's claims and, based on the Company's analysis of those claims, the Company's defenses thereto, and the Court's rulings received to date, the Company believes that its liability for such claims, if any, will not be material to its financial position. In view of the uncertainties inherent in litigation, however, no assurance can be given as to the ultimate outcome of such claims.

The Company is subject to claims arising through the normal conduct of its business. While the ultimate outcome of such claims cannot be determined, management does not expect that these matters will have a material adverse effect on the financial position or results of operations of the Company.

F-24

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 6--STOCK SPLIT

On October 6, 1997, the Company's Board of Directors authorized a two-for-one stock split effected in the form of a stock dividend to be distributed on October 28, 1997 to shareholders of record on October 21, 1997. All share and per share data included in the financial statements have been restated to reflect the stock split.

F-25

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Dolphin Services, Inc., Dolphin Sales and Rentals, Inc.
and Dolphin Steel Sales, Inc.

In our opinion, the accompanying combined balance sheet and the related combined statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Dolphin Services, Inc., Dolphin Sales and Rentals, Inc. and Dolphin Steel Sales, Inc. (the "Companies") at December 31, 1996, and the results of their operations and their cash flows for the year in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Companies' management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

New Orleans, Louisiana
January 23, 1997

F-26

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

COMBINED BALANCE SHEET

DECEMBER 31, 1996

<TABLE>
<CAPTION>

ASSETS

<S>
Current assets:

<C>

Cash.....	\$ 82,842
Contracts receivable, net of allowance for doubtful accounts of \$65,856.....	4,659,266
Contract retainage.....	193,045
Other receivables.....	137,387
Costs and estimated earnings in excess of billings on uncompleted contracts.....	55,493
Inventory.....	766,624
Prepaid expenses and other current assets.....	385,290

Total current assets.....	6,279,947
Property and equipment, net.....	3,171,823
Other assets.....	254,282

Total assets.....	\$9,706,052
	=====

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>
Current liabilities:	
Accounts payable.....	\$1,455,096
Billings in excess of costs and estimated earnings on uncompleted contracts.....	488,357
Accrued expenses.....	151,044
Accrued employee costs.....	561,608
Income taxes payable.....	453,490
Other liabilities.....	92,074
Current portion of notes payable.....	205,959

Total current liabilities.....	3,407,628
Notes payable, less current portion.....	366,181
Deferred taxes.....	301,160

Total liabilities.....	4,074,969

Commitments and contingent liabilities (Note 8)	
Shareholders' equity:	
Dolphin Services, Inc.--	
Common stock, no par value, 200,000 shares authorized, 132,288 shares issued and 111,898 outstanding (20,390 held in treasury).....	476,971
Dolphin Sales and Rentals, Inc.--	
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding.....	1,000
Dolphin Steel Sales, Inc.--	
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding.....	1,000
Retained earnings.....	5,455,961
Treasury stock, at cost.....	(303,849)

Total shareholders' equity.....	5,631,083

	\$9,706,052
	=====

</TABLE>

See accompanying notes to the financial statements.

F-27

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1996

<TABLE>	
<S>	<C>
Revenue.....	\$26,801,965
Cost of revenue.....	22,949,869

Gross profit.....	3,852,096
General and administrative expense.....	1,641,519

Operating income.....	2,210,577
Interest expense.....	4,656

Income before income taxes.....	2,205,921
Provision for income taxes.....	822,127

Net income.....	1,383,794
Retained earnings, beginning of year.....	4,072,167

Retained earnings, end of year..... \$ 5,455,961
=====

</TABLE>

See accompanying notes to the financial statements.

F-28

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1996

<TABLE>	<C>
<S>	
Cash flows from operating activities:	
Cash received from customers.....	\$ 25,574,686
Cash paid to suppliers and employees.....	(24,002,725)
Interest paid.....	(4,656)

Net cash provided by operating activities.....	1,567,305

Cash flows from investing activities:	
Capital expenditures, net.....	(883,844)
Proceeds from sale of assets.....	17,700

Net cash used in investing activities.....	(866,144)

Cash flows from financing activities:	
Proceeds from issuance of notes payable.....	950,158
Principal payments on notes payable.....	(1,465,905)
Proceeds from issuance of common stock.....	46,969
Purchase of treasury stock.....	(271,451)

Net cash used in financing activities.....	(740,229)

Net decrease in cash.....	(39,068)
Cash at beginning of year.....	121,910

Cash at end of year.....	\$ 82,842
	=====
Supplemental Cash Flow Information:	
Net income.....	\$ 1,383,794
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation.....	427,459
Increase in contracts receivable.....	(1,788,344)
Decrease in contract retainage.....	412,069
Loss on sale of assets.....	3,599
Increase in other receivables.....	(137,387)
Increase in costs and estimated earnings in excess of billings on uncompleted contracts.....	(55,493)
Increase in inventory.....	(11,850)
Decrease in prepaid expenses and other current assets.....	123,684
Decrease in other assets.....	202,371
Increase in accounts payable.....	462,579
Decrease in billings in excess of costs and estimated earnings on uncompleted contracts.....	(41,926)
Increase in accrued expenses.....	104,032
Increase in accrued employee costs.....	7,830
Increase in income taxes payable.....	406,077
Increase in other liabilities.....	8,317
Increase in deferred taxes.....	60,494

Net cash provided by operating activities.....	\$ 1,567,305
	=====

</TABLE>

See accompanying notes to the financial statements.

F-29

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Companies and Principles of Combination

The financial statements of Dolphin Services, Inc., Dolphin Sales and Rentals, Inc., and Dolphin Steel Sales, Inc. (the "Companies") are combined, as each company is substantially owned by identical shareholders. Intercompany accounts and transactions are eliminated in the combination.

Dolphin Services, Inc. ("Services"), located in Houma, Louisiana, performs offshore and inshore fabrication and other construction services for the oil and gas industry. Services' principal markets are concentrated on the inland and offshore regions of the coast of the Gulf of Mexico. Dolphin Sales and Rentals, Inc. owns the land and building leased by Services. There is no other activity for this Company. Dolphin Steel Sales, Inc. sells steel plates to Services and third parties.

For the year ended December 31, 1996, the Companies were owned by various management personnel and other investors. Effective January 2, 1997, all outstanding shares of common stock were sold to Gulf Island Fabrication, Inc. ("Gulf Island").

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory consists of materials and production supplies not held for resale, valued at \$356,775, and steel inventory held for resale, valued at \$409,849. All inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation of assets is computed by the straight-line method over the estimated useful lives of the related assets. Amortization of leasehold improvements is computed by the straight-line method over the shorter of the useful life of the asset or the life of the lease. Useful lives range from 30 years for buildings; 10 to 20 years for machinery and equipment; 5 years for furniture and fixtures; 3 to 5 years for vehicles; 10 years for leasehold improvements and 5 years for other equipment. As the Companies have not had any construction projects of significant duration, no interest costs have been capitalized; however, certain labor and other direct construction costs have been capitalized as part of the assets.

Assets retired or otherwise disposed of are removed from the accounts along with any related depreciation and amortization, and the resultant gain or loss is reflected in income. Maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Revenue from fixed-price and time and materials construction contracts is recognized on the percentage-of-completion method based on the ratio of costs incurred to total estimated costs at completion.

F-30

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies and tools. Also included in contract costs are a portion of those indirect contract costs related to plant capacity, such as depreciation, insurance and repairs and maintenance. These indirect costs are allocated to jobs based on actual direct labor hours incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The asset caption entitled "costs and estimated earnings in excess of billings on uncompleted contracts" represents revenue recognized in excess of amounts billed. The liability caption "billings in excess of cost and estimated earnings on uncompleted contracts" represents amounts billed in excess of revenue recognized.

Income Taxes

The Companies provide for taxes on the basis of items included in the

determination of income for financial reporting purposes regardless of the period when such items are reported for tax purposes. Accordingly, the Companies record deferred tax liabilities and assets for future tax consequences of events that have been recognized in different periods for financial and tax purposes.

Immediately prior to the sale of the outstanding stock of the Companies to Gulf Island on January 2, 1997, the Companies' shareholders elected to change the Companies' statuses from C Corporations to S Corporations for federal and state income tax purposes, which is consistent with the S Corporation status under which Gulf Island has operated. Accordingly, the shareholders will become liable for all future individual federal and state income taxes on the allocated portions of the Companies' taxable income.

Fair Value of Financial Instruments

The carrying amount of the Companies' financial instruments at December 31, 1996 including cash, contracts receivable, and notes payable, closely approximates fair value.

Basis for Cash Flows

For purposes of the combined statement of cash flows, the Companies include cash on hand and cash in banks.

NOTE 2--CONTRACTS RECEIVABLE

Amounts due on contracts as of December 31, 1996 are as follows:

<S>	<C>
Completed contracts.....	\$2,957,585
Contracts in progress:	
Current.....	1,767,537
Retainage due within one year.....	193,045
Less: Allowance for doubtful accounts.....	(65,856)

	\$4,852,311
	=====

</TABLE>

F-31

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 3--COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Information with respect to uncompleted contracts as of December 31, 1996 is as follows:

<S>	<C>
Costs incurred on uncompleted contracts.....	\$ 2,616,465
Estimated profit earned to date.....	166,708

	\$ 2,783,173
Less: Billings to date.....	(3,216,037)

	\$ (432,864)
	=====

The above amounts are included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 55,493
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(488,357)

	\$ (432,864)
	=====

</TABLE>

NOTE 4--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31, 1996:

<S>	<C>
Land.....	\$ 332,216
Buildings and leasehold improvements.....	1,197,895
Furniture and fixtures.....	46,751
Machinery and equipment.....	4,536,423

Automotive equipment.....	662,049
Other.....	123,551

	6,898,885
Less: Accumulated depreciation and amortization.....	(3,727,062)

	\$ 3,171,823
	=====

</TABLE>

Depreciation expense for 1996 totalled \$427,459.

NOTE 5--NOTES PAYABLE AND LINE OF CREDIT

Notes payable and line of credit consist of the following at December 31, 1996:

<TABLE>	
<S>	<C>
Note payable to bank, interest at 8%; monthly principal installments of \$9,047 plus interest through April 30, 2001; secured by a 4100 Series Manitowoc crane.....	\$474,834
Notes payable to bank, interest at a prime rate plus 1% (9.25% at December 31, 1996); monthly principal installments of \$4,500 plus interest through April 30, 1997; secured by accounts receivable and inventory.....	22,306
Revolving credit agreement with a bank, aggregating \$1,500,000 through April 1997. Interest at a prime rate (8.25% at December 31, 1996), payable monthly; secured by and limited to certain qualifying accounts receivable.....	75,000

Total notes payable.....	572,140
Less current portion.....	205,959

Long-term notes payable.....	\$366,181
	=====

</TABLE>

F-32

DOLPHIN SERVICES, INC., DOLPHIN SALES AND RENTALS, INC.
AND DOLPHIN STEEL SALES, INC.

NOTES TO THE COMBINED FINANCIAL STATEMENTS--(CONTINUED)

Maturities of long-term notes payable and line of credit for years subsequent to 1996 are as follows:

<TABLE>	
<S>	<C>
1997.....	\$205,959
1998.....	108,564
1999.....	108,564
2000.....	108,564
2001.....	40,489

	\$572,140
	=====

</TABLE>

In connection with the purchase of the companies on January 2, 1997, Gulf Island paid all outstanding debt of the Companies in full.

NOTE 6--INCOME TAXES

The components of the provision for income taxes for the year ended December 31, 1996 follow:

<TABLE>	
<S>	<C>
Current tax expense:	
Federal.....	\$685,880
State.....	75,753

Total current tax expense.....	761,633
Deferred tax expense.....	60,494

Total provision for income taxes.....	\$822,127
	=====

</TABLE>

Deferred income taxes are provided for temporary differences between the financial reporting basis and the tax basis of the Companies' assets and liabilities. The Companies' temporary differences primarily relate to differences in depreciation for book and tax purposes and different methods

for recognizing bad debts. The provision for income taxes is greater than the amount of income tax determined by applying the applicable federal rate to pre-tax income due to state income taxes.

NOTE 7--RETIREMENT PLAN

Services has a qualified 401(k) profit sharing plan (the Plan) for employees. The Plan provides for a 50% match by Services for employee contributions of up to 6% of gross pay. Such employer contributions vest over a period of 6 years and totaled \$73,852 in 1996. Services pays expenses associated with the administration of the Plan which totalled \$5,214 in 1996.

NOTE 8--COMMITMENTS AND CONTINGENT LIABILITIES

From time to time, the Companies are parties to various legal proceedings arising in the ordinary course of business. The Companies are not currently party to any material litigation and is not aware of any litigation threatened against it that could have a material adverse effect on the financial statements or results of operations.

NOTE 9--SALES TO MAJOR CUSTOMERS

Services' customer base is primarily concentrated in the oil and gas industry. Services is not dependent on any one customer, and the revenue earned from each customer varies from year to year based on the contracts awarded. Sales to customers comprising 10% or more of the Companies' total revenue in 1996 are summarized as follows:

<TABLE>		
<S>		<C>
Customer A.....		\$4,469,607
Customer B.....		2,794,040
</TABLE>		

F-33

[PHOTO(S) APPEAR HERE--SEE DESCRIPTION BELOW]

AERIAL VIEW OF THE COMPANY'S FACILITIES AND SURROUNDING AREAS

 NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SHARES OF COMMON STOCK OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION OR OFFER. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

 TABLE OF CONTENTS

<TABLE>		
<CAPTION>		PAGE
<S>		----
<C>		<C>
Prospectus Summary.....		3
Risk Factors.....		9
Uncertainty of Forward-Looking Information.....		13
Prior S Corporation Status.....		14
Price Range of Common Stock and Dividend Policy.....		14
Capitalization.....		15
Selected Financial and Operating Data.....		16
Management's Discussion and Analysis of Financial Condition and Results of Operations.....		18
Business.....		23
Management.....		35
Principal and Selling Shareholders.....		41
Certain Transactions.....		42
Description of Capital Stock.....		42
Underwriting.....		45

which a director or officer shall have been adjudged by a court of competent jurisdiction to be liable for willful or intentional misconduct or to have obtained an improper personal benefit, unless, and only to the extent that the court shall determine upon application that, in view of all the circumstances of the case, he is fairly and reasonably entitled to indemnity for such expenses that the court shall deem proper.

The Company maintains liability policies to indemnify its officers and directors against loss arising from claims by reason of their legal liability for acts as officers and directors, subject to limitations and conditions to be set forth in the policies.

The Underwriters have also agreed to indemnify the directors and certain of the Company's officers against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments that such directors and officers may be required to make in respect thereof.

Each of the Company's directors and executive officers has entered into an indemnity agreement with the Company, pursuant to which the Company has agreed under certain circumstances to purchase and maintain directors' and officers' liability insurance. The agreements also provide that the Company will indemnify the directors and executive officers against any costs and expenses, judgments, settlements and fines incurred in

II-1

connection with any claim involving a director or executive officer by reason of his position as director or officer that are in excess of the coverage provided by any such insurance, provided that the director or officer meets certain standards of conduct. A form of indemnity agreement containing such standards of conduct is included as an exhibit to this Registration Statement. Under the indemnity agreements, the Company is not required to purchase and maintain directors' and officers' liability insurance if it is not reasonably available or, in the reasonable judgment of the Board of Directors, there is insufficient benefit to the Company from the insurance.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS

<TABLE>

<C> <S>

- 1.1 Form of Underwriting Agreement.
- 2.1 Stock Purchase Agreement with respect to Dolphin Services, Inc. dated as of November 27, 1996.*
- 2.2 Stock Purchase Agreement with respect to Dolphin Steel Sales, Inc., dated as of November 27, 1996.*
- 2.3 Stock Purchase Agreement with respect to Dolphin Sales & Rentals, Inc., dated as of November 27, 1996.*
- 3.1 Amended and Restated Articles of Incorporation of the Company.*
- 3.2 By-laws of the Company.*
- 4.1 See Exhibits 3.1 and 3.2 for provisions of the Company's Amended and Restated Articles of Incorporation and By-laws defining the rights of holders of Common Stock.
- 4.2 Specimen Common Stock certificate.*
- 5.1 Opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P.
- 10.1 Form of Indemnity Agreement by and between the Company and each of its directors and executive officers.*
- 10.2 Registration Rights Agreement between the Company and Alden J. Laborde.*
- 10.3 Registration Rights Agreement between the Company and Huey J. Wilson.*
- 10.4 Fifth Amended and Restated Revolving Credit and Term Loan Agreement among the Company and First National Bank of Commerce and Whitney National Bank, dated as of October 24, 1996 (the "Bank Credit Facility").*
- 10.5 First Amendment to the Company's Bank Credit Facility, dated as of January 2, 1997.*
- 10.6 Second Amendment to the Company's Bank Credit Facility, dated as of March 18, 1997.*
- 10.7 The Company's Long-Term Incentive Plan.*
- 10.8 Form of Stock Option Agreement under the Company's Long-Term Incentive Plan.*
- 10.9 Form of Reimbursement Agreement.*
- 10.10 Stock Purchase Agreements between the Company and shareholders of Southport, Inc., dated November 12, 1997.
- 21.1 Subsidiaries of the Company.*
- 23.1 Consent of Price Waterhouse, LLP.
- 23.2 Consent of Jones, Walker, Waechter, Poitevent, Carrere & Denegre L.L.P. (included in Exhibit 5.1).
- 24.1 Power of Attorney (included in the Signature Page to the Registration Statement).**

(B) FINANCIAL STATEMENTS SCHEDULE.

Schedule II

* Incorporated by reference to the Company's Registration Statement on Form S-1 filed with the Commission on February 14, 1997 (Registration Number 333-21863).

** Previously filed.

II-2

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

II-3

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement (Registration No. 333-39695) to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houma, State of Louisiana, on November 13, 1997.

GULF ISLAND FABRICATION, INC.

By: /s/ Kerry J. Chauvin
Kerry J. Chauvin President and
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement (Registration No. 333-39695) has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE

TITLE

DATE

*

Chairman of the Board

November 13, 1997

Alden J. Laborde

/s/ Kerry J. Chauvin

President, Chief

----- Executive Officer and Director (Principal Executive Officer) November 13, 1997
 Kerry J. Chauvin

* Vice President-- Finance, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer) November 13, 1997

 Joseph P. Gallagher, III

* Director November 13, 1997

 Gregory J. Cotter

* Director November 13, 1997

 Thomas E. Fairley

Director November , 1997

 Hugh J. Kelly

* Director November 13, 1997

 John P. Laborde

Director November , 1997

 Huey J. Wilson

/s/ Kerry J. Chauvin
 *By: _____
 Kerry J. Chauvin
 Attorney-in-Fact

II-4

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
 FOR THE THREE YEARS ENDED DECEMBER 31, 1996

<TABLE>
 <CAPTION>

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		BALANCE AT END OF PERIOD
		CHARGED TO COSTS AND EXPENSES	CHARGED TO ORDER ACCOUNTS (WRITE-OFFS)	
<S>	<C>	<C>	<C>	<C>
Year Ended December 31, 1994				
Allowance for doubtful accounts.....	\$4,290	\$--	\$--	\$4,290
Year Ended December 31, 1995				
Allowance for doubtful accounts.....	4,290	30	--	4,320
Year Ended December 31, 1996				
Allowance for doubtful accounts.....	4,320	--	--	4,320

</TABLE>

GULF ISLAND FABRICATION, INC.
(A LOUISIANA CORPORATION)

COMMON STOCK

UNDERWRITING AGREEMENT

DATED: NOVEMBER , 1997

GULF ISLAND FABRICATION, INC.

UNDERWRITING AGREEMENT

November, 1997

MORGAN KEEGAN & COMPANY, INC.
RAYMOND JAMES & ASSOCIATES, INC.
JOHNSON RICE & COMPANY L.L.C.

As Representatives of the Several
Underwriters Named in Schedule A hereto
c/o Morgan Keegan & Company, Inc.
50 Front Street
Memphis, Tennessee 38103

Dear Sirs:

The selling shareholders named in Schedule B (the "Selling Shareholders") of Gulf Island Fabrication, Inc., a Louisiana corporation (the "Company"), propose to issue and sell to the underwriters named in Schedule A (collectively, the "Underwriters") an aggregate of 2,000,000 shares of Common Stock, no par value per share (the "Common Stock"), of the Company (the "Firm Shares"). The Firm Shares are to be sold to each Underwriter, acting severally and not jointly, in such amounts as are set forth in Schedule A opposite the name of such Underwriter.

The Selling Shareholders also grant to the Underwriters the option described in Section 3 to purchase, on the same terms as the Firm Shares, up to 300,000 additional shares of Common Stock (the "Option Shares") solely to cover over-allotments. The Firm Shares, together with all or any part of the Option Shares, are collectively herein called the "Shares."

Section 1. Representations and Warranties of the Company. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-) with respect to the Shares, including a preliminary form of prospectus, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "1933 Act"), and the applicable rules and regulations (the "1933 Act Regulations") of the Securities and Exchange Commission (the "Commission"), and has been filed with the Commission; and such amendments to such registration statement as may have been required prior to the date hereof have been filed with the Commission, and such amendments have been similarly prepared. Copies of such registration statement and amendment or amendments and of each related preliminary prospectus, and the exhibits, financial statements and schedules, as amended and revised, have been delivered to you. The Company has prepared in the same

manner, and proposes so to file with the Commission, one of the following: (i) prior to effectiveness of such registration statement, a further amendment thereto, including the form of final prospectus, (ii) if the Company does not rely on Rule 434 of the 1933 Act, a final prospectus in accordance with Rules 430A and 424(b) of the 1933 Act Regulations or (iii) if the Company relies on Rule 434 of the 1933 Act, a term sheet relating to

the Shares that shall identify the preliminary prospectus that it supplements containing such information as is required or permitted by Rules 434, 430A and 424(b) of the 1933 Act. The Company also may file a related registration statement with the Commission pursuant to Rule 462(b) of the 1933 Act for the purpose of registering certain additional shares of Common Stock, which registration statement will be effective upon filing with the Commission. As filed, such amendment, any registration statement filed pursuant to Rule 462(b) of the 1933 Act and any term sheet and form of final prospectus, or such final prospectus, shall include all Rule 430A Information (as defined below) and, except to the extent that you shall agree in writing to a modification, shall be in all respects in the form furnished to you prior to the date and time that this Agreement was executed and delivered by the parties hereto, or, to the extent not completed at such date and time, shall contain only such specific additional information and other changes (beyond that contained in the latest preliminary prospectus) as the Company shall have previously advised you in writing would be included or made therein.

The term "Registration Statement" as used in this Agreement shall mean such registration statement at the time such registration statement becomes effective and, in the event any post-effective amendment thereto becomes effective prior to the Closing Time (as hereinafter defined), shall also mean such registration statement as so amended; provided, however, that such term shall also include all Rule 430A Information contained in any Prospectus and any Term Sheet (as hereinafter defined) and deemed to be included in such registration statement at the time such registration statement becomes effective as provided by Rule 430A of the 1933 Act Regulations. The term "Preliminary Prospectus" shall mean any preliminary prospectus referred to in the preceding paragraph and any preliminary prospectus included in the Registration Statement at the time it becomes effective that omits Rule 430A Information. The term "Prospectus" as used in this Agreement shall mean (a) if the Company relies on Rule 434 of the 1933 Act Regulations, the Term Sheet relating to the Shares that is first filed pursuant to Rule 424(b)(7) of the 1933 Act Regulations, together with the Preliminary Prospectus identified therein that such Term Sheet supplements or (b) if the Company does not rely on Rule 434 of the 1933 Act Regulations, the prospectus relating to the Shares in the form in which it is first filed with the Commission pursuant to Rule 424(b) of the 1933 Act Regulations or, if no filing pursuant to Rule 424(b) of the 1933 Act Regulations is required, shall mean the form of final prospectus included in the Registration Statement at the time such Registration Statement becomes effective. The term "Rule 430A Information" means information with respect to the Shares and the offering thereof permitted pursuant to Rule 430A of the 1933 Act Regulations to be omitted from the Registration Statement when it becomes effective. The term "462(b) Registration Statement" means any registration statement filed with the Commission pursuant to Rule 462(b) under the 1933 Act (including the Registration Statement and any Preliminary Prospectus or Prospectus

2

incorporated therein at the time such registration statement becomes effective). The term "Term Sheet" means any term sheet that satisfies the requirements of Rule 434 of the 1933 Act Regulations. Any reference to the "date" of a Prospectus that includes a Term Sheet shall mean the date of such Term Sheet.

(b) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and no proceedings for that purpose have been instituted or threatened by the Commission or the state securities or blue sky authority of any jurisdiction, and each Preliminary Prospectus and any amendment or supplement thereto, at the time of filing thereof, conformed in all material respects to the requirements of the 1933 Act and the 1933 Act Regulations, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter expressly for use in the Registration Statement or any 462(b) Registration Statement.

(c) When the Registration Statement and any 462(b) Registration Statement shall become effective, when any Term Sheet that is part of the Prospectus is filed with the Commission pursuant to Rule 434, when any Prospectus is first filed pursuant to Rule 424(b) of the 1933 Act Regulations, when any amendment to the Registration Statement or any 462(b) Registration Statement becomes effective, and when any supplement to the Prospectus or any Term Sheet is filed with the Commission and at the Closing Time and Date of Delivery (as hereinafter defined), (i) the Registration Statement, the 462(b) Registration Statement, the Prospectus, the Term Sheet and any amendments thereof and supplements thereto will conform in all material respects with the applicable requirements of the 1933 Act and the 1933 Act Regulations, and (ii) neither the Registration

Statement, the 462(b) Registration Statement, the Prospectus, any Term Sheet nor any amendment or supplement thereto will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter expressly for use in the Registration Statement or any 462(b) Registration Statement.

(d) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of Louisiana with all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. The Company is duly qualified to transact business as a foreign corporation and is in good standing in each of the jurisdictions in which the ownership or leasing of its properties or the nature or conduct of its

3

business as described in the Registration Statement and the Prospectus requires such qualification, except where the failure to do so would not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries (as hereinafter defined) taken as a whole.

(e) All of the Company's subsidiaries are named on an exhibit to the Registration Statement (each a "Subsidiary" and collectively the "Subsidiaries"). Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation with all requisite corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus. Each such entity is duly qualified to do business and is in good standing as a foreign corporation in each other jurisdiction in which the ownership or leasing of its properties or the nature or conduct of its business as described in the Registration Statement and the Prospectus conducted requires such qualification, except where the failure to do so would not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of such Subsidiaries.

(f) The Company has full corporate right, power and authority to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company, enforceable in accordance with its terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws of general applicability relating to or affecting creditors' rights, or by general principles of equity whether considered at law or at equity and except to the extent enforcement of the indemnification provisions set forth in Section 6 of this Agreement may be limited by federal or state securities laws or the public policy underlying such laws.

(g) Each consent, approval, authorization, order, license, certificate, permit, registration, designation or filing by or with any governmental agency or body necessary for the execution, delivery and performance of this Agreement by the Company has been made or obtained and is in full force and effect, except as may be required under applicable state securities laws.

(h) The execution, delivery and performance of this Agreement by the Company will not conflict with or result in a breach or violation of any of the terms and provisions of, or (with or without the giving of notice or the passage of time or both) constitute a default under the charter or bylaws of the Company or the Subsidiaries, respectively, or under any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument to which the Company or the Subsidiaries, respectively, is a party or to which the Company or the Subsidiaries, respectively, any of their respective properties or other assets is subject; or any applicable statute, judgment, decree, order, rule or regulation of any court or governmental agency or body applicable to any of the foregoing or any of their respective

4

properties; or result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company or the Subsidiaries, respectively.

(i) No preemptive rights of shareholders exist with respect to any of the Shares which have not been satisfied or waived. No person or entity holds a right to require or participate in the registration under the 1933 Act of the Shares pursuant to the Registration Statement which has not been

satisfied or waived; and, except as set forth in the Prospectus, no person holds a right to require registration under the 1933 Act of any shares of Common Stock of the Company at any other time which has not been satisfied or waived.

(j) The Company's authorized, issued and outstanding capital stock is as disclosed in the Prospectus. All of the issued shares of capital stock of the Company, including the Shares, have been duly authorized and validly issued, are fully paid and nonassessable and conform to the description of the Company's capital stock contained in the Prospectus.

(k) All of the issued shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and are owned directly or indirectly through another Subsidiary by the Company free and clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever. Other than the Subsidiaries, the Company does not own, directly or indirectly, any capital stock or other equity securities of any other corporation or any ownership interest in any partnership, joint venture or other association.

(l) Except as disclosed in the Prospectus, there are no outstanding (i) securities or obligations of the Company or any of its Subsidiaries convertible into or exchangeable for any capital stock of the Company or any such Subsidiary, (ii) warrants, rights or options to subscribe for or purchase from the Company or any such Subsidiary any such capital stock or any such convertible or exchangeable securities or obligations, or (iii) obligations of the Company or any such Subsidiary to issue any shares of capital stock, any such convertible or exchangeable securities or obligation, or any such warrants, rights or options.

(m) The Company and the Subsidiaries have good and marketable title to all real property, if any, and good title to all personal property owned by them, in each case free and clear of all liens, security interests, pledges, charges, encumbrances, mortgages and defects, except such as are disclosed in the Prospectus or such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be made of such property by the Company and the Subsidiaries; and any real property and buildings held under lease by the Company or any Subsidiary are held under valid, existing and enforceable leases, with such exceptions as are disclosed in the Prospectus or are not material and do not interfere with the use made or proposed to be made of such property and buildings by the Company or such Subsidiary.

5

(n) The financial statements of the Company and its consolidated Subsidiaries included in the Registration Statement and Prospectus present fairly the financial position of the Company and its consolidated Subsidiaries as of the dates indicated and the results of operations and cash flows for the Company and its consolidated Subsidiaries for the periods specified, all in conformity with generally accepted accounting principles applied on a consistent basis. The financial statements of Dolphin Services, Inc., Dolphin Sales and Rentals, Inc. and Dolphin Steel Sales, Inc. (collectively, "Dolphin Services") included in the Registration Statement and Prospectus present fairly the financial position of Dolphin Services as of the dates indicated and the results of operations and cash flows for Dolphin Services for the periods specified, all in conformity with generally accepted accounting principles applied on a consistent basis. The financial statement schedules included in the Registration Statement and the historical financial amounts in the Prospectus under the captions "Prospectus Summary -- Summary Financial and Operating Data", "Capitalization" and "Selected Financial and Operating Data" fairly present the information shown therein and have been compiled on a basis consistent with the historical financial statements included in the Registration Statement and the Prospectus. The unaudited pro forma financial information (including the related notes) included in the Prospectus or any Preliminary Prospectus complies as to form in all material respects to the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations, and management of the Company believes that the assumptions underlying the pro forma adjustments are reasonable. Such pro forma adjustments have been properly applied to the historical amounts in the compilation of the information and such information fairly presents with respect to the Company and the Subsidiaries, the financial position, results of operations and other information purported to be shown therein at the respective dates and for the respective periods specified.

(o) Price Waterhouse LLP, who have examined and are reporting upon the audited financial statements and schedules of the Company and Dolphin Services included in the Registration Statement, are, and were during the periods covered by their reports included in the Registration Statement and the Prospectus, independent public accountants within the meaning of the 1933 Act and the 1933 Act Regulations.

(p) Ernst & Young LLP, who have examined the unaudited financial

statements of the Company included in the Registration Statement, are independent accountants within the meaning of the 1933 Act and the 1933 Act Regulations.

(q) None of the Company or the Subsidiaries has sustained, since December 31, 1996, any material loss or interference with its business from fire, explosion, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or arbitrators' or court or governmental action, order or decree; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, and except as otherwise stated in the Registration Statement and Prospectus, there has not been (i) any material change in the capital stock, long-term debt, obligations under capital leases or short-term borrowings of the Company, or the Subsidiaries, or (ii) any material adverse change, or

6

any development which could reasonably be seen as involving a prospective material adverse change, in or affecting the business, prospects, properties, assets, results of operations or condition (financial or other) of the Company, or the Subsidiaries.

(r) Neither the Company nor its Subsidiaries is in violation of its respective charter, or by-laws, and no default exists, and no event has occurred, nor state of facts exists, which, with notice or after the lapse of time to cure or both, would constitute a default in the due performance and observance of any obligation, agreement, term, covenant, consideration or condition contained in any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument to which any such entity is a party or to which any such entity or any of its properties is subject. None of the Company or its Subsidiaries is in violation of, or in default with respect to, any statute, rule, regulation, order, judgment or decree, except as may be properly described in the Prospectus or such as in the aggregate do not now have and will not in the future have a material adverse effect on the financial position, results of operations or business of each such entity, respectively.

(s) There is not pending or threatened any action, suit, proceeding, inquiry or investigation against the Company, the Subsidiaries or any of their respective officers and directors or to which the properties, assets or rights of any such entity are subject, before or brought by any court or governmental agency or body or board of arbitrators that is required to be described in the Registration Statement or the Prospectus but is not described as required.

(t) The descriptions in the Registration Statement and the Prospectus of the contracts, leases and other legal documents therein described present fairly the information required to be shown, and there are no contracts, leases, or other documents of a character required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement which are not described or filed as required.

(u) The Company owns, possesses or has obtained all material permits, licenses, franchises, certificates, consents, orders, approvals and other authorizations of governmental or regulatory authorities or other entities as are necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as presently conducted, or as contemplated in the Prospectus to be conducted, and the Company has not received any notice of proceedings relating to revocation or modification of any such licenses, permits, franchises, certificates, consents, orders, approvals or authorizations.

(v) The Company owns or possesses adequate license or other rights to use all patents, trademarks, service marks, trade names, copyrights, software and design licenses, trade secrets, manufacturing processes, other intangible property rights and know-how (collectively "Intangibles") necessary to entitle the Company to conduct its business as described in the Prospectus, and the Company has not received notice of infringement of or conflict with (and knows of no such infringement of or conflict with) asserted rights of others with respect to any Intangibles which could materially and adversely affect the business,

7

prospects, properties, assets, results of operations or condition (financial or otherwise) of the Company.

(w) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets, (iii)

access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and, none of the Company, the Subsidiaries, or any employee or agent thereof, has made any payment of funds of the Company or the Subsidiaries, or received or retained any funds and no funds of the Company or the Subsidiaries have been set aside to be used for any payment, in each case in violation of any law, rule or regulation.

(x) Each of the Company and the Subsidiaries has filed on a timely basis all necessary federal, state, local and foreign income and franchise tax returns required to be filed through the date hereof and have paid all taxes shown as due thereon; and no tax deficiency has been asserted against any such entity, nor does any such entity know of any tax deficiency which is likely to be asserted against any such entity which if determined adversely to any such entity, could materially adversely affect the business, prospects, properties, assets, results of operations or condition (financial or otherwise) of any such entity, respectively. All tax liabilities are adequately provided for on the respective books of such entities.

(y) The Company and its Subsidiaries maintain insurance (issued by insurers of recognized financial responsibility) of the types and in the amounts generally deemed adequate for their respective businesses and consistent with insurance coverage maintained by similar companies in similar businesses, including, but not limited to, insurance covering real and personal property owned or leased by the Company and its Subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.

(z) Each of the Company, the Subsidiaries, and their officers, directors or affiliates has not taken and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in or constitute the stabilization or manipulation of any security of the Company or to facilitate the sale or resale of the Shares.

(aa) The Company is not, will not become as a result of the transactions contemplated hereby, or will not conduct its respective businesses in a manner in which the Company would become, "an investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

8

Section 2. Representations and Warranties of the Selling Shareholders. Each of the Selling Shareholders represents and warrants to, and agrees with, each of the several Underwriters and the Company that:

(a) The Selling Shareholder has full right, power and authority to enter into this Agreement, the Power of Attorney (as hereinafter defined) and the Custody Agreement (as hereinafter defined) and to sell, assign, transfer and deliver to the Underwriters the Shares to be sold by the Selling Shareholder hereunder; and the execution and delivery of this Agreement, the Power of Attorney and the Custody Agreement have been duly authorized by all necessary action of the Selling Shareholder.

(b) The Selling Shareholder has duly executed and delivered this Agreement, the Power of Attorney and the Custody Agreement, and each constitutes the valid and binding agreement of the Selling Shareholder enforceable against the Selling Shareholder in accordance with its terms, subject, as to enforcement, to applicable bankruptcy, insolvency, reorganization and moratorium laws and other laws relating to or affecting the enforcement of creditors' rights generally and to general equitable principles.

(c) No consent, approval, authorization, order or declaration of or from, or registration, qualification or filing with, any court or governmental agency or body is required for the sale of the Shares to be sold by the Selling Shareholder or the consummation of the transactions contemplated by this Agreement, the Power of Attorney or the Custody Agreement, except the registration of such Shares under the 1933 Act (which, if the Registration Statement is not effective as of the time of execution hereof, shall be obtained as provided in this Agreement) and such as may be required under state securities or blue sky laws in connection with the offer, sale and distribution of such Shares by the Underwriters.

(d) The sale of the Shares to be sold by such Selling Shareholder and the performance of this Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with, or (with or without the giving of notice or the passage of time or both) result in a breach or violation of any of the terms or provisions of, or constitute a default under, any

indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Selling Shareholder is a party or to which any of its properties or assets is subject, nor will such action conflict with or violate any provision of the charter or bylaws or other governing instruments of the Selling Shareholder, if any, or any statute, rule or regulation or any order, judgment or decree of any court or governmental agency or body having jurisdiction over the Selling Shareholder or any of the Selling Shareholder's properties or assets.

(e) The Selling Shareholder has, and at the Closing Time (as defined in Section 3 hereof) or, at the Date of Delivery, as the case may be, the Selling Shareholder will have, good and valid title to the Shares to be sold by the Selling Shareholder hereunder, free and

9

clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever; and, upon delivery of such Shares against payment therefor as provided herein, good and valid title to such Shares, free and clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever, will pass to the several Underwriters.

(f) The Selling Shareholder has not (i) taken, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or (ii) since the filing of the Registration Statement (A) sold, bid for, purchased or paid anyone any compensation for soliciting purchases of, the Shares or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(g) When any Preliminary Prospectus was filed with the Commission it (i) contained all statements required to be stated therein in accordance with, and complied in all material respects with the requirements of, the 1933 Act and the rules and regulations of the Commission thereunder, and (ii) did not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. When the Registration Statement or any amendment thereto or any 462(b) Registration Statement or any amendment thereto was or is declared effective and at the Closing Time or the Date of Delivery, as the case may be, it (i) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the requirements of, the 1933 Act and the rules and regulations of the Commission thereunder and (ii) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading. When the Prospectus or any amendment or supplement thereto is filed with the Commission pursuant to Rule 424(b) (or, if the Prospectus or such amendment or supplement is not required to be so filed, when the Registration Statement or the amendment thereto containing such amendment or supplement to the Prospectus was or is declared effective), and at the Closing Time or the Date of Delivery, as the case may be, the Prospectus, as amended or supplemented at any such time, (i) contained or will contain all statements required to be stated therein in accordance with, and complied or will comply in all material respects with the requirements of, the 1933 Act and the rules and regulations of the Commission thereunder and (ii) did not or will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing provisions of this paragraph (g) do not apply to statements or omissions made in any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement or any amendment thereto or the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by any Underwriter through you specifically for use therein.

10

In order to document the Underwriters' compliance with the reporting and withholding provisions of the Internal Revenue Code of 1986, as amended, with respect to the transactions herein contemplated, each of the Selling Shareholders agrees to deliver to you prior to or at the Closing Time (as hereinafter defined) a properly completed and executed United States Treasury Department form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

Each of the Selling Shareholders represents and warrants that certificates in negotiable form representing all of the Shares to be sold by such Selling Shareholder hereunder have been placed in custody under a custody agreement (the "Custody Agreement"), in the form heretofore furnished to and approved by you, duly executed and delivered by such Selling Shareholder to American Stock

Transfer and Trust Company, as custodian (the "Custodian"), and that such Selling Shareholder has duly executed and delivered a Power of Attorney (the "Power of Attorney"), in the form heretofore furnished to and approved by you, appointing Kerry J. Chauvin and Joseph P. Gallagher, III as such Selling Shareholder's attorneys-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Shareholder, to determine the purchase price to be paid by the Underwriters to the Selling Shareholders as provided in Section 3 hereof, to authorize the delivery of the Shares to be sold by such Selling Shareholder hereunder and otherwise to act on behalf of such Selling Shareholder in connection with the transactions contemplated by this Agreement and the Custody Agreement.

Each of the Selling Shareholders specifically agrees that the Shares represented by the certificates held in custody for such Selling Shareholder under the Custody Agreement are subject to the interests of the Underwriters hereunder, and that the arrangements made by such Selling Shareholder for such custody, and the appointment by such Selling Shareholder of the Attorneys-in-Fact by the Power of Attorney, are irrevocable. Each of the Selling Shareholders specifically agrees that the obligations of the Selling Shareholders hereunder shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Shareholder or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or in the case of a partnership or corporation, by the dissolution of such partnership or corporation, or by the occurrence of any other event.

Section 3. Sale and Delivery of the Shares to the Underwriters; Closing.

(a) On the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Selling Shareholders agree to sell to each of the Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Selling Shareholders, at the Closing Time (as defined below), the number of Firm Shares set forth opposite the name of such Underwriter in Schedule A (the proportion which each Underwriter's share of the total number of the Firm Shares bears to the total number of Firm Shares is hereinafter referred to as such Underwriter's "underwriting obligation proportion"), at a purchase price of \$ per share.

11

(b) In addition, on the basis of the representations and warranties herein contained, and subject to the terms and conditions herein set forth, the Selling Shareholders hereby grant an option to the Underwriters to purchase, severally and not jointly, up to an additional 300,000 Option Shares at the same purchase price as shall be applicable to the Firm Shares. The option hereby granted will expire if not exercised within the thirty (30) day period after the date of the Prospectus by giving written notice to the Selling Shareholders. The option granted hereby may be exercised in whole or in part (but not more than once) by you, as representatives of the Underwriters, only for the purpose of covering over-allotments that may be made in connection with the offering and distribution of the Firm Shares. The notice of exercise shall set forth the number of Option Shares as to which the several Underwriters are exercising the option, and the time and date of payment therefor and of issuance and delivery thereof. Such time and date of payment, issuance and delivery (the "Date of Delivery") shall be determined by you but shall not be later than three full business days after the exercise of such option, nor in any event prior to the Closing Time. If the option is exercised as to all or any portion of the Option Shares, the Option Shares as to which the option is exercised shall be purchased by the Underwriters, severally and not jointly, in their respective underwriting obligation proportions.

(c) Payment of the purchase price for and delivery of certificates in definitive form representing the Firm Shares shall be made at the offices of Morgan Keegan & Company, Inc., 50 Front Street, Memphis, Tennessee 38103 or at such other place as shall be agreed upon by the Selling Shareholders and you, at 10:00 a.m., either (i) on the third full business day after the execution of this Agreement, or (ii) at such other time not more than ten full business days thereafter as you and the Company shall determine (unless, in either case, postponed pursuant to the term hereof), (such date and time of payment and delivery being herein called the "Closing Time"). In addition, in the event that any or all of the Option Shares are purchased by the Underwriters, payment of the purchase price for and delivery of certificates in definitive form representing the Option Shares shall be made at the offices of Morgan Keegan & Company, Inc. in the manner set forth above, or at such other place as the Selling Shareholders and you shall determine, on the Date of Delivery as specified in the notice from you to the Selling Shareholders. Payment for the Firm Shares and the Option Shares shall be made to the Selling Shareholders by wire transfer in same-day funds to the accounts designated to the Underwriters in writing by the Selling Shareholders against delivery to you for the respective accounts of the Underwriters of the Shares to be purchased by them.

(d) The certificates representing the Shares to be purchased by the Underwriters shall be in such denominations and registered in such names as you may request in writing at least two full business days before the Closing Time or the Date of Delivery, as the case may be. The certificates representing the Shares will be made available at the offices of Morgan Keegan & Company, Inc. or at such other place as Morgan Keegan & Company, Inc. may

12

designate for examination and packaging not later than 10:00 a.m. at least one full business day prior to the Closing Time or the Date of Delivery, as the case may be.

(e) After the Registration Statement becomes effective, you intend to offer the Shares to the public as set forth in the Prospectus, but after the public offering of such Shares you may in your discretion vary the public offering price.

Section 4. Certain Covenants of the Company. The Company covenants and agrees with each Underwriter as follows:

(a) The Company will use its best efforts to cause the Registration Statement to become effective (if not yet effective at the date and time that this Agreement is executed and delivered by the parties hereto). If the Company elects to rely upon Rule 430A of the 1933 Act Regulations or the filing of the Prospectus is otherwise required under Rule 424(b) of the 1933 Act Regulations, the Company will comply with the requirements of Rule 430A and will file the Prospectus, properly completed, pursuant to the applicable provisions of Rule 424(b), or a Term Sheet pursuant to and in accordance with Rule 434, within the time period prescribed. If the Company elects to rely upon Rule 462(b), the Company shall file a 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 p.m., Washington, D.C. time on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee. The Company will notify you immediately, and confirm the notice in writing, (i) when the Registration Statement, 462(b) Registration Statement or any post-effective amendment to the Registration Statement, shall have become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission to amend the Registration Statement or 462(b) Registration Statement or amend or supplement the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any 462(b) Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus or the suspension of the qualification of the Shares for offering or sale in any jurisdiction, or of the institution or threatening of any proceeding for any such purposes. The Company will use every reasonable effort to prevent the issuance of any such stop order or of any order preventing or suspending such use and, if any such order is issued, to obtain the withdrawal thereof at the earliest possible moment.

(b) The Company will not at any time file or make any amendment to the Registration Statement, or any amendment or supplement (i) to the Prospectus, if the Company has not elected to rely upon Rule 430A, (ii) if the Company has elected to rely upon Rule 430A, to either the Prospectus included in the Registration Statement at the time it becomes effective or to the Prospectus filed in accordance with Rule 424(b) or any Term Sheet filed in accordance with Rule 434, or (iii) if the Company has elected to rely upon Rule 462(b), to any 462(b) Registration Statement in any case if you shall not have previously been advised and

13

furnished a copy thereof a reasonable time prior to the proposed filing, or if you or counsel for the Underwriters shall object to such amendment or supplement.

(c) The Company has furnished or will furnish to you, at its expense, as soon as available, four copies of the Registration Statement as originally filed and of all amendments thereto, whether filed before or after the Registration Statement becomes effective, copies of all exhibits and documents filed therewith and signed copies of all consents and certificates of experts, as you may reasonably request, and has furnished or will furnish to each Underwriter, one conformed copy of the Registration Statement as originally filed and of each amendment thereto.

(d) The Company will deliver to each Underwriter, at the Company's expense, from time to time, as many copies of each Preliminary Prospectus as such Underwriter may reasonably request, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will deliver to each Underwriter, at the Company's expense, as soon

as the Registration Statement shall have become effective and thereafter from time to time as requested during the period when the Prospectus is required to be delivered under the 1933 Act, such number of copies of the Prospectus (as supplemented or amended) as each Underwriter may reasonably request. The Company will comply to the best of its ability with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and in the Prospectus. If the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus or any Term Sheet in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus or any Term Sheet as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made when such Prospectus or any Term Sheet is delivered, not misleading, or, if for any reason it shall be necessary during such same period to amend or supplement the Prospectus or any Term Sheet in order to comply with the 1933 Act or the rules and regulations thereunder, the Company will notify you and upon your request prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or any Term Sheet or a supplement to the Prospectus or any Term Sheet or an amendment or supplement to any such incorporated document which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus or any Term Sheet, upon your request but at the expense of such Underwriter, the Company will prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus or any Term Sheet complying with Section 10(a)(3) of the 1933 Act.

(e) The Company will use its best efforts to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions as you may

14

designate and to maintain such qualifications in effect for as long as may be necessary to complete the distribution of the Shares; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to make any undertakings in respect of doing business in any jurisdiction in which it is not otherwise so subject. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Shares have been qualified as above provided.

(f) The Company will make generally available to its security holders as soon as practicable, but in any event not later than the end of the fiscal quarter first occurring after the first anniversary of the "effective date of the Registration Statement" (as defined in Rule 158(c) of the 1933 Act Regulations), an earnings statement (in reasonable detail but which need not be audited) complying with the provisions of Section 11(a) of the 1933 Act and Rule 158 thereunder.

(g) During a period of five years after the date hereof, the Company will furnish to you: (i) concurrently with furnishing to its securityholders, copies of any statements of operations of the Company for each of the first three quarters furnished to the Company's securityholders; (ii) concurrently with furnishing to its securityholders, a balance sheet of the Company as of the end of such fiscal year, together with statements of operations, of cash flows and of securityholders' equity of the Company for such fiscal year, accompanied by a copy of the certificate or report thereon of independent public accountants; (iii) as soon as they are available, copies of all reports (financial or otherwise) mailed to securityholders; (iv) as soon as they are available, copies of all reports and financial statements furnished to or filed with the Commission, any securities exchange or the National Association of Securities Dealers, Inc. (the "NASD"); (v) every material press release in respect of the Company or its affairs which is released by the Company; and (vi) any additional information of a public nature concerning the Company or its business that you may reasonably request. During such five-year period, the foregoing financial statements shall be on a consolidated basis to the extent that the accounts of the Company are consolidated with any subsidiaries, and shall be accompanied by similar financial statements for any significant subsidiary that is not so consolidated.

(h) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, the Company will not, without the prior written consent of Morgan Keegan & Company, Inc., offer, pledge, issue, sell, contract to sell, grant any option for the sale of, or otherwise dispose of, or announce any offer, pledge, sale, grant of any option to purchase or other disposition of, directly or indirectly, any shares of Common Stock or securities

convertible into, exercisable for or exchangeable for shares of Common Stock, except as provided in Section 3 of this Agreement, pursuant to the Company's Long-Term Incentive Plan or in connection with acquisitions of businesses or assets by the Company.

15

(i) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar (which may be the same entity as the transfer agent) for its Common Stock.

(j) The Company will cause the Shares to be listed, subject to notice of issuance, on the Nasdaq Stock Market and will use commercially reasonable best efforts to maintain the listing of the Shares on the Nasdaq Stock Market.

(k) The Company is familiar with the Investment Company Act of 1940, as amended, and the rules and regulations thereunder, and has in the past conducted its affairs, and will in the future conduct its affairs, in such a manner so as to ensure that the Company was not and will not be an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(l) The Company will not, and will use its best efforts to cause its officers, directors and affiliates not to, (i) take, directly or indirectly prior to termination of the underwriting syndicate contemplated by this Agreement, any action designed to stabilize or manipulate the price of any security of the Company, or which may cause or result in, or which might in the future reasonably be expected to cause or result in, the stabilization or manipulation of the price of any security of the Company, to facilitate the sale or resale of any of the Shares, (ii) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of the Shares or (iii) pay or agree to pay to any person any compensation for soliciting any order to purchase any other securities of the Company.

(m) If at any time during the 30-day period after the Registration Statement becomes effective, any rumor, publication or event relating to or affecting the Company shall occur as a result of which in your reasonable opinion the market price of the Common Stock has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Prospectus) and after written notice from you advising the Company to the effect set forth above, the Company agrees to consult with you concerning the substance and dissemination of a press release or other public statement responding to or commenting on such rumor, publication or event.

Section 5. Covenants of the Selling Shareholders. Each of the Selling Shareholders covenants and agrees with each of the Underwriters:

(a) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus, the Selling Shareholder will not, without the prior written consent of Morgan Keegan & Company, Inc., offer, pledge, issue, sell, contract to sell, grant any option for the sale of, or otherwise dispose of, (or announce any offer, pledge, sale, grant of an option to purchase or other disposition, directly or indirectly) any shares of Common Stock or securities convertible into, exercisable or exchangeable for, shares of Common Stock, except as provided in Section 3 of this Agreement.

16

(b) The Selling Shareholder will not (i) take, directly or indirectly, prior to the termination of the underwriting syndicate contemplated by this Agreement, any action designed to cause or to result in, or that might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Shares, (ii) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of, the Shares or (iii) pay to or agree to pay any person any compensation for soliciting another to purchase any other securities of the Company.

Section 6. Payment of Expenses. The Company will pay and bear all costs, fees and expenses incident to the performance of its and the Selling Shareholders' obligations under this Agreement (excluding fees and expenses of counsel for the Underwriters, except as specifically set forth below), including (a) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits), as originally filed and as amended, the Preliminary Prospectuses, the Prospectus and any Term Sheet and any amendments or supplements thereto, and the cost of furnishing copies thereof to the Underwriters, (b) the preparation, printing and distribution of this Agreement, the certificates representing the Shares, the memoranda relating to compliance with state securities laws ("Blue Sky Memoranda") and any instruments relating to any of the foregoing, (c) the issuance and delivery of the Shares to the Underwriters, including any transfer taxes payable upon the sale of the Shares to the Underwriters (other than transfer taxes on resales by the

Underwriters), (d) the fees and disbursements of the Company's and the Selling Shareholders' counsel and accountants, (e) the qualification of the Shares under the applicable state securities laws in accordance with the terms of this Agreement, including filing fees and fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Memoranda, (f) all costs, fees and expenses in connection with the notification to the Nasdaq Stock Market of the proposed issuance of the Shares, (g) filing fees relating to the review of the offering by the NASD, (h) the transfer agent's and registrar's fees and all miscellaneous expenses referred to in Part II of the Registration Statement, (i) costs related to travel and lodging incurred by the Selling Shareholders, the Company and its representatives relating to meetings with and presentations to prospective purchasers of the Shares reasonably determined by the Underwriters to be necessary or desirable to effect the sale of the Shares to the public, and (j) all other costs and expenses incident to the performance of the Selling Shareholders' and the Company's obligations hereunder (including costs incurred in closing the purchase of the Option Shares, if any) that are not otherwise specifically provided for in this section. The Company, upon your request, will provide funds in advance for filing fees in connection with "blue sky" qualifications.

If the sale of the Shares provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 7 hereof is not satisfied, because of any termination pursuant to Section 10 hereof or because of any refusal, inability or failure on the part of the Company or the Selling Shareholders to perform any agreement herein or comply with any provision hereof other than by reason of default by any of the Underwriters, the Company will reimburse the Underwriters severally on demand for all reasonable out-of-pocket expenses, including

17

fees and disbursements of Underwriters' counsel, reasonably incurred by the Underwriters in reviewing the Registration Statement and the Prospectus, and in investigating and making preparations for the marketing of the Shares.

Section 7. Conditions of Underwriters' Obligations. The obligations of the Underwriters to purchase and pay for (i) the Firm Shares that they have respectively agreed to purchase pursuant to this Agreement (and any Option Shares as to which the option granted in Section 3 has been exercised and the Date of Delivery determined by you is the same as the Closing Time) at the Closing Time and (ii) the Option Shares at the Date of Delivery of the Option Shares, are subject to the accuracy of the representations and warranties of the Company and the Selling Shareholders contained herein as of the Closing Time or the Date of Delivery, as the case may be, and to the accuracy of the representations and warranties of the Company and the Selling Shareholders contained in certificates of any officer of the Company and the Selling Shareholders delivered pursuant to the provisions hereof, to the performance by the Company and the Selling Shareholders of their obligations hereunder, and to the following further conditions:

(a) The Registration Statement shall have become effective not later than 5:30 p.m. on the date of this Agreement or, with your consent, at a later time and date not later, however, than 5:30 p.m. on the first business day following the date hereof, or at such later time or on such later date as you may agree to in writing; if the Company has elected to rely upon Rule 462(b), the 462(b) Registration Statement shall have become effective by 10:00 p.m., Washington, D.C. time, on the date of this Agreement; and at the Closing Time no stop order suspending the effectiveness of the Registration Statement or any 462(b) Registration Statement shall have been issued under the 1933 Act and no proceedings for that purpose shall have been instituted or shall be pending or, to your knowledge or the knowledge of the Company, shall be contemplated by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the satisfaction of counsel for the Underwriters. If the Company has elected to rely upon Rule 430A, a Prospectus or a Term Sheet containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) At the Closing Time, you shall have received a favorable opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., counsel for the Company, dated as of the Closing Time, together with signed or reproduced copies of such opinion for each of the other Underwriters, in form and substance satisfactory to counsel for the Underwriters, to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Louisiana with the corporate power and authority to own, lease and operate its properties and to conduct its business as described in the

18

Registration Statement and the Prospectus. The Company is qualified to transact business as a foreign corporation and is in good standing in each of the jurisdictions in which the ownership or leasing of the Company's properties or the nature or conduct of its business requires such qualification, except where the failure to do so would not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries taken as a whole.

(ii) Each of the Subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of its incorporation. Each such entity has all requisite corporate power and authority to own, lease and operate its properties and conduct its business as described in the Registration Statement and the Prospectus. Each such entity is duly qualified to do business and is in good standing as a foreign corporation in each other jurisdiction in which the ownership or leasing of its properties or the nature or conduct of its business requires such qualification, except where the failure to do so would not have a material adverse effect on the condition (financial or other), business, properties, net worth or results of operations of the Company and the Subsidiaries taken as a whole.

(iii) The Company has the corporate power and authority to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Underwriters, constitutes a valid and binding agreement of the Company, enforceable in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights or by general principles of equity whether considered at law or in equity, except to the extent that enforcement of the indemnification provisions set forth in Section 8 of this Agreement may be limited by federal or state securities laws or the public policy underlying such laws and except that no opinion need be expressed as to the effect of the first sentence of Section 15 of this Agreement as to the laws of the State of Tennessee.

(iv) Each consent, approval, authorization, order, license, certificate, permit, registration, designation or filing by or with any governmental agency or body necessary for the execution, delivery and performance of this Agreement has been made or obtained and

19

is in full force and effect, except such as may be necessary under state securities laws or required by the NASD in connection with the purchase and distribution of the Shares by the Underwriters, as to which such counsel need express no opinion.

(v) The execution, delivery and performance of this Agreement by the Company will not conflict with or result in a breach or violation of any of the terms and provisions of, or (with or without the giving notice or the passage of time or both) constitute a default under, the charter or by-laws of the Company or the Subsidiaries, respectively, or, to such counsel's knowledge after due inquiry, under any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument to which the Company or the Subsidiaries, respectively, is a party or to which the Company or the Subsidiaries, respectively, any of their respective properties or other assets, is subject; or, to such counsel's knowledge, any applicable statute, judgment, decree, order, rule or regulation of any court or governmental agency or body; or to such counsel's knowledge, result in the creation or imposition of any lien, charge, claim or encumbrance upon any property or asset of the Company or the Subsidiaries, respectively.

(vi) The Common Stock conforms in all material respects as to legal matters to the description thereof contained in the Registration Statement and the Prospectus under the heading "Description of Capital Stock."

(vii) To such counsel's knowledge, no preemptive rights of shareholders exist with respect to any of the Shares which have not been satisfied or waived. To such counsel's knowledge, no person or entity holds a right to require or participate in the registration under the 1933 Act of the Shares pursuant to the Registration Statement which has not been satisfied or waived and, except as set forth in the Prospectus, no person holds a right to require registration under the 1933 Act of any shares of Common Stock of the Company at any other time which has not been satisfied or waived. The form of certificates evidencing the Shares complies with all

applicable requirements of Louisiana law.

(viii) The Company has an authorized capitalization as set forth in the Prospectus under the caption "Capitalization." All of the issued shares of capital stock of the Company, including the Shares, have been duly authorized and validly issued, are fully paid and nonassessable. None of the issued shares of capital stock of the

20

Company has been issued or is owned or held in violation of any preemptive rights of shareholders.

(ix) All of the issued shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable and, to such counsel's knowledge after due inquiry, are owned directly, or indirectly through another Subsidiary, by the Company free and clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever except security interests disclosed in the Prospectus. To such counsel's knowledge after due inquiry, other than the Subsidiaries, the Company does not own, directly or indirectly, any capital stock or other equity securities of any other corporation or any ownership interest in any partnership, joint venture or other association.

(x) Except as disclosed in the Prospectus, to such counsel's knowledge after due inquiry, there are no outstanding (i) securities or obligations of the Company or any of its Subsidiaries convertible into or exchangeable for any capital stock of the Company or any such Subsidiary, (ii) warrants, rights or options to subscribe for or purchase from the Company or any such Subsidiary any such capital stock or any such convertible or exchangeable securities or obligations, or (iii) obligations of the Company or any such Subsidiary to issue any shares of capital stock, any such convertible or exchangeable securities or obligation, or any such warrants, rights or options.

(xi) Neither the Company nor its Subsidiaries is in violation of their respective charter or by-laws, and, to such counsel's knowledge after due inquiry, no material default exists, and no event has occurred nor state of facts exist which, with notice or after the lapse of time to cure or both, would constitute a material default in the due performance and observance of any obligation, agreement, term, covenant, or condition contained in any indenture, mortgage, deed of trust, loan agreement, note, lease or other agreement or instrument to which any such entity is a party or to which any such entity or any of its properties is subject.

(xii) To such counsel's knowledge, there is not pending or threatened any action, suit, proceeding, inquiry or investigation against the Company, the Subsidiaries or any of their respective officers and directors or to which the properties, assets or rights of any such entity

21

are subject, before or brought by any court or governmental agency or body or board of arbitrators, that is required to be described in the Registration Statement or the Prospectus but is not described as required.

(xiii) The descriptions in the Registration Statement and the Prospectus of the contracts, leases and other legal documents therein described present fairly the information required to be shown and there are no contracts, leases or other documents known to such counsel of a character required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement which are not described or filed as required.

(xiv) The Common Stock has been approved for trading on the Nasdaq Stock Market .

(xv) The Registration Statement and any 462(b) Registration Statement have become effective under the 1933 Act and, to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement or any 462(b) Registration Statement has been issued and no proceeding for that purpose has been instituted or is pending or contemplated under the 1933 Act. Other than financial statements and other financial and operating data and schedules contained therein, as to which counsel need express no opinion, the Registration Statement, any 462(b) Registration Statement, all Preliminary Prospectuses, the Prospectus

and any amendment or supplement thereto, appear on their face to conform as to form in all material respects with the requirements of the 1933 Act and the rules and regulations thereunder.

(xvi) The Company is not, or solely as a result of the consummation of the transactions contemplated hereby will not become, an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(xvii) The descriptions in the Prospectus of statutes, regulations, legal or governmental proceedings are accurate and present fairly a summary of the information required to be shown under the 1933 Act and the 1933 Act Regulations. The information in the Prospectus under the caption "Shares Available for Future Sale" to the extent that it constitutes matters of law or legal conclusions, has been reviewed by such counsel, is correct and presents fairly the information required

22

to be disclosed therein under the 1933 Act and the 1933 Act Regulations.

Such counsel also shall state that they have no reason to believe that the Registration Statement, any 462(b) Registration Statement or any further amendment thereto made prior to the Closing Time or the Date of Delivery, as the case may be, on its effective date and as of the Closing Time or the Date of Delivery, as the case may be, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, or any amendment or supplement thereto made prior to the Closing Time or the Date of Delivery, as the case may be, as of its issue date and as of the Closing Time or the Date of Delivery, as the case may be, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that such counsel need express no belief regarding the financial statements and related schedules and other financial data contained in the Registration Statement, any 462(b) Registration Statement, any amendment thereto, or the Prospectus, or any amendment or supplement thereto).

(c) You shall have received an opinion, dated such Time of Delivery, of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., counsel for the Selling Shareholders, in form and substance satisfactory to you and your counsel, to the effect that:

- (i) The Power of Attorney and the Custody Agreement have been duly executed and delivered by each Selling Shareholder, and each is enforceable against each Selling Shareholder in accordance with its terms subject, as to enforcement, to applicable bankruptcy, insolvency, reorganization and moratorium laws and other laws relating to or affecting the enforcement of creditors' rights generally and to general equitable principles.
- (ii) This Agreement has been duly executed and delivered by or on behalf of each Selling Shareholder; the sale of the Shares to be sold by each Selling Shareholder at such Time of Delivery and the performance of this Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or (with or without the giving of notice or the passage of time or both) result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which each Selling Shareholder is a party or to which any of its properties or assets is subject, nor will such

23

action conflict with or violate any statute, rule or regulation or any order, judgment or decree of any court or governmental agency or body having jurisdiction over such Selling Shareholder or any of such Selling Shareholder's properties or assets.

- (iii) No consent, approval, authorization, order or declaration of or from, or registration, qualification or filing with, any court or governmental agency or body is required for the issue and sale of the Shares being sold by such

Selling Shareholder or the consummation of the transactions contemplated by this Agreement, the Power of Attorney or the Custody Agreement, except the registration of such Shares under the Act and such as may be required under state securities or blue sky laws in connection with the offer, sale and distribution of such Shares by the Underwriters.

- (iv) Such Selling Shareholder has, and immediately prior to such Closing Time such Selling Shareholder will have, good and valid title to the Shares to be sold by such Selling Shareholder hereunder, free and clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever; and, upon delivery of such Shares against payment therefor as provided herein, good and valid title to such Shares, free and clear of all liens, security interests, pledges, charges, encumbrances, defects, shareholders' agreements, voting trusts, equities or claims of any nature whatsoever, will pass to the several Underwriters.

In rendering the opinions set forth in Sections 7(b) and (c), such counsel may rely on the following:

(A) as to matters involving the application of laws other than the laws of the United States and jurisdictions in which they are admitted, to the extent such counsel deems proper and to the extent specified in such opinion, upon an opinion or opinions (in form and substance reasonably satisfactory to Underwriters' counsel) of other counsel familiar with the applicable laws, and

(B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and certificates or other written statements of officers or departments of various jurisdictions having custody of documents respecting the existence or good standing of the Company, provided that copies of all such opinions, statements or certificates shall be delivered to Underwriters'

24

counsel. The opinion of counsel for the Company shall state that the opinion of any other counsel, or certificate or written statement, on which such counsel is relying is in form satisfactory to such counsel and their belief that you and they are justified in relying thereon.

(d) At the Closing Time, you shall have received a favorable opinion from Andrews & Kurth L.L.P., counsel for the Underwriters, dated as of the Closing Time, with respect to the incorporation of the Company, the issuance and sale of the Shares, the Registration Statement, the Prospectus and other related matters as the Underwriters may reasonably require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass on such matters.

(e) At the Closing Time, (i) the Registration Statement, any 462(b) Registration Statement, and the Prospectus, as they may then be amended or supplemented, shall contain all statements that are required to be stated therein under the 1933 Act and the 1933 Act Regulations and in all material respects shall conform to the requirements of the 1933 Act and the 1933 Act Regulations; the Company shall have complied in all material respects with Rule 430A (if it shall have elected to rely thereon) and neither the Registration Statement, any 462(b) Registration Statement, nor the Prospectus, as they may then be amended or supplemented, shall contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) there shall not have been, since the respective dates as of which information is given in the Registration Statement, any material adverse change in the business, prospects, properties, assets, results of operations or condition (financial or otherwise) of the Company, whether or not arising in the ordinary course of business, (iii) no action, suit or proceeding at law or in equity shall be pending or, to the best of Company's knowledge, threatened against the Company that would be required to be set forth in the Prospectus other than as set forth therein and no proceedings shall be pending or, to the best knowledge of the Company, threatened against the Company before or by any federal, state or other commission, board or administrative agency wherein an unfavorable decision, ruling or finding could materially adversely affect the business, prospects, assets, results of operations or condition (financial or otherwise) of the Company, other than as set forth in the Prospectus, (iv) the Company shall have complied with all agreements and satisfied all conditions on their part to be performed or satisfied pursuant to this Agreement at or prior to the Closing Time, and (v) the representations and

warranties of the Company set forth in Section 1 shall be accurate as though expressly made at and as of the Closing Time. At the Closing Time, you shall have received a certificate executed by the President and Chief Financial Officer of the Company dated as of the Closing Time, to such effect and with respect to the following additional matters: (A) the Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Prospectus has been issued, and no proceedings for that purpose have been instituted or are pending or, to the best of their knowledge, threatened under the 1933 Act; and (B) they have reviewed the Registration Statement and the Prospectus and, when the

25

Registration Statement and any 462(b) Registration Statement became effective and at all times subsequent thereto up to the delivery of such certificate, the Registration Statement, any 462(b) Registration Statement and the Prospectus and any amendments or supplements thereto contained all statements and information required to be included therein or necessary to make the statements therein not misleading and neither the Registration Statement, any 462(b) Registration Statement, nor the Prospectus nor any amendment or supplement thereto included any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amended or supplemented Prospectus that has not been so set forth. The representations and warranties of the Selling Shareholders set forth herein shall be accurate as though expressly made at and as of the Closing Time. At the closing time, you shall have received a certificate executed on behalf of the Selling Shareholders to such effect.

(f) You shall have received from Price Waterhouse LLP letters dated, respectively, the date hereof (or, if the Registration Statement has been declared effective prior to the execution and delivery of this Agreement, dated such effective date and the date of this Agreement) and the Closing Time and the Date of Delivery, in form and substance satisfactory to you, to the effect set forth in Annex I hereto. In the event that the letters referred to in this subsection set forth any changes, decreases or increases in the items specified in paragraph (iii) of Annex I, it shall be a further condition to the obligations of the Underwriters that (i) such letters shall be accompanied by a written explanation by the Company as to the significance thereof, unless the Underwriters deem such explanation unnecessary, and (ii) such changes, decreases or increases do not, in your sole judgment, make it impracticable or inadvisable to proceed with the purchase, sale and delivery of the Shares as contemplated by the Registration Statement, as amended as of the date of such letter.

(g) You shall have received from Ernst & Young LLP letters dated, respectively, the date hereof (or, if the Registration Statement has been declared effective prior to the execution and delivery of this Agreement, dated such effective date and the date of this Agreement) and the Closing Time and the Date of Delivery, in form and substance satisfactory to you, to the effect set forth in Annex II hereto. In the event that the letters referred to in this subsection set forth any changes, decreases or increases in the items specified in paragraph (iii) of Annex I, it shall be a further condition to the obligations of the Underwriters that (i) such letters shall be accompanied by a written explanation by the Company as to the significance thereof, unless the Underwriters deem such explanation unnecessary, and (ii) such changes, decreases or increases do not, in your sole judgment, make it impracticable or inadvisable to proceed with the purchase, sale and delivery of the Shares as contemplated by the Registration Statement, as amended as of the date of such letter.

(h) At the Closing Time, you shall have received from Price Waterhouse LLP a letter, in form and substance satisfactory to you and dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (f) above,

26

except that the specified date referred to shall be a date not more than five days prior to the Closing Time.

(i) At the Closing Time, you shall have received from Ernst & Young LLP a letter, in form and substance satisfactory to you and dated as of the Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (g) above, except that the specified date referred to shall be a date not more than five days prior to the Closing Time.

(j) At the Closing Time, counsel for the Underwriters shall have been furnished with all such documents, certificates and opinions as they may request for the purpose of enabling them to pass upon the sale of the Shares as contemplated in this Agreement and the matters referred to in Section

7(d) and in order to evidence the accuracy and completeness of any of the representations, warranties or statements of the Company and the Selling Shareholders, the performance of any of the covenants of the Company and the Selling Shareholders, or the fulfillment of any of the conditions herein contained; and all proceedings taken by the Company at or prior to the Closing Time in connection with this Agreement shall be reasonably satisfactory in form and substance to you and to counsel for the Underwriters. The Company and the Selling Shareholders will furnish you with such number of conformed copies of such opinions, certificates, letters and documents as you shall reasonably request.

(k) The NASD, upon review of the terms of the public offering of the Shares, shall not have objected to such offering, such terms or the Underwriters' participation in the same.

(l) Subsequent to the date hereof, there shall not have occurred any of the following: (i) there has occurred or accelerated any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions the effect on the financial markets of the United States is such as to make it, in your judgment, impracticable to market the Shares or enforce contracts for the sale of the Shares, or (ii) trading in any securities of the Company has been suspended by the Commission or by the Nasdaq Stock Market, or if trading generally on the New York Stock Exchange or in the over-the-counter market has been suspended, or limitations on prices for trading (other than limitations on hours or numbers of days of trading) have been fixed, or maximum ranges for prices for securities have been required, by such exchange or the NASD or by order of the Commission or any other governmental authority, or (iii) there has been any downgrading in the rating of any of the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the 1933 Act), or (iv) a banking moratorium has been declared by federal or New York or Tennessee authorities, or (v) any federal or state statute, regulation, rule or order of any court or other governmental authority has been enacted, published, decreed or otherwise promulgated which in your reasonable opinion materially adversely affects or will materially adversely affect the business or operations of the Company, or (vi) any action has been taken by any federal, state or local

27

government or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States.

(m) Prior to the date of the execution of this Agreement, the Company shall have furnished to the Representatives a letter substantially in the form of Exhibit A hereto from each officer and director of the Company (excluding the Selling Shareholders) and from each person who beneficially owns five percent or more of the Company's outstanding Common Stock (excluding the Selling Shareholders), addressed to the Representatives, in which each such person agrees not to offer, pledge, sell, contract to sell, grant any option for the sale of, or otherwise dispose of, or announce any offer, pledge, sale, grant of any option to purchase or other disposition of, directly or indirectly, any shares of Common Stock beneficially owned by such person or any securities convertible into, exercisable for or exchangeable for shares of Common Stock for a period of 180 days after the date of the Prospectus without the prior written consent of Morgan Keegan & Company, Inc.; provided, however, that the foregoing restrictions shall not apply to any gift of Common Stock to a donee who agrees in writing for the benefit of the Underwriters to be bound by the foregoing restrictions with respect to such shares of Common Stock.

If any of the conditions specified in this Section 7 shall not have been fulfilled when and as required by this Agreement to be fulfilled, this Agreement may be terminated by you on notice to the Company and the Selling Shareholders at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party, except as provided in Section 6. Notwithstanding any such termination, the provisions of Section 8 shall remain in effect.

The several obligations of the Underwriters to purchase Option Shares hereunder are subject to the satisfaction on and as of any Date of Delivery for Option Shares of the conditions set forth in this Section 7, except that, if any Date of Delivery for Option Shares is other than the Closing Time, the certificates, opinions and letters referred to in paragraphs (b), (c) and (d) shall be revised to reflect the sale of Option Shares.

Section 8. Indemnification and Contribution.

(a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject under the 1933 Act, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any untrue statement or

alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement or the Prospectus, or any amendment or supplement thereto, or (B) any application or other document, or any amendment or supplement thereto, executed by the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Shares under the securities or blue sky laws thereof or filed with the Commission or any securities association or securities exchange (each an "Application"), or (ii) arise

28

out of or are based upon the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement, the Prospectus, or any amendment or supplement thereto, or any Application a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by any Underwriter expressly for use therein. The Company will also indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint and several, to which such Underwriter may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any breach of any warranty or covenant of the Company contained herein. In addition to its other obligations under this Section 8(a), the Company agrees that, as an interim measure during the pendency of any such claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 8(a), it will reimburse the Underwriters on a monthly basis for all reasonable legal and other expenses incurred by the Underwriters in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the obligations of the Company to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction; provided, however, that the obligation of the Company to make any such reimbursements shall be subject to receipt from the Underwriters of an undertaking to return any such reimbursements to the extent that is determined by a court of competent jurisdiction or an arbitrator appointed in accordance with Section 8(e) that such indemnification of the Underwriters by the Company is not permitted. Any such interim reimbursement payments that are not made to an Underwriter within 30 days of a request for reimbursement shall bear interest at the prime rate (or reference rate or other commercial lending rate for borrowers of the highest credit standing) published from time to time by The Wall Street Journal (the "Prime Rate") from the date of such request. This indemnity agreement shall be in addition to any liabilities that the Company may otherwise have. The Company will not, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which indemnification may be sought hereunder (whether or not such Underwriter is a party to such action or claim), unless such settlement, compromise or consent includes an unconditional release of such Underwriter from all liability arising out of such action or claim (or related cause of action or portion thereof).

29

The indemnity agreement in this Section 8(a) shall extend upon the same terms and conditions to, and shall inure to the benefit of, each person, if any, who controls any Underwriter within the meaning of the 1933 Act to the same extent as such agreement applies to the Underwriters.

(b) Each Selling Shareholder, severally but not jointly, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject under the 1933 Act, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any breach of any warranty or covenant of such Selling Shareholder herein contained (other than the warranty set forth in Section 2(g) hereof), (ii) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement or the Prospectus, or any amendment or supplement thereto, or (B) any Application, or (iii) arise out of or are based upon the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement,

any 462(b) Registration Statement, the Prospectus, or any amendment or supplement thereto, or any Application a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any 462(b) Registration Statement or any amendment or supplement thereto, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto or any Application was made in reliance upon and in conformity with written information furnished to the Company by such Selling Shareholder expressly for use therein, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action. In addition to their other obligations under this Section 8(b), each Selling Shareholder agrees that, as an interim measure during the pendency of any such claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 8(b), such Selling Shareholder will reimburse the Underwriters on a monthly basis for all reasonable legal and other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of such Selling Shareholder's obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction; provided, however, that the obligation of the Selling Shareholders to make any such reimbursements shall be subject to receipt from the Underwriters of an undertaking to return any such reimbursements to the extent that is determined by a court of competent jurisdiction or an arbitrator appointed in accordance with Section 8(e) that such indemnification of the Underwriters by the Selling Shareholders is not permitted. Any such interim reimbursement payments that are not made to an Underwriter within 30 days of a request for reimbursement shall bear interest at the prime rate (or reference rate or other commercial lending rate for borrowers of the highest credit standing) published from time to time by The Wall Street

30

Journal (the "Prime Rate") from the date of such request. This indemnity agreement shall be in addition to any liabilities that such Selling Shareholder may otherwise have. Such Selling Shareholder will not, without the prior written consent of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which indemnification may be sought hereunder (whether or not such Underwriter is a party to such action or claim), unless such settlement, compromise or consent includes an unconditional release of such Underwriter from all liability arising out of such action or claim (or related cause of action or portion thereof).

The indemnity agreement in this Section 8(b) shall extend upon the same terms and conditions to, and shall inure to the benefit of, each person, if any, who controls any Underwriter within the meaning of the 1933 Act to the same extent as such agreement applies to the Underwriters.

(c) Each Underwriter, severally but not jointly, will indemnify and hold harmless the Company and each Selling Shareholder against any losses, claims, damages or liabilities to which the Company and such Selling Shareholder may become subject, under the 1933 Act, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any breach of any warranty or covenant by such Underwriter herein contained or any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, any 462(b) Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Underwriter expressly for use therein; and will reimburse the Company and each Selling Shareholder for any legal or other expenses reasonably incurred by the Company and such Selling Shareholder in connection with investigating or defending any such loss, claim, damage, liability or action. In addition to its other obligations under this Section 8(c), the Underwriters agree that, as an interim measure during the pendency of any such claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 8(c), they will reimburse the Company and each Selling Shareholder on a monthly basis for all reasonable legal and other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability

of their obligation to reimburse the Company and each Selling Shareholder for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. Any such interim reimbursement payments that are not made to the Company and each Selling

31

Shareholder within 30 days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. This indemnity agreement shall be in addition to any liabilities that the Underwriters may otherwise have. No Underwriter will, without the prior written consent of the Company and the Selling Shareholders, settle or compromise or consent to the entry of judgment in any pending or threatened action or claim or related cause of action or portion of such cause of action in respect of which indemnification may be sought hereunder (whether or not the Company or the Selling Shareholders are parties to such action or claim), unless such settlement, compromise or consent includes an unconditional release of the Company and the Selling Shareholders from all liability arising out of such action or claim (or related cause of action or portion thereof).

The indemnity agreement in this Section 8(c) shall extend upon the same terms and conditions to, and shall inure to the benefit of, each officer and director of the Company and each person, if any, who controls the Company and each Selling Shareholder within the meaning of the 1933 Act to the same extent as such agreement applies to the Company and the Selling Shareholder.

(d) Promptly after receipt by an indemnified party under subsection (a), (b) or (c) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; no indemnification provided for in subsection (a), (b) or (c) shall be available to any party who shall fail to give notice as provided in this subsection (d) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was prejudiced by the failure to give such notice, but the omission so to notify the indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party otherwise than under Section 8. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party (which consent shall not be unreasonably withheld), be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation, except that if the indemnified party has been advised by counsel in writing that there are one or more defenses available to the indemnified party which are different from or additional to those available to the indemnifying party, then the indemnified party shall have the right to employ separate counsel and in that event the reasonable fees and expenses of such separate counsel for the indemnified party shall be paid by the indemnifying party; provided, however, that if the indemnifying party is the Company or a Selling Shareholder, the indemnifying party shall only be obligated to pay the reasonable fees and expenses of a single law firm (and any reasonably necessary local counsel) employed by all of the indemnified parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final

32

judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment.

(e) It is agreed that any controversy arising out of the operation of the interim reimbursement arrangements set forth in Section 8(a), (b) and (c) hereof, including the amounts of any requested reimbursement payments, the method of determining such amounts and the basis on which such amounts shall be apportioned among the indemnifying parties, shall be settled by arbitration conducted pursuant to the Code of Arbitration Procedure of the National Association of Securities Dealers, Inc. Any such arbitration must be commenced by service of a written demand for arbitration or a written notice of intention to arbitrate, therein electing the arbitration tribunal. In the event the party demanding arbitration does not make such designation of an arbitration tribunal in such demand or notice, then the party responding to said demand or notice is authorized to do so. Any such arbitration will be limited to the operation of the interim reimbursement provisions contained in Sections 8(a), (b) and (c) hereof and will not

resolve the ultimate propriety or enforceability of the obligation to indemnify for expenses that is created by the provisions of Sections 8(a), (b) and (c).

(f) In order to provide for just and equitable contribution in circumstances under which the indemnity provided for in this Section 8 is for any reason judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the right of appeal) to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company and the Selling Shareholders, on the one hand, and the Underwriters, on the other hand, shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity incurred by the Company and the Selling Shareholders, and one or more of the Underwriters, as incurred, in such proportions that (a) the Underwriters are responsible pro rata for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the public offering price (before deducting expenses) appearing thereon, and (b) the Company and the Selling Shareholders are responsible for the balance, provided, however, that no person guilty of fraudulent misrepresentations (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation; provided, further, that if the allocation provided above is not permitted by applicable law, the Company and the Selling Shareholders, on the one hand, and the Underwriters, on the other hand, shall contribute to the aggregate losses in such proportion as is appropriate to reflect not only the relative benefits referred to above but also the relative fault of the Company and the Selling Shareholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Company or the Selling Shareholders, on the one hand, or by the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(f) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such

33

purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(f). The amount paid or payable by a party as a result of the losses, claims, damages or liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending such action or claim. Notwithstanding the provisions of this Section 8(f), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The Underwriters' obligations in this Section 8(f) to contribute are several in proportion to their respective underwriting obligations and not joint. For purposes of this Section 8(f), each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or the Selling Shareholders, within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company or the Selling Shareholders.

Section 9. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the Company or its officers and the Selling Shareholders set forth in or made pursuant to this Agreement (except for the representation and warranty in Section 2(g) hereof) will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company, any Selling Shareholder or any Underwriter or controlling person, and with respect to an Underwriter or the Company and the Selling Shareholders will survive delivery of and payment for the Shares or termination of this Agreement.

Section 10. Effective Date of Agreement and Termination.

(a) This Agreement shall become effective immediately as to Sections 6 and 8 and, as to all other provisions, (i) if at the time of execution of this Agreement the Registration Statement has not become effective, at 9:30 a.m. New York, New York time on the first full business day following the effectiveness of the Registration Statement, or (ii) if at the time of execution of this Agreement the Registration Statement has been declared effective, at 9:30 a.m. New York, New York time on the first full

business day following the date of execution of this Agreement; but this Agreement shall nevertheless become effective at such earlier time after the Registration Statement becomes effective as you may determine on and by notice to the Company and the Selling Shareholders or by release of any of the Shares for sale to the public. For the purposes of this Section 10, the Shares shall be deemed to have been so released upon the release of publication of any newspaper advertisement relating to the Shares or upon the release by you of telegrams (i) advising the Underwriters that the Shares are released for public offering, or (ii) offering the Shares for sale to securities dealers, whichever may occur first. By giving notice before the time this Agreement becomes effective, you, as representatives of the several Underwriters, may prevent this Agreement from becoming effective, without liability of any party to any other party, except that the Company shall

34

remain obligated to pay costs and expenses to the extent provided in Section 6 hereof and except that the provisions of Section 8 shall remain in effect.

(b) You may terminate this Agreement, by notice to the Company and the Selling Shareholders, at any time at or prior to the Closing Time (i) in accordance with the penultimate paragraph of Section 7 of this Agreement, or (ii) if there has been since the respective dates as of which information is given in the Registration Statement, any material adverse change, or any development involving a prospective material adverse change, in or affecting the business, prospects, management, properties, assets, results of operations or condition (financial or otherwise) of the Company, whether or not arising in the ordinary course of business, or (iii) if there has occurred or accelerated any outbreak of hostilities or other national or international calamity or crisis or change in economic or political conditions the effect of which on the financial markets of the United States is such as to make it, in your judgment, impracticable to market the Shares or enforce contracts for the sale of the Shares, or (iv) if trading in any securities of the Company has been suspended by the Commission or by the Nasdaq Stock Market or if trading generally on the New York Stock Exchange or in the over-the-counter market has been suspended, or limitations on prices for trading (other than limitations on hours or numbers of days of trading) have been fixed, or maximum ranges for prices for securities have been required, by such exchange or the NASD or by order of the Commission or any other governmental authority, or (v) if there has been any downgrading in the rating of any of the Company's debt securities or preferred stock by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the 1933 Act), or (vi) if a banking moratorium has been declared by federal or New York or Tennessee authorities, or (vii) any federal or state statute, regulation, rule or order of any court or other governmental authority has been enacted, published, decreed or otherwise promulgated which in your reasonable opinion materially adversely affects or will materially adversely affect the business or operations of the Company, or (viii) any action has been taken by any federal, state or local government or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States.

(c) If this Agreement is terminated pursuant to this Section 10, such termination shall be without liability of any party to any other party, except to the extent provided in Section 6. Notwithstanding any such termination, the provisions of Section 8 shall remain in effect.

Section 11. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at the Closing Time to purchase the Shares that it or they are obligated to purchase pursuant to this Agreement (the "Defaulted Securities"), you shall have the right, within 36 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms set forth in this Agreement; if, however, you have not completed such arrangements within such 36-hour period, then:

35

(a) If the aggregate number of Firm Shares which are Defaulted Securities does not exceed 10% of the aggregate number of Firm Shares to be purchased pursuant to this Agreement, the non-defaulting Underwriters shall be obligated to purchase the full amount thereof in the proportions that their respective underwriting obligation proportions bear to the underwriting obligations of all non-defaulting Underwriters, and

(b) If the aggregate number of Firm Shares which are Defaulted Securities exceeds 10% of the aggregate number of Firm Shares to be purchased pursuant to this Agreement, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 11 shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default that does not result in a termination of this Agreement, either you or the Company or the Selling Shareholders shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements, and the Company agrees promptly to file any amendments to the Registration Statement or supplements to the Prospectus that may thereby be made necessary. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section 11.

Section 12. Default by the Selling Shareholders. If the Selling Shareholders shall fail at the Closing Time to sell and deliver the aggregate number of Firm Shares that they are obligated to sell, then this Agreement shall terminate without any liability on the part of any non-defaulting party, except to the extent provided in Section 6 and except that the provisions of Section 8 shall remain in effect.

No action taken pursuant to this Section shall relieve the Selling Shareholders from liability, if any, in respect to such default.

Section 13. Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if delivered, mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed c/o Morgan Keegan & Company, Inc., 50 Front Street, Memphis, Tennessee 38103, Attention: Mike Harris (with a copy sent in the same manner to Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, Houston, Texas 77002, Attention: Thomas P. Mason); notices to the Company shall be directed to it at 583 Thompson Road, Houma, Louisiana 70363, Attention: Kerry J. Chauvin (with a copy of each notice to the Company or to either Selling Shareholder sent in the same manner to Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., 201 St. Charles Avenue, New Orleans, Louisiana 70170, Attention: Carl C. Hanemann); notices to Alden J. Laborde shall be directed to him at 210 Baronne Street, New Orleans, Louisiana 70112; and notices to Huey J. Wilson shall be directed to him at Huey Wilson Interests, 3636 S. Sherwood Forest Blvd., Suite 650, Baton Rouge, Louisiana 70816.

36

Section 14. Parties. This Agreement is made solely for the benefit of and is binding upon the Underwriters, the Selling Shareholders and the Company and, to the extent provided in Section 8, any person controlling the Company and the Selling Shareholders or any of the Underwriters, the officers and directors of the Company, and their respective executors, administrators, successors and assigns. Subject to the provisions of Section 8, no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser, as such purchaser, from any of the several Underwriters of the Shares.

All of the obligations of the Underwriters hereunder are several and not joint.

Section 15. Governing Law and Time. This Agreement shall be governed by the laws of the State of Tennessee. Specified time of the day refers to United States Eastern Time. Time shall be of the essence of this Agreement.

Section 16. Counterparts. This Agreement may be executed in one or more counterparts and when a counterpart has been executed by each party, all such counterparts taken together shall constitute one and the same agreement.

37

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us a counterpart hereof, and upon the acceptance hereof by Morgan Keegan & Company, Inc., on behalf of each of the Underwriters, this instrument will become a binding agreement among the Company, the Selling Shareholders and the several Underwriters in accordance with its terms. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in the Master Agreement Among Underwriters, a copy of which shall be submitted to the Company for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

GULF ISLAND FABRICATION, INC.

By: _____
Name: Kerry J. Chauvin
Title: President and Chief Executive Officer

Huey J. Wilson

The foregoing Agreement is hereby confirmed and accepted as of the date first written above:

MORGAN KEEGAN & COMPANY, INC.
RAYMOND JAMES & ASSOCIATES, INC.
JOHNSON RICE & COMPANY L.L.C.

By: Morgan Keegan & Company, Inc.

By: _____
(Authorized Representative)

On behalf of each of the Underwriters

38

SCHEDULE A

Underwriter - -----	Number of Firm Shares to be Purchased -----
Morgan Keegan & Company, Inc.	
Raymond James & Associates, Inc.	
Johnson Rice & Company L.L.C.	
TOTAL	----- 2,000,000 =====

39

SCHEDULE B

SELLING SHAREHOLDERS

Name - -----	Number of Firm Shares to be Sold -----
Alden J. Laborde.	
Huey J. Wilson.	
TOTAL	----- 2,000,000 =====

40

ANNEX I

Pursuant to Section 7(f) of the Underwriting Agreement, Price Waterhouse LLP shall furnish letters to the Underwriters to the effect that:

(i) They are independent public accountants with respect to the Company and its consolidated subsidiaries and with respect to Dolphin Services within the meaning the 1933 Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the consolidated financial statements and schedules audited by them and included in the Prospectus, the Registration Statement and any 462(b) Registration Statement comply as to form in all

material respects with the applicable accounting requirements of the 1933 Act and the related published rules and regulations thereunder;

(iii) The financial statements of the Company as of and for the nine-month period ended September 30, 1996 were reviewed by them in accordance with the standards established by the American Institute of Certified Public Accountants and based upon their review they are not aware of any material modifications that should be made to such financial statements for them to be in conformity with generally accepted accounting principles, and such financial statements comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the applicable rules and regulations thereunder;

(iv) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the latest available interim unaudited consolidated financial statements of the Company and its consolidated subsidiaries included in the Registration Statement and the Prospectus, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated condensed financial statements of the Company and its consolidated subsidiaries included in the Registration Statement and the Prospectus do not comply in form in all material respects with the applicable accounting requirements of the 1933 Act and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement and the Prospectus;

(B) as of a specified date not more than 5 days prior to the date of such letter, there were any changes in the capital stock (other than the issuance of capital

stock upon exercise of options which were outstanding on the date of the latest balance sheet included in the Prospectus) or any increase in inventories or the long-term debt or short-term debt of the Company and its subsidiaries, or any decreases in net current assets or net assets or other items specified by the Underwriters, or any increases in any items specified by the Underwriters, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(C) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (B) there were any decreases in net sales or operating income or the total or per share amounts of net income or other items specified by the Underwriters, or any increases in any items specified by the Underwriters, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Underwriters, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur which are described in such letter; and

(v) In addition to the audit referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraph (iv) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Underwriters which are derived from the general accounting records of the Company and its subsidiaries, included in the Registration Statement and the Prospectus, or which appear in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Underwriters, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

(vi) On the basis of a reading of the unaudited pro forma consolidated condensed financial statements included in the Registration Statement and the Prospectus, carrying out certain specified procedures that would not necessarily reveal matters of significance with respect to the comments set forth in this paragraph (vi), inquiries of certain officials of the Company and its consolidated subsidiaries who have responsibility for financial and accounting matters and proving the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the unaudited pro forma consolidated condensed

financial statements, nothing came to their attention that caused them to believe that the unaudited pro forma consolidated condensed financial statements do not comply as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X or that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of such statements.

References to the Registration Statement and the Prospectus in this Annex I shall include any amendment or supplement thereto at the date of such letter.

2

ANNEX II

Pursuant to Section 7(g) of the Underwriting Agreement, Ernst & Young LLP shall furnish letters to the Underwriters to the effect that:

(i) They are independent public accountants with respect to the Company and its consolidated subsidiaries within the meaning the 1933 Act and the applicable published rules and regulations thereunder;

(ii) The financial statements of the Company as of and for the nine-month period ended September 30, 1997 were reviewed by them in accordance with the standards established by the American Institute of Certified Public Accountants and based upon their review they are not aware of any material modifications that should be made to such financial statements for them to be in conformity with generally accepted accounting principles, and such financial statements comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the applicable rules and regulations thereunder;

(iii) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the latest available interim unaudited consolidated financial statements of the Company and its consolidated subsidiaries included in the Registration Statement and the Prospectus, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) the unaudited consolidated condensed financial statements of the Company and its consolidated subsidiaries included in the Registration Statement and the Prospectus do not comply in form in all material respects with the applicable accounting requirements of the 1933 Act and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement and the Prospectus;

(B) as of a specified date not more than 5 days prior to the date of such letter, there were any changes in the capital stock (other than the issuance of capital stock upon exercise of options which were outstanding on the date of the latest balance sheet included in the Prospectus) or any increase in inventories or the long-term debt or short-term debt of the Company and its subsidiaries, or any decreases in net current assets or net assets or other items specified by the Underwriters, or any increases in any items specified by the Underwriters, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each

1

case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(C) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (B) there were any decreases in net sales or operating income or the total or per share amounts of net income or other items specified by the Underwriters, or any increases in any items specified by the Underwriters, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Underwriters, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur which are described in such letter; and

(iv) In addition to the limited procedures, inspection of minute

books, inquiries and other procedures referred to in paragraph (iii) above, they have carried out certain specified procedures, not constituting an audit in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Underwriters which are derived from the general accounting records of the Company and its subsidiaries, included in the Registration Statement and the Prospectus, or which appear in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Underwriters, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

References to the Registration Statement and the Prospectus in this Annex II shall include any amendment or supplement thereto at the date of such letter.

JONES, WALKER,
WAECHTER, POITEVENT,
CARRERE & DENEGRE, L.L.P.

November 13, 1997

Gulf Island Fabrication, Inc.
583 Thompson Road
Houma, Louisiana 70363

Dear Sirs:

We have acted as counsel to Gulf Island Fabrication, Inc. (the "Company") in connection with the preparation of the registration statement on Form S-1 (the "Registration Statement") filed by you with the Securities and Exchange Commission on November 6, 1997 and as amended the date hereof, with respect to the sale of up to 2,300,000 shares of Company Common Stock, no par value per share (the "Shares") by certain of the Company's shareholders. In so acting, we have examined original, or photostatic or certified copies, of such records of the Company, certificates of officers of the Company and of public officials, and such other documents as we have deemed relevant. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents.

Based upon the foregoing, we are of the opinion that the Shares are duly authorized, validly issued, fully paid and non-assessable shares of the Company's Common Stock.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and the reference to us under the caption "Legal Matters" as counsel for the Company. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the general rules and regulations of the Commission.

Very truly yours,

/s/ Jones, Walker, Waechter,
Poitevent, Carrere & Denegre L.L.P.

JONES, WALKER, WAECHTER,
POITEVENT, CARRERE & DENEGRE, L.L.P.

STOCK PURCHASE AGREEMENT

by and between

GULF ISLAND FABRICATION, INC.

and

STEPHEN G. BENTON, SR., STEPHEN G. BENTON, JR., GEORGE L. BENTON
FRANK J. BENTON, CHARLES L. BELSOM, JOHN GERRETS,
BUSH BENTON AND LISETTE BENTON

Dated as of November 12, 1997

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page

<S>	<C>
ARTICLE I PURCHASE AND SALE OF SOUTHPORT COMMON STOCK.....	1
1.1 Purchase and Sale.....	1
1.2 Closing.....	1
1.3 Purchase Price.....	1
1.4 Stock Certificates.....	4
ARTICLE II REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS.....	4
2.1 Ownership of Southport Common Stock.....	5
2.2 Authority of Shareholders.....	5
2.3 Agreement Valid and Binding.....	5
2.4 No Conflicts.....	5
2.5 Consents.....	6
2.6 Brokers; Other Transaction Expenses.....	6
2.7 Corporate Organization.....	6
2.8 Foreign Qualification.....	7
2.9 Capitalization.....	7
2.10 Financial Condition.....	7
2.11 Absence of Changes or Events.....	8
2.12 Legal Proceedings.....	8
2.13 Tax Audits and Payment of Taxes.....	8
2.14 Benefit Plans.....	10
2.15 Compliance with Applicable Laws; Permits.....	12
2.16 Certain Contracts.....	13
2.17 Undisclosed Liabilities.....	15
2.18 Title to Property.....	16
2.19 Insurance.....	17
2.20 Intellectual Property.....	17
2.21 Environmental Matters.....	18
2.22 Employee and Labor Matters.....	20
2.23 Condition of Assets.....	20
2.24 Absence of Changes.....	21
2.25 Accounts Receivable and Accounts Payable.....	22
2.26 Inventory.....	22
2.27 Books and Records.....	23
2.28 Bank Accounts and Powers of Attorney.....	23
2.29 Questionable Payments.....	23
2.30 Affiliate Transactions.....	23
2.31 Zoning.....	23
2.32 No Misrepresentations or Omissions.....	23

</TABLE>

i

<TABLE>

<S>	<C>
ARTICLE III REPRESENTATIONS AND WARRANTIES OF PURCHASER.....	24
3.1 Corporate Organization.....	24
3.2 Authority; Execution and Delivery; Enforceability.....	24
3.3 No Conflicts; Consents.....	24
ARTICLE IV COVENANTS.....	25
4.1 Covenants of Seller Relating to Conduct of Southport's Business....	25

4.2	Access to Information.....	26
4.3	Confidentiality.....	27
4.4	Reasonable Efforts.....	27
4.5	Expenses.....	27
4.6	Employees and Employment Agreements.....	28
4.7	Updating Information.....	28
4.8	Schedules; Advice of Changes.....	28
4.9	Covenant Not to Compete.....	28
4.10	Acquisition Proposals.....	29
4.11	No Inconsistent Arrangements by the Shareholders.....	30
4.12	Exercise of Option by Westport.....	31
ARTICLE V	CONDITIONS PRECEDENT.....	31
5.1	Conditions to Each Party's Obligation To Consummate the Closing....	31
5.2	Conditions to Obligation of Purchaser.....	31
5.3	Conditions to Obligation of Shareholders.....	32
ARTICLE VI	TERMINATION AND AMENDMENT.....	33
6.1	Termination.....	33
6.2	Effect of Termination.....	33
ARTICLE VII	SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION.....	33
7.1	Survival of Representations, Warranties and Covenants.....	33
7.2	Indemnification by the Shareholders.....	33
7.3	Purchaser's Right of Set-Off; Limitation on Indemnification.....	34
ARTICLE VIII	GENERAL PROVISIONS.....	36
8.1	Assignment.....	36
8.2	Third Party Beneficiaries.....	36
8.3	Notices.....	36
8.4	Interpretation.....	37
8.5	Counterparts; Signatures.....	39
8.6	Entire Agreement.....	39
8.7	Governing Law.....	40
8.8	Severability.....	40

</TABLE>

ii

<TABLE>

<S>		<C>
8.9	Shareholders' Representative.....	40
8.10	Waiver.....	40
8.11	Amendment.....	41
8.12	Successors.....	41

</TABLE>

iii

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "Agreement") dated as of November 12, 1997, by and among Gulf Island Fabrication, Inc., a Louisiana corporation ("Purchaser"), and Stephen G. Benton, Sr., Stephen G. Benton, Jr., George L. Benton, Frank J. Benton, Charles L. Belsom, John Gerrets, Bush Benton and Lisette Benton, the holders of all of the issued and outstanding shares of common stock (each such person, a "Shareholder" and, collectively, the "Shareholders") of Southport, Inc., a Louisiana corporation ("Southport"), sets forth the terms and conditions pursuant to which Purchaser will acquire (the "Acquisition") from the Shareholders all of the outstanding shares of common stock of Southport ("Southport Common Stock"), par value \$10.00 per share.

In consideration of the premises, mutual covenants and agreements of the parties signatory hereto (each a "Party" and, collectively, the "Parties") and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

PURCHASE AND SALE OF SOUTHPORT COMMON STOCK

1.1 Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as defined in Section 1.2), each Shareholder shall sell, transfer and convey to Purchaser, and Purchaser shall purchase and acquire from each Shareholder, the number of shares of Southport Common Stock (the "Shares") set forth opposite such Shareholder's name on Schedule 1.1 free and clear of all liens, encroachments, easements, encumbrances, claims, charges or restrictions of any kind whatsoever (each of the foregoing, whether choate or inchoate, a "Lien" and, collectively, "Liens"), for the Purchase Price specified in Section 1.3.

1.2 Closing. The closing of the purchase and sale of the Southport Common Stock ("Closing") shall take place at the offices of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., 201 St. Charles Avenue, 51st Floor, New

Orleans, Louisiana, at 10:00 a.m. local time on the third business day following the satisfaction or waiver of all conditions to the obligations by the Parties set forth in Article VI hereof, or at such other time and place as Purchaser and Shareholders' Representative (as defined in Section 8.9) may agree. For purposes of this Agreement, the "Closing Date" shall mean the date on which the Closing is completed.

1.3 Purchase Price.

(a) Upon the terms and subject to the conditions of this Agreement, in consideration of the sale to Purchaser of the Southport Common Stock, Purchaser shall pay to Shareholders (i) the sum of \$6,000,000, subject to adjustment as provided in subsection 1.3(b), (the "Initial Purchase Price") of which \$4,500,000 shall be payable in cash at the Closing, and (ii) such additional cash amounts to which Shareholders shall be entitled by virtue of subsection 1.3(c) hereof (the "Deferred Purchase Price" and, collectively with the Initial Purchase Price, the "Purchase Price").

(b) On or before the 60th day after the Closing Date, Purchaser shall furnish to the Shareholders a balance sheet of Southport as of the Closing Date (the "Closing Date Balance Sheet"), which shall be prepared by Purchaser in accordance with generally accepted accounting principles applied on a basis consistent with that of the Interim Balance Sheet. If total consolidated Shareholders' equity shown on the Closing Date Balance Sheet plus the Transaction Expenses (as defined in Section 2.6) ("Adjusted Closing Date Shareholders' Equity") equals or exceeds \$1,528,877, there shall be no adjustment to the Initial Purchase Price and Purchaser shall pay \$1,500,000 in cash to the Shareholders within ten days after the Closing Date Balance Sheet has been delivered to the Shareholders. If the Adjusted Closing Date Shareholders' Equity is less than \$1,528,877, within ten days of the delivery of the Closing Date Balance Sheet to the Shareholders, Shareholders may notify Purchaser of their disagreement with the determination of the Adjusted Closing Date Shareholders' Equity as shown on the Closing Date Balance Sheet and of the reasons for such disagreement. If the Shareholders do not so notify Purchaser, the Adjusted Closing Date Shareholders' Equity shall be as determined by Purchaser. If the Shareholders do so notify Purchaser and if the Parties have not resolved any such disagreement within twenty days after the giving of such notice, Shareholders and Purchaser shall select and submit the determination of the Adjusted Closing Date Shareholders' Equity to a nationally recognized accounting firm (the "Arbitrator"). If Purchaser and the Shareholders are unable to agree upon and select the Arbitrator within ten days after the expiration of such twenty-day period, the Arbitrator shall be selected in accordance with the rules of the American Arbitration Association. The Parties shall cause the Arbitrator to submit its determination of the Adjusted Closing Date Shareholders' Equity as promptly as reasonably practicable. Such determination by the Arbitrator shall be binding upon the Parties. If the Adjusted Closing Date Shareholders' Equity, as determined in accordance with this subsection 1.3(b), is less than \$1,528,877, the Initial Purchase Price shall be reduced by the amount of the shortfall and, within fifteen days of such determination, (i) Purchaser shall pay to the Shareholders the excess, if any, of \$1,500,000 over such shortfall or (ii) the Shareholders shall deliver to the Purchaser any amount by which such shortfall exceeds \$1,500,000. Interest at the Purchaser Borrowing Rate (as hereinafter defined) shall be payable on any amounts payable under this subsection 1.3 (b) from the Closing Date until paid.

(c) (i) Purchaser shall pay to Shareholders amounts, in cash, equal to (A) the lesser of (1) one-half of Net After-Tax Income (as hereinafter defined) for the year ending December 31, 1998 and (2) \$1,250,000; (B) the amount by which the lesser of (1) one-half of Net After-Tax Income for the two years ending December 31, 1999 and (2) \$2,500,000 exceeds the amount payable to Shareholders pursuant to subsection 1.3(c)(i)(A); (C) the amount by which the lesser of (1) one-half of Net After-Tax Income for the three years ending December 31, 2000 and (2) \$3,750,000 exceeds the aggregate amount payable to Shareholders pursuant to subsections 1.3(c)(i)(A) and (B); and (D) the amount by which the lesser of (1) one-half of Net After-Tax Income for the four years ending December 31, 2001 and (2) \$5,000,000 exceeds the aggregate amounts payable to Shareholders pursuant to subsections 1.3(c)(i)(A), (B) and (C). Any payment required to be made by Purchaser to the Shareholders pursuant to subsection 1.3(c) shall be paid not later than 90 days after the end of the year to which such payment relates.

2

(ii) "Net After-Tax Income" shall mean the consolidated net after-tax income or loss of Southport and the Subsidiary (as hereinafter defined), prepared in accordance with generally accepted accounting principles by the independent public accounting firm generally engaged by Purchaser as its auditor, taking into account intercompany charges and calculated as if Southport were the common parent corporation of Southport and the Subsidiary and not a member of the consolidated group of which Purchaser if the common parent, adjusted to exclude amortization of good will, if any, resulting from the Acquisition and to exclude interest, if any, payable on debt incurred by Southport and the Subsidiary or by Purchaser in connection with the Acquisition, other than interest payable by Southport or the Subsidiary (A) on debt in

existence on the Closing Date, (B) on debt incurred to fund capital expenditures (including the acquisition of real property pursuant to the Option (as defined in subsection 2.18(c), if it occurs) of Southport after the Closing Date (provided, however, that for purposes of calculating Net After-Tax Income, the interest payable on any debt incurred to acquire real property pursuant to the Option may not exceed the amount of rent paid by Southport with respect to such property on the date hereof), or (C) on any other debt incurred to fund operations of Southport after the Closing Date, whether third-party debt or intercompany debt; provided, that the interest rate on such intercompany debt does not exceed the interest rate required to be paid by Purchaser under its credit agreement with First National Bank of Commerce and Whitney National Bank or any successor agreement (the "Purchaser Borrowing Rate"); and provided, further, that sales, general and administrative expenses of Southport and the Subsidiary ("SG&A") may be included in the calculation of SG&A for any year only to the extent that it does not exceed the greater of (i) SG&A for the year ended December 31, 1997, or (ii) such amount as would cause the ratio of SG&A to revenue of Southport and the Subsidiary for such year to exceed such ratio for the year ended December 31, 1997.

(iii) The Shareholders acknowledge and agree that, notwithstanding the provisions of subsections 1.3(b) and 1.3(c), Purchaser may combine clerical, administrative, financial, insurance and other operations of Southport and the Subsidiary with those of Purchaser, may cause Southport and the Subsidiary to incur intercompany charges with respect thereto and may otherwise control the operations of Southport and the Subsidiary notwithstanding that such actions may affect the amount of Southport's Net After-Tax Income within the limits set forth in subsection 1.3(c) (ii).

(iv) (A) At any time after Closing Purchaser may, in lieu of any payments otherwise required to be made under subsection 1.3(c) (i), pay to the Shareholders an amount (the "Early Payment Amount") equal to the maximum amount of such remaining payments, discounted to the present value of such remaining payments at the time the Early Payment Amount is paid, on the basis of a discount rate equal to 9%.

(B) Purchaser shall not sell, transfer or otherwise dispose of a majority of the shares of voting capital stock of Southport or cause or permit Southport to sell shares of voting capital stock after which sale Purchaser shall own less than a majority of the outstanding shares of such capital stock or cause or permit Southport to merge into or with, or consolidate with, or sell, lease, transfer or otherwise dispose of all or substantially all of its assets to, or effect a share exchange with, any corporation, partnership or other business entity or person, or voluntarily

3

liquidate or dissolve unless, in connection with any such transaction, Purchaser shall pay to the Shareholders the Early Payment Amount; provided, however, that this subsection 1.3(c) (iv) (B) shall not apply to any transaction as a result of which Purchaser remains the owner, directly or indirectly, of a majority of the outstanding shares of voting capital stock of Southport.

(C) If the employment of Stephen G. Benton, Jr. under the Employment Agreement between him and Southport provided for in Section 4.6 is terminated by Southport for reasons other than Cause, as defined therein, or by Stephen G. Benton, Jr. for Good Reason, as defined therein, Purchaser shall pay to the Shareholders the Early Payment Amount within 10 days of the date of such termination as such date is determined under such Employment Agreement.

(d) Each Shareholder agrees that if, at any time after the Closing during which he or she is otherwise entitled to receive any payment by the Purchaser under subsection 1.3, such Shareholder engages in any of the activities prohibited to any Shareholder by subsection 4.9(a) or 4.9(c), such Shareholder shall forever forfeit his or her right to receive any such payment and Purchaser shall be forever relieved from making any such payment to such Shareholder. The Shareholders and Purchaser acknowledge and agree that this subsection 1.3(d) sets forth conditions upon the payment of a portion of the Purchase Price hereunder and does not restrain any Shareholder from engaging in any activity that is competitive with the business of Southport or in any other activity.

(e) Purchaser shall pay all payments under this subsection 1.3 by wire transfer to an account and bank specified in writing (including account and routing numbers) by Shareholders' Representative on or prior to the date such payment is due. All such payments shall be allocated among Shareholders as their interests appear in Schedule 1.1, Shareholders acknowledging and agreeing that Purchaser shall have no responsibility for payment to any individual Shareholder beyond its obligation to transfer funds to the account so specified. The Shareholders, in proportion to their respective interests as shown on Schedule 1.1, shall pay any amounts due to Purchaser under this subsection 1.3 by wire transfer to an account and bank specified in writing (including account and routing numbers) by Purchaser on or prior to date such payment is due.

1.4 Stock Certificates. At the Closing, each Shareholder shall deliver to Purchaser certificates representing the Shares that are duly endorsed or with

duly executed stock powers attached and in proper form for transfer to Purchaser.

4

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

Each Shareholder warrants and represents to Purchaser, as an inducement to Purchaser, as follows:

2.1 Ownership of Southport Common Stock. The Shareholders as a group own and have an unqualified right to, and at the Closing shall transfer to Purchaser, good, valid and marketable title to, all of the Southport Common Stock, free and clear of all Liens. The Southport Common Stock represents all equity interests owned by each such Shareholder in Southport.

2.2 Authority of Shareholders. Each Shareholder has full power, authority and legal capacity to execute, deliver, and perform this Agreement and all other agreements and documents contemplated by this Agreement to be executed and delivered by such Shareholder in connection with the transactions contemplated hereby (all such other agreements and documents are referred to as the "Related Agreements").

2.3 Agreement Valid and Binding. This Agreement has been, and each of the Related Agreements will be, duly executed and delivered by each Shareholder and this Agreement is, and each of the Related Agreements will be, when duly executed and delivered, the legal, valid and binding obligations of each Shareholder, enforceable against each Shareholder in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity. Neither the execution and delivery by such Shareholder of this Agreement or of any of the Related Agreements to which such Shareholder is a party, nor the consummation by such Shareholder of the transactions contemplated hereby or thereby, nor the compliance by such Shareholder with or fulfillment by such Shareholder of the terms and provisions hereof or thereof will (i) with or without the giving of notice or lapse of time or both, conflict with or result in a breach or violation of, or default under, or permit the acceleration of any obligation under any provision of any agreement, indenture, mortgage, lien, lease or other instrument or restriction of any kind to which such Shareholder is a party or by which such Shareholder is otherwise bound or affected, or (ii) violate any judgment, order, writ, injunction, decree, statute, rule or regulation applicable to such Shareholder, except in the case of the preceding clauses, for those conflicts, breaches, violations, defaults or accelerations that would not, individually or in the aggregate, have, or be reasonably likely to have, a material adverse effect on the ability of such Shareholder to perform his or her obligations under this Agreement or any of the Related Agreements or to consummate the transactions contemplated by this Agreement or by any of the Related Agreements.

2.4 No Conflicts. The execution and delivery by each Shareholder of this Agreement does not, and the execution by each Shareholder of the Related Agreements and the consummation of the Acquisition and the other transactions contemplated hereby and compliance with the terms hereof and thereof will not, result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any

5

obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any mortgages, liens, security interests, charges, easements, leases, subleases, covenants, rights of way, options, claims or Liens upon any assets of Southport or its Subsidiary under any provision of: (i) the articles or certificate of incorporation or bylaws of Southport or its Subsidiary; (ii) any mortgage, loan agreement, contract or other agreement to which Southport or its Subsidiary is a party; or (iii) any judgment, order or decree ("Judgment") or statute, law (including common law) ordinance, rule or regulation ("Applicable Law") applicable to Southport or its Subsidiary, or any of their properties or assets except, in the case of clause (iii), for those that, in the aggregate, would not have a Material Adverse Effect. Except as set forth on Schedule 2.4, no consent of, or registration, declaration or filing with any Federal, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign (a "Governmental Entity") or any private third party is required to be obtained or made by or with respect to Southport or its Subsidiary in connection with (A) the execution, delivery and performance of this Agreement or the consummation of the Acquisition or the other transactions contemplated hereby or by the Related Agreements or (B) the conduct by Purchaser after the Closing Date of the business of designing, manufacturing and marketing living quarters for offshore drilling and production platforms (the "Business").

2.5 Consents. Except as set forth on Schedule 2.5, no consent, approval, waiver, order or authorization of, or registration, declaration or filing with or notice to, any Governmental Entity (as defined in Section 2.4) or third party is required in connection with the execution and delivery of this Agreement or any of the Related Agreements by such Shareholder or the consummation by such Shareholder of the transactions contemplated hereby or thereby. All consents, approvals, waivers, orders, authorizations, registrations, declarations, filings and notices ("Consents") set forth in Schedule 2.5 include a description of the Consent required to be obtained, given or made.

2.6 Brokers; Other Transaction Expenses. Except as set forth on Schedule 2.6, (i) no Shareholder and neither Southport nor the Subsidiary has taken any action that could give rise to any claim against Purchaser, Southport or the Subsidiary for any broker's, finder's or similar fee in connection with the transactions contemplated by this Agreement or any Related Agreement, and (ii) neither Southport nor the Subsidiary has incurred any such broker's or finder's fee or expense or any legal, accounting or other similar expense in connection with this Agreement or the transactions contemplated hereby that are not reflected in the Interim Financial Statements. (All such fees and expenses of brokers, finders, lawyers and accountants and other similar fees and expenses incurred by Southport or the Subsidiary in connection with such transactions, to the extent that they exceed \$40,000 and are not reflected in the Interim Financial Statements, are referred to herein as the "Transaction Expenses").

2.7 Corporate Organization.

(a) Each of Southport and the Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana (in the case of Southport) and Barbados (in the case of the Subsidiary) and has the corporate power and authority necessary to

6

enable it to own, lease or otherwise hold all of its properties and assets and to carry on its business as it is now being conducted.

(b) Each of Southport and the Subsidiary possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold all of its properties and assets and to carry on its business as it is now being conducted, except for governmental franchises, licenses, permits, authorizations and approvals the absence of which, individually or in the aggregate, would not have or be reasonably likely to have a material adverse effect on the operations, assets or financial position of Southport and the Subsidiary, taken as a whole, or on the ability of Shareholders to perform their obligations under this Agreement or any of the Related Agreements ("Material Adverse Effect").

2.8 Foreign Qualification. Schedule 2.8 sets forth the states and other jurisdictions in which Southport and the Subsidiary are qualified to do business as a foreign corporation and each state and other jurisdiction in which either corporation is doing business. Each of Southport and its Subsidiary is duly licensed or qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which its ownership or leasing of property or the conduct of its business requires such qualification, except for jurisdictions in which the failure to become so qualified or to be in good standing would not have a Material Adverse Effect.

2.9 Capitalization.

(a) The authorized capital stock of Southport consists of 30,000 shares of Common Stock, \$10 par value per share. As of the date of this Agreement, there are 10,350 shares of Southport Common Stock issued and outstanding and no shares of Southport Common Stock held in Southport's treasury. The Shares held by the Shareholders constitute, in the aggregate, all of the issued and outstanding shares of Southport Common Stock. All of the issued and outstanding shares of Southport Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. Southport does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of Southport Common Stock or any other equity security of Southport or any securities representing the right to purchase or otherwise receive any shares of Southport Common Stock or any other equity security of Southport.

(b) Southport International, a wholly owned subsidiary of Southport, is Southport's only direct or indirect subsidiary (the "Subsidiary").

(c) Except for the Subsidiary, Southport does not own, directly or indirectly, an equity interest in any other business entity. Southport owns directly all of the issued and outstanding shares of the capital stock of the Subsidiary, free and clear of all Liens, and all of such shares are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership

thereof. The Subsidiary does not have, nor is it bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of

7

any character calling for the purchase or issuance of any shares of capital stock or any other equity security or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of the Subsidiary.

2.10 Financial Condition. Southport has delivered to Purchaser its audited consolidated balance sheets of Southport and its Subsidiary as of, and the audited consolidated statements of operations and cash flows of Southport and its Subsidiary for the fiscal year ended December 31, 1996, together with the notes thereto and the opinions of Southport's independent auditors (collectively, the "Year-end Financial Statements"). The Year-end Financial Statements are true, correct and complete in all material respects, are in accordance with the books and records of Southport and its Subsidiary, have been prepared in conformity with generally accepted accounting principles as in effect from time to time ("GAAP"), consistently applied, and on that basis fairly present the financial condition, results of operations and cash flows of Southport and its Subsidiary for the periods presented. Additionally, Southport has delivered to Purchaser its unaudited monthly financial statements of Southport and its Subsidiary for the nine months ended September 30, 1997 (the "Interim Financial Statements" and, collectively with the Year-end Financial Statements, the "Southport Financial Statements"). Such monthly financial statements are in accordance with the books and records of Southport and its Subsidiary, have been prepared in accordance with GAAP consistently applied, and are true, correct and complete in all material respects except for adjustments and accruals normally made at year end. Except as set forth in the balance sheet included in the Interim Financial Statements (the "Interim Balance Sheet"), Southport and its Subsidiary do not have any liabilities or obligations of any kind or nature, whether fixed, contingent or otherwise, except for liabilities and obligations incurred in the ordinary course of the business and consistent with past practice. Copies of the Southport Financial Statements are attached hereto as Schedule 2.10.

2.11 Absence of Changes or Events. Except as set forth on Schedule 2.11, since September 30, 1997, there has not occurred any change in the condition (financial or other) of Southport or its Subsidiary that could have a Material Adverse Effect on Southport or its Subsidiary, and none of the Shareholders of Southport has any knowledge of any threat or intention by any significant customer, supplier, or subcontractor of Southport or its Subsidiary to modify materially its business relationship with Southport or its Subsidiary. Since September 30, 1997, Southport and its Subsidiary have been operating in the ordinary course and in substantially the same manner as previously operated and all reasonable efforts have been made consistent with past practices to preserve the relationships of Southport and its Subsidiary with customers, suppliers and others with whom each deals. Since September 30, 1997, except as set forth on Schedule 2.11, neither Southport nor its Subsidiary has taken any action that, if taken after the date of this Agreement, would constitute a breach of any of the covenants set forth in Article IV.

2.12 Legal Proceedings. Except as set forth on Schedule 2.12, neither Southport nor its Subsidiary is a party to any, and there are no pending or, to the knowledge of any Shareholder or Southport, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature ("Proceedings") against any Shareholder or Southport or its Subsidiary, or challenging the validity or propriety of the transactions contemplated

8

by this Agreement. There is no injunction, order, judgment, decree, or regulatory restriction imposed upon any Shareholder or Southport or its Subsidiary or any of their respective assets or properties that has had, or could reasonably be expected to have a Material Adverse Effect.

2.13 Tax Audits and Payment of Taxes. Except as set forth on Schedule 2.13 or disclosed or recorded in the Southport Financial Statements:

(a) All federal, state, local and foreign returns (by or on behalf of Southport and its Subsidiary) and reports of Southport and its Subsidiary concerning Taxes (as defined in subsection 2.13 (h)) that are required by Applicable Law to be filed with any taxing authority prior to the Closing Date ("Returns") have been or will be filed when due (including extensions). The U.S. corporation income tax return (Form 1120) and all foreign and state corporation franchise and income tax returns for the taxable years of Southport and its Subsidiary through the taxable year ending on December 31, 1996 were or will be filed on or before their respective due dates as extended. Neither Southport nor its Subsidiary has at any time executed or filed with any taxing authority any agreement extending the period for assessment or collection of any Taxes to a period extending beyond the Closing Date. Each Shareholder and Southport have no knowledge of any pending examination, audit, claim, asserted deficiency or assessment for additional Taxes with respect to any Returns that

are open for examination under applicable statutes of limitation.

(b) All income Tax and state corporation franchise Tax Returns filed by or on behalf of Southport and its Subsidiary have been prepared in accordance with Southport's or its Subsidiary's, as applicable, books and records and are correct and accurate in all material respects, and all Taxes shown on such Returns have been paid when due. The provision for Taxes of Southport and its Subsidiary reflected in the Southport Financial Statements for the fiscal year ending December 31, 1997 is sufficient to provide (i) for all Taxes which, as of the date of such statements, were due and unpaid, and (ii) for an appropriate reserve or accrual for other Taxes of Southport and its Subsidiary that are properly the subject of a reserve or an accrual under GAAP as of the date of such financial statements.

(c) Southport has never been included in a group of corporations filing a consolidated federal income tax return other than with its wholly-owned Subsidiary. As of the Closing Date, neither Southport nor any its Subsidiary will have any outstanding liabilities under any tax sharing agreement, and will not be a party to any tax sharing agreement that will then be in effect.

(d) None of the property owned or leased by Southport or its Subsidiary constitutes tax-exempt bond financed property or tax-exempt leased property within the meaning of Section 168 of the Internal Revenue Code of 1986 ("Code") and none of the property owned by Southport or its Subsidiary is subject to a lease, safe harbor lease or other arrangement as a result of which Southport or its Subsidiary is not treated as the owner of the property for federal income tax purposes.

9

(e) Neither Southport nor its Subsidiary is obligated to make, or will as a result of any event connected with the transactions contemplated in this Agreement become obligated to make, any "excess parachute payment" as defined in Section 280G of the Code (without regard to subsection (b)(4) thereof).

(f) Neither Southport nor its Subsidiary is or has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code. No Shareholder is a "foreign person" (as that term is defined in Section 1445 of the Code) and each Shareholder will provide an affidavit to that effect prior to or at the Closing in the form attached hereto as Schedule 3.8(f).

(g) There are no Liens for Taxes upon any property or assets of Southport or its Subsidiary, except for Liens for Taxes not yet due and payable and Liens for Taxes that are being contested in good faith and by appropriate proceedings.

(h) "Tax" or "Taxes" means any and all taxes, charges, fees, duties, levies and other assessments, including additions to tax, interest or penalties related thereto, that may be imposed by any taxing authority upon or against Southport or its Subsidiary, including without limitation federal, state, local and foreign income taxes and any tax measured by income, franchise taxes, alternative or add-on minimum taxes, gross receipts taxes, use, sales, value added, personal or real property taxes, taxes imposed on capital, excise taxes, employment and unemployment taxes and withheld taxes and interest or penalties relating thereto pursuant to wage withholding, withholding pursuant to the Federal Insurance Contributions Act or withholding with respect to certain payments made to nonresident persons and payments in lieu of taxes.

2.14 Benefit Plans.

(a) Schedule 2.14 contains a list and brief description of all "employee pension benefit plans" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) ("Company Pension Plans"), "employee welfare benefit plans" (as defined in Section 3(1) of ERISA), bonus, incentive, stock option, stock purchase, life insurance (including any individual life insurance policy as to which Southport or any ERISA Affiliate (as defined below) is owner, beneficiary, or both of such policy), health insurance (including any self-insured arrangement or other health or wellness benefit) or other insurance coverage, deferred compensation plans or arrangements, excess benefit plans, severance pay, holiday pay, vacation pay, "cafeteria" or "flexible benefit" plans, fringe benefits, perquisites, and other employee benefit plans, arrangements, agreements, trusts, contracts, policies, or commitments, whether written or unwritten, funded or unfunded (all the foregoing, including the Company Pension Plans, being herein called "Company Benefit Plans") now or during the five years prior to the Closing Date maintained, or contributed to, by Southport or by any ERISA Affiliate for the benefit of any present or former employees, officers, directors, or other persons. As used herein, "ERISA Affiliate" means the Subsidiary of Southport and any trade or business (whether or not incorporated) that is or was during the five years prior to the Closing Date part of the same controlled group, or under common control

with, or part of an affiliated service group that includes Southport within the meaning of Code Sections 414(b), (c), (m) or (o).

(b) Southport has delivered to Purchaser, or by the Closing will have delivered to Purchaser, to the extent the following items exist, true, complete and correct copies of: (i) each Company Benefit Plan (or, in the case of any unwritten Company Benefit Plans, descriptions thereof) and all amendments thereto; (ii) the three most recent annual reports on Form 5500 (including all schedules and attachments thereto, and financial statements and accountant's opinion, if applicable) filed with the Internal Revenue Service ("IRS") with respect to each Company Benefit Plan, if any such report was required; (iii) the three most recent actuarial valuations and Pension Benefit Guaranty Corporation ("PBGC") premium reports for each Company Pension Plan that is a defined benefit plan; (iv) the most recent summary plan description for each Company Benefit Plan for which such a summary plan description is required; (v) each trust agreement, group annuity contract or other funding and financing arrangement relating to any Company Benefit Plan, if any such arrangement was required or maintained; (vi) the most recent determination letters received from and applications pending with the IRS with respect to Company Benefit Plans; and (vii) all prohibited transaction applications made and exemptions received from the Department of Labor with respect to Company Benefit Plans.

(c) Except as disclosed in Schedule 2.14: (i) each Company Pension Plan has received a favorable determination letter from the IRS stating that such Company Pension Plan meets all the requirements of Section 401(a) of the Code, and that any trust or trusts associated with such Company Pension Plan are tax exempt under Section 501(a) of the Code; (ii) to the knowledge of each Shareholder and Southport, there is no reason why the tax-qualified status of any such Company Pension Plan should be revoked, whether retroactively or prospectively, by the IRS and, to the knowledge of each Shareholder and Southport, nothing has occurred since the date of any such determination letter that could adversely affect any Company Pension Plan's qualification or any trust's tax exempt status; (iii) all amendments to the Company Pension Plans that are required to be made through the date hereof and the Closing Date under Section 401(a) of the Code, and any other Applicable Law, subsequent to the issuance of each such Company Pension Plan's IRS determination letter have been made.

(d) Southport does not maintain and has never maintained or contributed to or been required to contribute to, a multiemployer plan as defined in Section 3(37) of ERISA and no Shareholder nor Southport has any liability (contingent or otherwise) relating to the withdrawal or partial withdrawal from a multiemployer plan. Further, there are no Company Benefit Plans that promise or provide health, life or other benefits to retirees or former employees of the Company or any ERISA Affiliate other than as required by Section 602 of ERISA or Section 4980B of the Code.

(e) All Company Benefit Plans comply (and have been funded and administered in form and in operation) in all material respects with their terms and any related documents or agreements and with the requirements of all statutes, orders or governmental rules and regulations currently in effect and applicable to such plans or arrangements, including ERISA and the Code; no Shareholder nor Southport has received any notice from any governmental agency questioning or

11

challenging such compliance; and all contributions, payments, premiums and reports required by such statutes, orders, and governmental rules and regulations have been made.

(f) There is no litigation, administrative or arbitration proceeding or other claim or dispute pending or, to any Shareholder's or Southport's knowledge, threatened, that involves any Company Benefit Plan that could reasonably be expected to have a Material Adverse Effect on Southport or any adverse effect on any employees or directors of Southport or any fiduciary (as defined in ERISA Section 3(21)) of any Company Benefit Plan, nor, to any Shareholder's or Southport's knowledge, is there any reasonable basis for any such claim, suit or proceeding.

(g) To the knowledge of each Shareholder and Southport all contributions and payments made or accrued with respect to each Company Benefit Plan are deductible in full for income Tax purposes under the Code; all contributions, premiums or payments required to be made with respect to each such Company Benefit Plan for any period ending on or before the Closing Date have been paid on or before their due date(s) to each such Company Benefit Plan or, if not yet due, accrued in accordance with past practices of the Company; and all premiums or other payments due for all periods ending on or before the Closing Date have been or will be paid with respect to each Company Benefit Plan that is an "employee welfare benefit plan" except for claims for benefits submitted in the ordinary course of administration of such "employee welfare benefit plans."

(h) Neither the consummation of the transactions contemplated by this

Agreement nor the subsequent sale of all or part of Southport's assets will accelerate or terminate, nor does there exist any basis for the acceleration or termination of: (i) benefits payable to current or former employees of Southport or an ERISA Affiliate under any Company Benefit Plan; (ii) a participant's vesting credits or years of service under any Company Benefit Plan; or (iii) accruals with respect to any other benefits or amounts reserved under any such plan or arrangement. Only current and former employees (excluding "leased employees" as defined in Code Section 414(n)(2)) of Southport and its ERISA Affiliates participate in, and are entitled to receive benefits from, the Company Benefit Plans.

(i) With respect to each Company Benefit Plan, to the knowledge of each Shareholder and Southport, there has not occurred, and no person is contractually bound to enter into, any nonexempt "prohibited transaction" within the meaning of Section 4975 of the Code or Section 406 of ERISA.

(j) Southport and its Subsidiary have never had any Company Pension Plan that is subject to Title IV of ERISA ("Defined Benefit Plan") or an employee plan maintained in connection with a trust described in Section 501(c)(9) of the Code.

(k) Except as set forth on Schedule 2.14, Southport has not entered into any agreement or taken any action causing any employee, former employee or director of Southport or its Subsidiary to become entitled to any bonus, retirement, severance, job security or similar benefit or any enhanced benefit solely as a result of the transactions contemplated hereby or the subsequent sale of all or part of Southport's assets.

12

(l) With respect to each Company Benefit Plan that is a "group health plan" within the meaning of Section 607 of ERISA and that is subject to Section 4980B of the Code, Southport complies in all respects with the continuation coverage and health insurance portability requirements of the Code and ERISA.

2.15 Compliance with Applicable Laws; Permits. Southport and its Subsidiary comply in all material respects with all Applicable Laws (including, without limitation, all Environmental Laws (as defined in Section 2.21) and all laws, rules and regulations enforced or promulgated by the U.S. Immigration and Naturalization Service), and Schedule 2.15 identifies, to the knowledge of each Shareholder and Southport, all violations of any Applicable Laws. Neither Southport nor its Subsidiary has received any written communication during the past three years from a Governmental Entity that alleges that Southport or its Subsidiary does not comply in any material respect with any Applicable Law. Neither Southport nor its Subsidiary has received any written notice, nor does Southport or its Subsidiary have knowledge that any investigation or review by any Governmental Entity with respect to Southport, its Subsidiary, or any asset thereof is pending or threatened or that any such investigation or review is contemplated. Except as set forth in Schedule 2.15, Southport and its Subsidiary has received or been issued, as appropriate, every license, permit, authorization, consent and approval (collectively, "Permits") required by any foreign, United States, state or local Governmental Entity for the present or currently contemplated operation of the Business, except where the failure to have received or been issued any Permit would not, individually or in the aggregate, have or be reasonably likely to have, a Material Adverse Effect. Except as disclosed in Schedule 2.15, all Permits are valid and in full force and effect, and no Proceeding is pending or, to the knowledge of any Shareholder or Southport, has been threatened to modify, suspend, revoke or otherwise limit any Permit, and no administrative or governmental actions have been taken or, to the knowledge of any Shareholder or Southport threatened in connection with the expiration or renewal of any Permit.

2.16 Certain Contracts.

(a) Except as set forth in Schedule 2.16, neither Southport nor its Subsidiary is a party to or bound by any contract, lease, license, indenture, agreement, commitment or other legally binding arrangement, whether oral or written (each, a "Contract", and, collectively, "Contracts"), that is:

(i) an employment agreement or employment contract;

(ii) a collective bargaining agreement or other Contract with any labor organization, union or association;

(iii) a covenant not to compete or other covenant by Southport or its Subsidiary restricting the operations, development or marketing of Southport or its Subsidiary;

13

(iv) a lease or a sublease, or similar Contract with any person under which (A) Southport or its Subsidiary is lessee, sublessee or holds or uses, any vessel, machinery, equipment, vehicle or other tangible personal property owned by any other person or (B) Southport or its Subsidiary is a lessor, sublessor, or makes available for use by any

person, any vessel or tangible personal property owned or leased by Southport or its Subsidiary, that in any such case has an aggregate future liability or receivable, as the case may be, in excess of \$5,000;

(v) a lease, sublease or similar Contract with any person under which (A) Southport or its Subsidiary is lessee or sublessee of, or holds or uses, and real property owned by any person or (B) Southport or its Subsidiary is a lessor or sublessor of, or makes available for use by any person, any real property owned or leased by Southport or its Subsidiary;

(vi) (A) a continuing Contract for the future purchase of materials, supplies or equipment, (B) a management, service, agency, consulting or other similar Contract or (C) an advertising agreement or arrangement, in any such case that has an aggregate future liability to any person in excess of \$10,000;

(vii) a license, option or other Contract relating in whole or in part to Intellectual Property (including any license or other contract under which Southport or its Subsidiary is licensee or licensor of any Intellectual Property (as defined in Section 2.20));

(viii) a Contract establishing a Lien upon any asset of Southport or its Subsidiary;

(ix) a confidentiality agreement;

(x) a Contract (including a purchase order) involving payment by Southport or its Subsidiary of more than \$10,000 or extending for a term more than 180 days from the date of this Agreement (unless terminable without payment or penalty upon no more than 30 days' notice);

(xi) a Contract (including a sales order) involving the obligation of Southport or its Subsidiary to perform services for payment of more than \$10,000 or extending for a term more than 30 days from the date of this Agreement (unless terminable without payment or penalty upon no more than 30 days' notice);

(xii) a Contract for the sale of any asset of Southport or its Subsidiary or the grant of any preferential rights to purchase any asset of Southport or its Subsidiary or requiring the consent of any person to the transfer thereof;

(xiii) a Contract with any Governmental Entity;

14

(xiv) a Contract for any joint venture, partnership or similar arrangement;

(xv) a Contract with or obligating Southport or its Subsidiary to any director, officer or affiliate of Southport, its Subsidiary or any Shareholders;

(xvi) a Contract providing for the services of any sales representative, franchisee or similar representative;

(xvii) a Contract other than as set forth above to which Southport or its Subsidiary is a party or by which it or any of its assets is bound or subject that was not made in the ordinary course of business involving the payment or receipt over the life of such Contract in excess of \$10,000 by Southport or its Subsidiary.

(b) Except as set forth in Schedule 2.16,

(i) all Contracts listed in Schedule 2.16 are valid, binding and in full force and effect and are enforceable by Southport or its Subsidiary in accordance with their respective terms;

(ii) Southport and its Subsidiary has performed all obligations required to be performed by them to date under the Contracts, and none is (with or without the lapse of time or the giving of notice, or both) in breach or default thereunder and, to the knowledge of Southport and each Shareholder, no other party to any Contract is (with or without the lapse of time or the giving of notice, or both) in breach or default thereunder;

(iii) neither Southport nor its Subsidiary has received any notice of the intention of any party to terminate any Contract nor has Southport or its Subsidiary knowledge of the intention of any party to terminate any Contract;

(iv) neither Southport nor its Subsidiary is a party to any Contract for the employment of any person that is not terminable on 30 days' notice or that requires the payment of severance benefits; and

(v) with the exception of Contracts involving an aggregate

obligation on or benefit to the Southport or its Subsidiary of less than \$10,000, all Contracts of Southport or its Subsidiary (including Southport's long-term sublease of land in Harvey, Louisiana and leases for equipment, and all Contracts with Customers) are fully assignable by Southport or its Subsidiary, as applicable, without the consent of the other parties thereto.

(c) Complete and correct copies of all Contracts listed in Schedule 2.16, together with all modifications and amendments thereto, have been made available, or by the Closing Date will have been made available, to Purchaser.

15

(d) Schedule 2.16 sets forth each Contract with respect to which the consent of the other party or parties thereto must be obtained by virtue of the execution and delivery of this Agreement or the consummation of the Merger to avoid the invalidity of the transfer of such Contract, the termination thereof, a breach, violation or default thereunder or any other change or modification to the terms thereof.

2.17 Undisclosed Liabilities. Except as set forth on Schedule 2.17, neither Southport nor its Subsidiary has any liability whether fixed, contingent, or otherwise except as (a) is reflected or reserved against on the Interim Balance Sheet; or (b) has been incurred since September 30, 1997 in the ordinary course of business consistent with past practice and does not exceed \$15,000 in the aggregate for all such liabilities.

2.18 Title to Property.

(a) Neither Southport nor its Subsidiary owns any real property. Each of Southport and its Subsidiary has good and valid title to, or a valid leasehold interest in or license or other right to use, all of the properties and assets, real and personal, tangible or intangible, that are and have been used in connection with their businesses, and all other properties and assets reflected on the Interim Balance Sheet or acquired after such date (excluding only those properties and assets that have been disposed of in the ordinary course of business after such date), in each case free and clear of all Liens, except: (a) such as are set forth on Schedule 2.18; and (b) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business and liens for Taxes that are not due and payable or that may thereafter be paid without penalty; and (c) other imperfections of title or encumbrances, if any, that do not, individually or in the aggregate, (i) secure an obligation or claim (whether direct or contingent) in excess of \$5,000 or (ii) materially impair the continued use and operation of the assets to which they relate in the conduct of the Business as presently conducted (the liens described in clauses (a), (b) and (c) above are referred to collectively as "Permitted Liens" and individually as a "Permitted Lien"). No Shareholder owns either directly or indirectly (except through such Shareholders' interest in Southport) any property used in the business of Southport and its Subsidiary.

(b) Schedule 2.18 sets forth a complete and accurate schedule of all leased property as to which either Southport or its Subsidiary is a lessor or lessee or sublessor or sublessee, and sets forth for each such property, the address, the approximate size of the property, the names of the lessor and lessee, a description of the use of the property, the term of the lease, and the periodic lease payment. With respect to each lease listed on Schedule 2.18: (i) such lease is in full force and effect in accordance with its terms; (ii) all rents and other monetary amounts that have become due and payable thereunder have been paid; (iii) there exists no default (or an event which, with notice or lapse of time, or both, would constitute a default) under such lease; and (iv) the Acquisition will not constitute a default or a cause for termination or modification of such lease.

(c) Westport Properties, Inc. ("Westport"), all of the capital stock of which is owned by the Shareholders, holds an option to purchase property owned by E & H Investments, Inc.

16

which property is used by Southport as lessee pursuant to the terms of a lease identified on Schedule 2.18 (the "Option"). The Option is in full force and effect in accordance with its terms and there exists no default (or an event which, with notice or lapse of time, or both, would constitute a default) thereunder. The Acquisition will not constitute a default or cause for termination or modification of the Option. Westport owns a title insurance policy with respect to the property subject to the Option (the "Option Property Title Insurance"), a copy of which policy is included in Schedule 2.18. The Shareholders acknowledge that Purchaser may, but will not be obligated to, exercise the Option.

(d) None of the Shareholders, Southport or its Subsidiary has a legal obligation, absolute or contingent to any other person to sell or otherwise dispose of, or to refrain from selling or otherwise disposing of, any substantial part of its assets except pursuant to this Agreement; or to sell or

dispose of any of its assets except in the ordinary course of business consistent with past practices.

(e) Southport and its Subsidiary have previously delivered to Purchaser true, correct and complete copies of the Option and of all leases on Schedule 2.18, including all amendments thereto, and such leases have not been further amended or modified.

2.19 Insurance. The material insurance policies maintained by Southport and its Subsidiary, together with their respective policy limits and deductibles, are listed on Schedule 2.19. All such policies will be in effect on the Closing Date. The business of Southport and its Subsidiary has been conducted in a manner so as to conform in all material respects to all applicable provisions of such insurance policies. All premiums due, for which invoices have been received, have been currently paid or provided for and none of the policies contains retroactive premium adjustment provisions. Neither Southport nor its Subsidiary is otherwise in default with respect to any such policy. Neither Southport nor its Subsidiary has failed to give any notice or present any claim under any such policy in a due and timely manner. There are no outstanding unpaid claims or matters which could reasonably be anticipated to become claims under any such policy other than any pending claims or matters listed on Schedule 2.19. Neither Southport nor its Subsidiary has received notice of cancellation or non-renewal of any insurance policy or any notice that coverage has been or may be denied with respect to any outstanding claim by or against Southport or its Subsidiary (other than routine reservation of rights notices by insurers in circumstances under which neither Southport nor any Shareholder has any reason to believe that the insurer reserving its rights will actually subsequently dispute coverage).

2.20 Intellectual Property. Schedule 2.20 sets forth: (a) all patents or patent applications owned by Southport or its Subsidiary; (b) all licenses and other rights granted to Southport or its Subsidiary relating to any patent or patent application owned by any other person; (c) all trademarks, service marks, copyrights, software or trade names owned by Southport or its Subsidiary; and (d) all licenses and other rights granted to Southport or its Subsidiary to use any such trademark, service mark, copyright, software or trade name owned by any other person, whether registered or unregistered (collectively, the "Intellectual Property"). Except as set forth on Schedule 2.20, all of the Intellectual Property listed on Schedule 2.20 pursuant to clauses (a) and (c) above, if any, has been registered (to the extent capable of registration), duly issued and is owned by Southport or its

17

Subsidiary, and Southport or its Subsidiary has the exclusive rights to use all such patents, patent applications, trademarks, service marks, copyrights, software and trade names in its business and operations. Southport or its Subsidiary owns or is licensed under valid licenses for all patents, patent applications, copyrights, trademarks, trade names, service marks, software, know-how, trade secrets and other proprietary rights necessary to conduct their Business, and the operations of Southport and its Subsidiary, as currently conducted and as conducted since such entity's incorporation, to the best of each Shareholder's and Southport's knowledge, do not and have not infringed any patent, copyright, trademarks, trade name, service mark, software, know-how, trade secret or other proprietary right of any other person. Neither Southport nor its Subsidiary is required to pay any royalty, license fee or similar type of compensation in connection with the conduct of its Business as it is now or heretofore has been conducted. To the knowledge of any Shareholder and Southport, there is no person that is infringing any patent, trademark, service mark, copyright, software or trade name owned or used by Southport or its Subsidiary.

2.21 Environmental Matters. Except as described in Schedule 2.21:

(a) (i) The activities, operations and business carried out at or on the Sites or on Navigable Waters by Southport or its Subsidiary, are, and have been at all times, in compliance with all Environmental Laws; (ii) Hazardous Substances have not been Released on, at, under or about the Sites or in Navigable Waters or transported to or from the Sites; and (iii) neither Southport nor its Subsidiary is required by any Governmental Entity to take any action to remedy any condition caused by or in any way connected with the presence, Release, Threat of Release, use, handling, manufacturing, generation, production, storage, treatment, processing, transportation or disposal of Hazardous Substances, as such capitalized terms are defined in this Section 2.21.

(b) There are no pending litigation or proceedings or, to the knowledge of the Shareholders, threatened litigation or proceedings before any Governmental Entity in which any person alleges the violation of, or any liability under, any Environmental Law or the Release or Threat of Release of Hazardous Substances on, at, under or from any of the Sites or in Navigable Waters, nor has Southport or its Subsidiary: (i) received any notice of or obtained any actual or constructive knowledge that any third party, Governmental Entity or any employee or agent thereof, has determined that there exists any violation of any Environmental Law or the Release or Threat of Release of

Hazardous Substances on, at, under or from the Sites or in Navigable Waters; (ii) received any notice under the citizen suit provision of any Environmental Law; or (iii) received any request for inspection or request for information, notice, demand, administrative inquiry or any formal or informal complaint or claim with respect to or in connection with any Environmental Law.

(c) No Lien has been imposed on any of the Sites by any Governmental Entity in connection with Environmental Laws.

(d) Southport and its Subsidiary has received or been issued, as appropriate, every Permit required by any Governmental Entity for the present or currently contemplated operation of the Business of Southport and its Subsidiary, except where the failure to have received or been issued any Permit would not individually have, or be reasonably likely to have, a Material Adverse

18

Effect. Except as disclosed in Schedule 2.21, all Permits are valid in full force and effect, and no proceeding is pending or, to the knowledge of Southport or its Subsidiary, has been threatened to modify, suspend, revoke or otherwise limit any of the Permits, and no administrative or governmental actions have been taken or, to the knowledge of Southport and its Subsidiary, has been threatened to modify, suspend, revoke or otherwise limit any of the Permits, and no administrative or governmental actions have been taken, or to the knowledge of Southport and its Subsidiary, threatened in connection with the expiration or renewal of any of the Permits. Except as set forth in Schedule 2.21, the Business of Southport and its Subsidiary is and at all times has been conducted in compliance with all Permits and all applicable laws, statutes, ordinances, orders, rules, regulations and requirements of any Governmental Entity, except for any non-compliance that would not individually have, or be reasonably likely to have, a Material Adverse Effect.

(e) No storage tanks presently exist on, at, under or about any Sites or previously existed on, at, under or about any Sites.

(f) Schedule 2.21 identifies all locations to which Hazardous Substances have been sent by Southport or its Subsidiary for storage, treatment, or disposal that are also identified in any publicly available document as a candidate for cleanup or remediation.

(g) Schedule 2.21 specifies the Sites used for (i) the storage, maintenance or repair of vehicle or (ii) the storage or distribution of Hazardous Substances.

For purposes of this Agreement, "Environment" means soil, surface waters, ground waters, land, stream sediments, surface or subsurface strata, ambient air, and any environmental medium.

For purposes of this Agreement, "Environmental Laws" means (a) any Applicable Law or bylaw regulating or referring to the Environment or to Natural Resource Damages; and (b) any presently or previously enforced Applicable Law or bylaw of any Governmental Entity that asserts or may assert jurisdiction over Southport or its Subsidiary or the Sites, or the operations or activities at the Sites or in Navigable Waters, that regulates or refers to the presence, Release, Threat of Release, use, handling, manufacturing, generation, production, storage, treatment, processing, transportation or disposal of any Hazardous Substances.

For purposes of this Agreement, "Hazardous Substances" means: (a) any pollutant, toxic substance, contaminant, chemical, hazardous waste, hazardous material, petroleum product, oil, radioactive material; (b) any substance, gas material or chemical that is or may be defined as or included in the definition of "hazardous substances," "toxic substances," "hazardous materials," "hazardous wastes," or words of similar import under any Environmental Law; (c) radon gas, asbestos in any form that could or does become friable, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls in excess of federal, state or local safety guidelines, whichever are more stringent; and (d) any other chemical, material, gas, or substance, the exposure or Release of which is or may be prohibited, limited or regulated by any Governmental Entity that asserts or may assert jurisdiction

19

over Southport or its Subsidiary, the Sites, or the operations or activities at the Sites or in Navigable Waters.

For purposes of this Agreement, "Natural Resource Damages" has the meaning provided in CERCLA (42 U.S.C. 9601 et seq.) and OPA (33 U.S.C. 2701 et seq.).

For purposes of this Agreement, "Navigable Waters" has the meaning provided under the Clean Water Act and OPA (33 U.S.C. 2701 et seq.).

For purposes of this Agreement, "Release" means any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping,

leaching, disposing, or dumping into the Environment.

For purposes of this Agreement, "Sites" mean all locations owned or used by Southport or its Subsidiary at any time prior to the Closing Date.

For purposes of this Agreement, "Threat of Release" means a substantial likelihood of a Release that requires action to prevent or mitigate damage to the Environment that may result from such Release.

2.22 Employee and Labor Matters.

(a) Except as set forth on Schedule 2.22(a): (i) there is not any, and during the past twelve months there has not been any, labor strike, work stoppage or lockout pending, or, to the knowledge of any Shareholder or Southport or its Subsidiary, threatened against Southport or its Subsidiary; (ii) no employees of Southport are currently represented by a union; (iii) to the knowledge of any Shareholder or Southport or its Subsidiary, no union organizational campaign is in progress with respect to the employees of Southport or its Subsidiary and no question concerning representation exists respecting such employees; (iv) neither Southport nor its Subsidiary is engaged in any unfair labor practice or action that could reasonably be expected to constitute an unfair labor practice; (v) there are not, to the knowledge of any Shareholder or Southport or its Subsidiary, any unfair labor practice charges or complaints against Southport or its Subsidiary, threatened or pending before the National Labor Relations Board; (vi) there are no pending, or to the knowledge of any Shareholder or Southport or its Subsidiary, threatened union grievances against Southport or its Subsidiary; (vii) there are not, to the knowledge of any Shareholder or Southport or its Subsidiary, any pending or threatened charges against Southport or its Subsidiary or any current employee of Southport or its Subsidiary before the Equal Employment Opportunity Commission or any state or local agency responsible for the prevention of unlawful employment practices or unlawful discrimination practices or discrimination on the basis of disability; (viii) Southport and its Subsidiary are, to the knowledge of any Shareholder and Southport and its Subsidiary, in compliance with the regulations under the Occupational Safety and Health Act (OSHA); and (ix) neither Southport nor its Subsidiary has received written or oral notice during the past twelve months of the intent of any Governmental Entity responsible for the enforcement of labor or employment laws to conduct an investigation of and, to the knowledge of any Shareholder, Southport and its Subsidiary,

20

no such investigation is in progress. Schedule 2.22(a) contains a complete and accurate list of all labor arbitration and unfair labor practice charges, if any, between Southport or its Subsidiary and the employees or either of them, that occurred at any time since January 1, 1994.

(b) Schedule 2.22(b) sets forth the names and salaries (including previously awarded and projected bonuses and other incentive compensation) of all salaried employees of Southport and its Subsidiary as of the date hereof.

2.23 Condition of Assets. The machinery and equipment necessary for the conduct of Southport's business and the business of its Subsidiary, together with all leased real property and improvements thereon, are in good operating condition and in a state of reasonable maintenance and repair, ordinary wear and tear excepted.

2.24 Absence of Changes. Except as set forth on Schedule 2.24, since September 30, 1997, Southport and its Subsidiary have conducted their respective businesses only in the ordinary course, consistent with past practice. Without limiting the generality of the foregoing, neither Southport nor its Subsidiary has since September 30, 1997:

(a) experienced any Material Adverse Effect in its business, properties, prospects, assets, liabilities or condition (financial or otherwise) or its relationships with its principal customers, suppliers or distributors, or suffered any material casualty loss (whether or not insured);

(b) made any change in its accounts receivable or accounts payable practices;

(c) incurred or guaranteed any material obligation or liability (including, without limitation, incurred any indebtedness), except for current liabilities incurred in the ordinary course of business;

(d) sold, assigned, transferred, mortgaged, pledged, leased, licensed or otherwise disposed of (other than sales of goods manufactured by Southport in the ordinary course of business) or subjected to any Lien (except a Permitted Lien) any material asset;

(e) other than in the ordinary course of business and consistent with past practice, entered into any employment contract, or any compensation arrangement or employee benefit plan, or changed or committed to change (including, without limitation, any change pursuant to any bonus, pension, profit-sharing or other plan, commitment, policy or arrangement) the

compensation payable or to become payable to any of its officers, directors, employees or agents, or made any pension, retirement, profit-sharing, bonus or other employee welfare or benefit payment or contribution;

(f) declared, paid or made, or set aside for payment or making, any dividend or other distribution in respect of Southport Common Stock, or directly or indirectly redeemed, purchased or otherwise acquired any of its capital stock or other securities or subdivided or in any way reclassified or changed any of the terms or provisions of any shares of its capital stock;

21

(g) paid, loaned or advanced any amount to or in respect of, or sold, transferred or leased any property or assets to, or received any loan or advance of any amount from, or entered into any transaction, agreement or arrangement with or for the benefit of any Shareholder or any affiliate, associate or family member of a Shareholder, or any of the officers or directors of Southport or its Subsidiary or any affiliate or associate of such officers or directors;

(h) canceled any material debts or claims, or waived any rights of material value or incurred or guaranteed any material obligation or liability of any kind, except for current liabilities incurred in the ordinary course of business;

(i) changed its Tax or financial accounting methods, principles or practices (including, without limitation, any changes in depreciation or amortization policies or rates or any changes in any assumptions underlying any method of calculating reserves);

(j) made any capital expenditure, except capital expenditures in accordance with the written capital budget previously provided to Purchaser;

(k) entered into, modified, terminated, amended, renewed, renegotiated, released, disposed of, permitted to lapse or expanded in any respect, or waived any of its rights under, any material Contract;

(l) disposed of or permitted to lapse any material item of Intellectual Property;

(m) agreed, whether or not in writing, to take any action, or fail to take any action, that if taken or not taken after the date of this Agreement would constitute a breach under this Section 2.24;

(n) received any notice of any pending or threatened condemnation or expropriation of property owned or used by Southport or its Subsidiary; or

(o) learned any facts that adversely affect the Business or that are reasonably likely in the future to adversely affect the Business.

2.25 Accounts Receivable and Accounts Payable. Southport's and its Subsidiary's accounts receivable (and other receivables) and accounts payable have arisen or will arise, as the case may be, from bona fide transactions and represent amounts due or payable with respect to actual, arm's length transactions entered into in the ordinary course of business and consistent with past practice (including, without limitation, credit practices) and have been calculated in accordance with GAAP consistently applied. No such account receivable (or other receivable) has been or will have been assigned or pledged to any individual, partnership, joint venture, firm, corporation, association, trust or other entity or any government or political subdivision or any agency, department or instrumentality thereof. Except for accounts receivable in an aggregate amount not in excess of any reserve for bad debt therefor expressly reflected on the Interim Balance Sheet and any reserves after such date on the books of Southport and its Subsidiary in the ordinary course of

22

business consistent with past practices for receivables accrued on the Interim Balance Sheet, all receivables of Southport and its Subsidiary are or will be collectible in accordance with their terms. Schedule 2.25 sets forth an itemized list of all accounts receivable of Southport and its Subsidiary as of October 31, 1997, for any amount in excess of \$5,000 together with the aging of such accounts receivable and a notation of which such accounts receivable are estimated to be wholly or partially uncollectible.

2.26 Inventory. All inventory of Southport and its Subsidiary reflected on the Interim Balance Sheet: (i) is merchantable, or is suitable and usable in the ordinary course of business; (ii) is not obsolete or slow-moving; (iii) is not held by Southport or its Subsidiary on consignment and is not in the possession of persons other than Southport or its Subsidiary; and (iv) is maintained on a FIFO basis and valued at the lower of cost or market in accordance with GAAP consistently applied.

2.27 Books and Records. The books and records of Southport and its Subsidiary are complete and correct and accurately reflect in accordance with GAAP all transactions in which Southport and its Subsidiary have engaged, and

there are no off-balance sheet transactions or matters for which entry has not been properly made in such books and records.

2.28 Bank Accounts and Powers of Attorney. Schedule 2.28 sets forth a listing of all persons holding powers of attorney granted by Southport or its Subsidiary and of all bank accounts and lock boxes in which Southport or its Subsidiary has deposited funds or property, together with the names of the persons authorized to sign on or enter them, as the case may be.

2.29 Questionable Payments. Neither Southport nor its Subsidiary nor any of their directors, officers, agents or employees, nor any other person associated with or acting on behalf of Southport or its Subsidiary, has directly or indirectly: (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any person, private or public, regardless of form, whether in money, property, or services; (i) to obtain favorable treatment in securing business; (ii) to pay for favorable treatment for business secured; (iii) to obtain special concessions or for special concessions already obtained, for or in respect of either Southport or its Subsidiary; or (iv) in violation of any applicable law (including, without limitation, the Foreign Corrupt Practices Act); (b) received any bribe, payoff or kickback from any person regardless of form, whether in money, property or services to award business; or (c) established or maintained any fund or asset that has not been recorded in the books and records of either Southport or its Subsidiary.

2.30 Affiliate Transactions. Schedule 2.30 sets forth a list of all Contracts and transactions between Southport or its Subsidiary, on the one hand, and any director or officer of any Southport, director or officer of its Subsidiary, any Shareholder or any affiliate, associate or immediate family member of any such director, officer or Shareholder, or any entity in which any such director, officer or Shareholder of any affiliate, associate or immediate family member of any such director, officer or Shareholder has a direct or indirect interest, on the other hand.

23

2.31 Zoning. The current operation of the businesses of Southport and its Subsidiary is a permitted use under applicable zoning regulations and there is no existing or, to the knowledge of Southport and its Subsidiary, pending or threatened, requirement for any special exception, variance or other conditional approval to permit such businesses to continue to operate and to expand to any locations at which other businesses are currently operated.

2.32 No Misrepresentations or Omissions. The warranties, representations and covenants made in this Agreement by or on behalf of each Shareholder and Southport do not contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the context in which they were made, not misleading.

24

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Shareholders, as follows:

3.1 Corporate Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana and has the corporate power and authority and possesses all governmental franchises, licenses, permits, authorizations and approvals necessary to enable it to own, lease or otherwise hold all of its properties and assets and to carry on its business as it is now being conducted.

3.2 Authority; Execution and Delivery; Enforceability. Purchaser has the corporate power and authority to execute and deliver this Agreement and to consummate the Acquisition and the other transactions contemplated hereby. The execution and delivery by Purchaser of this Agreement and the consummation by Purchaser of the Acquisition and the other transactions contemplated hereby have been duly authorized by all necessary corporate action. Purchaser has duly executed and delivered this Agreement, and this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

3.3 No Conflicts; Consents. The execution and delivery by Purchaser of this Agreement do not, and the consummation of the Acquisition and the other transactions contemplated hereby and compliance with the terms hereof will not result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or to increased, additional, accelerated or guaranteed rights or entitlements of any person under, or result in the creation of any Lien upon any of Purchaser's assets under, any provision of (a) the articles or certificate of incorporation

of Purchaser, or (b) any Judgment or Applicable Law applicable to Purchaser or its properties or assets. No consent of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by or with respect to Purchaser in connection with the execution, delivery and performance of this Agreement or the consummation of the Acquisition or the other transactions contemplated hereby.

25

ARTICLE IV

COVENANTS

4.1 Covenants of Seller Relating to Conduct of Southport's Business.

(a) Except as otherwise expressly permitted by the terms of this Agreement, from the date hereof to the Closing, the Shareholders shall cause Southport and its Subsidiary to conduct their respective businesses in the ordinary course in substantially the same manner as presently conducted and shall make all reasonable efforts consistent with past practices to preserve their relationships with customers, suppliers and others with whom they deal. Except as otherwise expressly permitted by the terms of this Agreement, the Shareholders shall cause each of Southport and its Subsidiary not to do any of the following without the prior written consent of Purchaser:

(i) change or amend its articles of incorporation or bylaws;

(ii) authorize for issuance, issue or sell any shares of its capital stock or other securities, acquire directly or indirectly, by redemption or otherwise, any such capital stock, reclassify or split-up any such capital stock, or grant or enter into any options, warrants, calls or commitments of any kind with respect thereto;

(iii) pay, declare or set aside any dividend or make any other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock;

(iv) adopt or amend any Company Benefit Plan (or any plan that would be a Company Benefit Plan if adopted) except as required by Applicable Law;

(v) enter into, adopt, extend, renew or amend any collective bargaining agreement or other Contract with any labor organization, union or association, except as required by Applicable Law;

(vi) grant to any director, executive officer or employee any increase in compensation or benefits, except under existing agreements and except, in the case of any non-executive employee, other than a Shareholder, in the ordinary course of business consistent with past practice;

(vii) permit, allow or suffer any asset of Southport or its Subsidiary to become subjected to any Lien of any nature other than Permitted Liens;

(viii) cancel any material indebtedness (individually or in the aggregate) owed to Southport or its Subsidiary or waive any claims or rights of substantial value;

26

(ix) dismiss or replace its independent auditor or make any change in any method of accounting or accounting practice or policy other than those required by GAAP;

(x) acquire any assets that are material, individually or in the aggregate, to Southport except in the ordinary course of business;

(xi) make any capital commitments that in the aggregate are in excess of \$5,000 and not set forth in the written capital budget of Southport previously supplied to Purchaser (the "Capital Budget");

(xii) fail to make any capital expenditure required in the Capital Budget or to conduct ordinary maintenance activities;

(xiii) sell, lease or otherwise dispose of any assets of the Business that in the aggregate are valued in excess of \$5,000, other than in the ordinary course;

(xiv) terminate (except for cause) or hire any executive officer of Southport or of its Subsidiary; or

(xv) agree, whether in writing or otherwise, to do any of the foregoing.

(b) Affirmative Covenants. Until the Closing, the Shareholders shall cause Southport and its Subsidiary to:

(i) maintain the assets of Southport and its Subsidiary in the ordinary course of business in good operating order and condition, reasonable wear and tear excepted;

(ii) maintain in force all insurance policies and cause the assets and business of Southport and its Subsidiary to continue to be insured against all risks for which such assets and businesses are currently insured;

(iii) upon any damage, destruction or loss to any asset of Southport or its Subsidiary, as promptly as possible, provide Purchaser with written notice thereof and, after consultation with Purchaser, either (A) apply any and all insurance proceeds received with respect thereto to the prompt repair, replacement and restoration thereof to the condition of such asset before such event or, if required, to such other (better) condition as may be required by Applicable Law or (B) retain any and all insurance proceeds received with respect thereto; and

(iv) maintain its level and quality of supplies, fuel and spare parts in the ordinary course in a manner consistent with its practices in place as of September 30, 1997.

4.2 Access to Information. (a) The Shareholders shall cause Southport and its Subsidiary to afford Purchaser and its accountants, counsel and other representatives reasonable

27

access during normal business hours during the period prior to the Closing to all properties, books, contracts, commitments, Tax Returns and records of Southport and its Subsidiary and, during such period, shall furnish promptly to Purchaser any information concerning Southport and its Subsidiary that Purchaser may reasonably request (including, if requested by Purchaser, opinion letters from legal counsel to Southport and its Subsidiary as to the likely dollar exposure, if any, of Southport or its Subsidiary to particular personal injury claims which are currently pending or threatened).

(b) Without limiting paragraph (a) above, but subject to it, Purchaser shall have the right to perform any environmental, health and safety assessments of the leased property of Southport and its Subsidiary that Purchaser, in its sole discretion, deems advisable. Without limiting the foregoing, Purchaser and its representatives shall have the right to enter the leased real property of Southport and its Subsidiary to conduct Phase I environmental assessments, asbestos surveys and similar investigations, studies necessary to develop one or more scopes of work for Phase II investigations (including sampling of environmental media, building materials and the work place environment) and Phase II investigations (including but not limited to, borings, samples of soil and groundwater and the installation or monitoring wells). Purchaser shall perform all such environmental, health and safety assessments at its sole expense. Purchaser and its representatives shall enter the real property only during business hours, after reasonable notice has been given to Southport. Purchaser, the Shareholders and Southport agree that they will cooperate with one another to facilitate the performance of Purchaser's assessments and to avoid, to the extent reasonably possible, any disruption of Southport's and its Subsidiary's operations.

4.3 Confidentiality. The terms and conditions of this Agreement are to be held in strict confidence, and no disclosure shall be made with respect hereto, publicly or privately, other than as agreed by Purchaser, as necessary by Purchaser or the Shareholders to their respective advisors in connection with the performance of the obligations incurred hereunder or as required by applicable law. No public release or announcement concerning the transactions contemplated hereby shall be issued by either Party without the prior consent of the other, except that Purchaser may make such disclosure as is reasonably appropriate to comply with its obligations under applicable federal securities laws.

4.4 Reasonable Efforts.

(a) On the terms and subject to the conditions of this Agreement, each Party shall use its commercially reasonable best efforts to cause the Closing to occur, including taking all reasonable actions necessary to comply promptly with all legal requirements that may be imposed on its or any of its affiliates with respect to the Closing.

(b) Each Party shall use its commercially reasonable best efforts (at its own expense) to obtain, and to cooperate in obtaining, all consents from third parties necessary or appropriate to consummate the Acquisition; provided, however, that the Parties shall not be required to pay or commit to pay any amount to (or incur any obligation in favor of) any person from whom any such consent may be required (other than nominal filing or application fees).

28

4.5 Expenses. (a) The Shareholders shall and Southport shall not bear any costs and expenses (except those set forth in Schedule 2.6) incurred by the Shareholders in connection with this Agreement and the transactions contemplated hereby, including, the fees of legal counsel, brokers and finders, and accountants. Purchaser shall bear all costs and expenses incurred by Purchaser in connection with this Agreement and the transactions contemplated hereby, including the fees of its legal counsel, brokers and finders, and accountants.

4.6 Employees and Employment Agreements. The Shareholders shall cause Southport to enter into employment agreements with each of Stephen G. Benton, Jr., Charles L. Belsom and Frank J.B. Benton and with such other employees of Southport and its Subsidiary as Purchasers and Stephen G. Benton, Jr. may mutually agree. Such agreements shall be substantially in the form attached as Exhibit 4.6 hereto.

4.7 Updating Information. Until the Closing, the Shareholders shall cause Southport to provide to Purchaser, as soon as practicable after they are available, daily, weekly and monthly management books and financial reports of Southport and the Subsidiary, prepared in accordance with past practice, and all other documents requested in the document request list previously delivered by Purchaser to the Shareholders.

4.8 Schedules; Advice of Changes.

(a) The Parties acknowledge that this Agreement is being executed in advance of the attachment of some or all of the schedules provided for herein. As promptly as possible after execution of this Agreement, and in no event more than 10 days from the date hereof, the Shareholders will supply such schedules whereupon they will be deemed to have been delivered on the date hereof.

(b) The Shareholders shall as promptly as possible advise Purchaser of any change or event having a Material Adverse Effect on Southport or its Subsidiary, as applicable, or that any Shareholder believes would or would be reasonably likely to cause or constitute a material breach of any representations, warranties or covenants of any Shareholder contained herein. From time to time prior to the Closing Date (and on the date prior to the Closing Date), the Shareholders will promptly supplement or amend the schedules delivered pursuant to subsection 4.8(a) of this Agreement to reflect any matter that, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such schedules or that is necessary to correct any information in such schedules that has been rendered inaccurate thereby. No supplement or amendment to such schedules shall have any effect for the purpose of determining satisfaction of the requirements of Section 5.2(a), with such satisfaction to be determined, unless Purchaser otherwise consents, based on the schedules in the form delivered on the date hereof.

4.9 Covenant Not to Compete.

(a) For and in consideration of the benefits derived by the Shareholders pursuant to this Agreement, each Shareholder, other than those who enter into employment agreements

29

pursuant to Section 4.6, agrees that, with respect to each State of the United States or other jurisdiction, or specified portions thereof, in which he, she, or Southport or its Subsidiary regularly: (A) makes contact with customers of Southport or its Subsidiary; (B) conducts the business of Southport or its Subsidiary; or (C) supervises the activities of other employees of Southport or its Subsidiary, in locations identified in Schedule 4.9 attached hereto and forming a part of this Agreement, and in which Southport or its Subsidiary engaged in Business on the Closing Date or the Date of Termination (collectively, the "Subject Areas"), the Shareholder will, for a period of two years following the Closing Date, restrict his or her activities as follows:

(i) The Shareholder will not, directly or indirectly, for himself or others, own, manage, operate, control, be employed in an executive, managerial or supervisory capacity by, or otherwise engage or participate in or allow his or her skill, knowledge, experience or reputation to be used in connection with, the ownership, management, operation or control of, any company or other business enterprise engaged in the Business within any of the Subject Areas, provided, however, that no provision hereof shall prohibit Stephen G. Benton, Sr. or George L. Benton from providing consulting services to oil and gas exploration, production and engineering companies (but not companies engaged in the construction or fabrication of oil and gas drilling or production platforms or the components thereof) with respect to the design of living quarters;

(ii) The Shareholder will not call upon any customer of Southport or its Subsidiary for the purpose of soliciting, diverting or enticing away the business of such person or entity, or otherwise disrupting any previously established relationship existing between such person or entity and Southport or its Subsidiary;

(iii) The Shareholder will not solicit, induce, influence or attempt to influence any supplier, lessor, licensor, potential acquiree or any other person who has a business relationship with Southport or its Subsidiary, or who on the Date of Termination is engaged in discussions or negotiations to enter into a business relationship with Southport or its Subsidiary, to discontinue or reduce the extent of such relationship with Southport or its Subsidiary;

(iv) The Shareholder will not make contact with any of the employees of Southport or its Subsidiary with whom he had contact during the course of his or her relationship with Southport for the purpose of soliciting such employee for hire, whether as an employee or independent contractor, or otherwise disrupting such employee's relationship with Southport or its Subsidiary; and

(v) The Shareholder will not hire, on behalf of himself or any company engaged in the Business with which the Shareholder is associated, any employee of Southport or its Subsidiary as an employee or independent contractor, whether or not such engagement is solicited by the Shareholder.

(b) Each such Shareholder agrees that from time to time he or she will, upon Southport's request, promptly execute any supplement, amendment, restatement or other modification of Schedule 4.9 as may be necessary or appropriate to correctly reflect the jurisdictions

30

which, at the time of such modification, should be covered by Schedule 4.9 and this Section 4.9. All references to Schedule 4.9 in this Agreement shall be deemed to refer to Schedule 4.9 as so supplemented, amended, restated or otherwise modified from time to time.

(c) Each such Shareholder will not after the Closing Date retain, make use of or disclose to any person any customer lists prepared in connection with or used by Southport and its Subsidiary.

(d) Upon any actual or threatened breach or violation of any of the provisions of this Section 4.9, Purchaser shall be entitled to injunctive relief in any court of competent jurisdiction at any location at which the breaching party is domiciled or engaged in business. Nothing herein, however, shall be construed as prohibiting Purchaser from pursuing any other remedies of law or at equity available to it for such breach or violation or threatened breach or violation. Should a court of competent jurisdiction declare any of the covenants set forth in Section 4.9 unenforceable due to an unreasonable geographic restriction or otherwise, the Parties intend for such court to modify or limit such covenant according to the severability provisions set forth in Section 8.8.

4.10 Acquisition Proposals. Unless this Agreement is terminated pursuant to Section 6.1, Southport and the Shareholders shall not, and shall each cause its respective affiliates, directors, officers, trustees, employees, shareholders, representatives and agents not to: (a) solicit, initiate, encourage (including by furnishing any information), discuss, negotiate or assist in any manner any other proposals, bids or offers from any person (other than Purchaser or its affiliates) relating to a possible acquisition of any of the stock, assets of business of Southport or its Subsidiary, in whole or in part (other than the sale of inventory in the ordinary course and consistent with past practice) whether by asset purchase, stock purchase, merger or otherwise and whether such action is taken directly or indirectly; or (b) enter into or consummate any agreement or understanding with respect to any matter involving to such an acquisition prospect. If any Shareholders receives any such proposal, bid or offer or any information with respect thereto, such Shareholder will notify Purchaser thereof and provide Purchaser with all information such Shareholder has with respect thereto.

4.11 No Inconsistent Arrangements by the Shareholders. Each of the Shareholders hereby covenants and agrees that, except as contemplated by this Agreement, he shall not: (i) transfer (which term shall include, without limitation, any sale, gift, pledge or other disposition), or consent to any transfer of, any or all of such Shareholder's Shares, or any interest therein; (ii) enter into any contract, option or other agreement or understanding with respect to any transfer of any or all of such Shareholder's Shares or any interest therein; (iii) grant any proxy, power-of-attorney or other authorization in or with respect to such Shareholder's Shares, except for any such grant to other Shareholders in connection with a Southport shareholder meeting and which exercise of such power is in all respects in compliance with the terms of this Agreement; or (iv) take any other action that would in any way restrict, limit or interfere with the performance of its obligations hereunder.

4.12 Exercise of Option by Westport. If the Option has not been assigned by Westport as contemplated by Section 5.2(h), the Shareholders shall, if so requested by Purchaser, cause Westport to exercise the Option in accordance with its terms and shall sell the property subject to the Option

31

to Purchaser or its designee on such terms and Purchaser or its designee shall purchase such property on such terms.

ARTICLE V

CONDITIONS PRECEDENT

5.1 Conditions to Each Party's Obligation To Consummate the Closing. The respective obligation of each Party to consummate the Closing shall be subject to the satisfaction at or prior to the Closing Time of the following conditions:

(a) Approvals. All regulatory approvals or notifications required to consummate the transactions contemplated hereby, and to permit Purchaser to conduct the business of Southport and its Subsidiary as heretofore conducted, shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired (all such approvals and the expiration of all such waiting periods described in this section being referred to herein as the "Requisite Regulatory Approvals").

(b) No Injunctions or Restraints; Illegality. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Acquisition of the other transactions contemplated by this Agreement shall be in effect; provided, however, that neither Party to this Agreement may elect to terminate this Agreement until such order, injunction or decree is final and non-appealable, except pursuant to Section 6.1(b). No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity that prohibits, restricts or makes illegal consummation of the Acquisition.

5.2 Conditions to Obligation of Purchaser. The obligation of Purchaser to effect the Acquisition is also subject to the satisfaction or waiver by Purchaser at or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties contained in Articles II hereof shall be true and correct in each case at and as of the Closing Date as though such representations and warranties were made at and as of such time, except for these representations and warranties, if any, that are expressly made as of a specified earlier date.

(b) Covenants. The Shareholders shall have performed and complied with all agreements and conditions on their part required by this Agreement to be performed or complied with prior to or at the Closing Date.

(c) Officer's Certificate. Purchaser shall have received a certificate from the Shareholders' Representative, dated the Closing Date, certifying to the fulfillment of the conditions specified in Sections 5.2(a) and 5.2(b).

32

(d) Opinion of Counsel. Purchaser shall have received an opinion of counsel for the Shareholders, dated the Closing Date, in customary form and reasonably satisfactory as to substance to Purchaser.

(e) Consents. All necessary consents to the transactions contemplated hereby, in form and substance acceptable to Purchaser, shall have been obtained.

(f) Resignations and Releases. The Shareholders shall have caused to be executed and delivered to Purchaser (i) the resignations of [Steven G. Benton, Sr. and George L. Benton] as directors and officers of Southport and its Subsidiary and (ii) releases by each Shareholder of all claims against Southport and its Subsidiary, in form reasonably satisfactory to Purchaser and its counsel.

(g) Purchaser's Due Diligence. Purchaser shall have completed its due diligence investigation of Southport and the Subsidiary and shall be satisfied with the results thereof.

(h) Assignment of Option. The Option shall have been assigned to Southport, Purchaser or Purchaser's designee and shall be exercisable by such assignee in accordance with its terms, which terms shall be satisfactory to Purchaser.

5.3 Conditions to Obligation of Shareholders. The obligation of the Shareholders to effect the Acquisition is also subject to the satisfaction or waiver by the Shareholders at or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties contained in Article II hereof shall be true and correct in all material respects in each case at and as of the Closing Date as though such representations and warranties were made at and as of such time, except for those representations and warranties, if any, that are expressly made as of a specified earlier date.

(b) Covenants. Purchaser shall have performed and complied in all material respects with all agreements and conditions on its part required by this Agreement to be performed or complied with prior to or at the Closing Date.

(c) Officer's Certificate. Shareholder's Representative shall have received a certificate of an executive officer of Purchaser, dated the Closing Date, certifying to the fulfillment of the conditions specified in Sections 5.3(a) and 5.3(b).

(d) Opinion of Counsel. The Shareholders shall have received an opinion of counsel for Purchaser, dated the Closing Date, in customary form and reasonably satisfactory as to substance to Shareholders.

(e) Release of Guaranty. Whitney National Bank shall have released the obligations of Stephen G. Benton, Sr. under the guaranty provided by him of Southport's obligations under its credit facility with such bank.

33

ARTICLE VI

TERMINATION AND AMENDMENT

6.1 Termination. Notwithstanding anything to the contrary in this Agreement, this Agreement may be terminated and the Acquisition and the other transactions contemplated by this Agreement abandoned at any time prior to the Closing Date:

(a) by mutual consent of the Shareholders and Purchaser in a written instrument;

(b) by either Purchaser or the Shareholders if the Acquisition shall not have been consummated on or before January 31, 1998;

(c) by either Purchaser or the Shareholders (provided the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the representations, warranties, covenants or other agreements set forth in this Agreement on the part of the other Party that (i) is not cured within ten days following written notice to the Party in breach, or (ii) cannot be cured prior to the Closing.

6.2 Effect of Termination. In the event of termination of this Agreement by either Purchaser or the Shareholders as provided in Section 6.1, this Agreement shall be void and have no effect except that no Party shall be relieved or released from any liabilities or damages arising out of its willful breach of any provision of this Agreement.

ARTICLE VII

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

7.1 Survival of Representations, Warranties and Covenants. The representations and warranties of the Parties shall survive the Closing.

7.2 Indemnification by the Shareholders. Each of the Shareholders, does hereby agree to indemnify, defend and hold harmless Southport, the Subsidiary, Purchaser, its stockholders, subsidiaries, affiliates, any director, officer, employee, or agent of any of them, and their respective heirs, executors, administrators, successors and assigns (each of the foregoing, an "Indemnified Party"), from and against any and all losses, claims, demands, damages, awards, liabilities, suits, penalties, forfeitures, costs or expenses (including attorneys', consultants and other professional fees and fees and disbursements) including those incurred in enforcing this Agreement (collectively, "Losses") incurred by any Indemnified Party arising out of or by virtue of or resulting from:

34

(a) any inaccuracy or breach of any warranty or representation of the Shareholders contained in any provision of Section 2.1, Section 2.2, Section 2.3, Section 2.4, Section 2.5, Section 2.6, Section 2.7 (a), Section 2.8, Section 2.9 or Section 2.13 of this Agreement or contained in any certificate or schedule delivered by or on behalf of Shareholders hereunder, to the extent that such certificate or schedule relates to any such provision; or

(b) any inaccuracy or breach, of which any Shareholder has knowledge on the date hereof or on the Closing Date, of any warranty or representation of the Shareholders contained in any provision of this Agreement (other than those provisions identified in subsection 7.2(a)) or contained in any certificate or schedule delivered by or on behalf of Shareholders hereunder, to the extent that such certificate or schedule relates to any such provision.

7.3 Purchaser's Right of Set-Off; Limitation on Indemnification. Upon written notice to Shareholders disclosing its justification therefor, Purchaser may set-off the amount of any Losses against any amounts otherwise payable or potentially payable and not theretofore paid to Shareholders under subsection 1.3 hereof, which set-off, if any, shall be applied against the Shareholders on a pro-rata basis. No Shareholder shall have any obligation to pay indemnification to the Indemnified Parties for breach of any representation or warranty under this Article VII in excess of the amount payable or potentially payable and not theretofore paid to such Shareholder under subsection 1.3 hereof.

7.4 Procedures.

(a) In order for an Indemnified Party to be entitled to any indemnification provided for under this Agreement in respect of, arising out of, or involving a claim made by any person against the Indemnified Party (a "Third Party Claim"), such Indemnified Party must notify Shareholder's Representative in writing of the Third Party Claim (which notice shall identify the representation or warranty breached or made inaccurate by virtue of such Third Party Claim) promptly following receipt by such Indemnified Party of written notice of the Third Party Claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent that the Shareholders shall have been actually and materially prejudiced as a result of such failure. Thereafter, the Indemnified Party shall deliver to the Shareholders' Representative copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim.

(b) If a Third Party Claim is made against an Indemnified Party, the Shareholders shall be entitled to participate in the defense thereof and, if they so choose, to assume the defense thereof with counsel selected by them, but only to the extent that all Shareholders so agree. Should the Shareholders so elect to assume the defense of a Third Party Claim, Shareholders shall pay all Losses resulting from such Third Party Claim and all expenses associated with such defense and such payments shall not reduce the amounts available to the Indemnified Parties to be off-set against Losses. If the Shareholders assume such defense, the Indemnified Party shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Shareholders; it being understood that the Shareholders shall control such

defense. The fees and expenses of counsel employed by the Indemnified Party for any period during which the Shareholders have not assumed the defense thereof shall constitute Losses of such Indemnified Party hereunder. If the Shareholders choose to defend or prosecute a Third Party Claim, all the Indemnified Parties shall cooperate in the defense or, prosecution thereof. Such cooperation shall include the retention and (upon Shareholders Representative's request) the provision to the Shareholders' Representative of records and information that are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Shareholders assume the defense of a Third Party Claim, the Indemnified Party shall not admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the Shareholders' prior written consent (which consent shall not be unreasonably delayed or withheld). If the Shareholders assume the defense of a Third Party Claim, the Indemnified Party shall agree to any settlement, compromise or discharge of a Third Party Claim that the Shareholders' Representative may recommend and that by its terms obligates the Shareholders to pay the full amount of the liability in connection with such Third Party Claim, that releases the Shareholders completely in connection with such Third Party Claim and that would not otherwise adversely affect the Indemnified Party. Notwithstanding the foregoing, the Shareholders shall not be entitled to assume the defense of any Third Party Claim if the Third Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against the Indemnified Party that the Shareholders reasonably determine, after conferring with their outside counsel, cannot be separated from any related claim for money damages. If such equitable relief or other relief portion of the Third Party Claim can be so separated from that for money damages, the Shareholders shall be entitled to assume the defense of the portion relating to money damages. Should the Shareholders not elect to assume the defense of a Third Party Claim, Purchaser may set-off the amount of any Third Party Claim plus the amount of defense costs reasonably expected to be incurred in connection therewith against any amounts otherwise payable or potentially payable and not therefore paid to Shareholders under subsection 1.3 hereof. In the event that such Third Party Claim is finally disposed of for an amount less than the amount set-off, the balance will be restored to the amount payable or potentially payable to Shareholders under subsection 1.3 and, if any portion thereof would pursuant to subsection 1.3 have been paid to Shareholders at an earlier date but for the set-off, such portion shall be paid to Shareholders together with interest thereon at the Purchaser Borrowing Rate from such date to the date actually paid .

(c) In the event any Indemnified Party should have a claim against the Shareholders under this Agreement that does not involve a Third Party Claim being asserted against or sought to be collected from such Indemnified Party, the Indemnified Party shall deliver notice of such claim with reasonable promptness to Shareholders' Representative. Such notice shall identify the representation or warranty breached or made inaccurate by virtue of such claim. The failure by any Indemnified Party so to notify the Shareholders' Representative shall not relieve any Shareholder from any liability that it may have to such Indemnified Party under this Agreement, except to the extent that the Shareholders demonstrate that they have been materially prejudiced by such failure.

36

ARTICLE VIII

GENERAL PROVISIONS

8.1 Assignment. This Agreement and the rights and obligations hereunder shall be assignable or transferable by Purchaser (including by operation of law in connection with a merger or sale of substantially all the assets of Purchaser) without the prior written consent of the Shareholders. This Agreement, and the rights and obligations of the Shareholders hereunder, shall not be assignable by any Shareholder without the prior written consent of Purchaser, except by operation of law upon the Shareholder's death.

8.2 Third Party Beneficiaries. The Parties acknowledge that the rights and benefits of Purchaser hereunder (including all rights under Article VII) shall automatically and immediately transfer, without further notice or action, to any purchaser from Purchaser (or its designee or assignee) of all or substantially all of the stock or assets of Southport and its Subsidiary following the consummation of the Acquisition.

8.3 Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, by registered, certified or express mail or reputable overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service), as follows:

(a) if to Purchaser, to:

Gulf Island Fabrication, Inc.
583 Thompson Road
Houma, Louisiana 70363
Telephone: 504-872-2100
Facsimile: 504-876-5414
Attention: Kerry J. Chauvin, President

with a copy to:

Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P.
201 St. Charles Avenue, 51st Floor
New Orleans, Louisiana 70170
Telephone: 504-582-8000
Facsimile: 504-582-8012
Attention: Carl C. Hanemann

37

(b) if to Shareholders, to Shareholders' Representative:

c/o Stephen G. Benton, Jr.
341 Carrollton Avenue
Metairie, Louisiana 70005
Telephone: 504-831-8536
Facsimile: 504-837-0113

with a copy to:

Phelps Dunbar, LLP
30th Floor Texaco Center
400 Poydras Street
New Orleans, Louisiana 70130
Telephone: 504-566-1311
Facsimile: 504-568-9130
Attention: Virginia Boulet

8.4 Interpretation.

(a) The headings contained in this Agreement, in any exhibit or schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of

this Agreement. All exhibits and schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any schedule or exhibit but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an article or a section, exhibit or schedule, such reference shall be to an article or section of, or an exhibit or schedule to, this Agreement unless otherwise indicated.

(b) For all purposes hereof:

"affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person;

"including" means including, without limitation; and

"person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, Governmental Entity or other entity.

(c) The following terms are defined in this Agreement in the sections set forth below:

38

Term -----	Section -----
<S>	<C>
Acquisition	Preamble
affiliate	8.4 (b)
Agreement	Preamble
Applicable Law	2.4
Arbitrator	1.3 (b)
Business	2.4
Capital Budget	4.1 (a)
Closing	1.2
Closing Balance Sheet	1.3 (b)
Closing Date	1.2
Adjusted Closing Date Shareholders' Equity	1.3 (b)
Code	2.13 (d)
Company Benefit Plans	2.14 (a)
Company Pension Plans	2.14 (a)
Consents	2.5
Contract or Contracts	2.16 (a)
Deferred Purchase Price	1.3 (a)
Defined Benefit Plan	2.14 (j)
Early Payment Amount	1.3 (c)
Environment	2.21 (g)
Environmental Laws	2.21 (g)
ERISA	2.14 (a)
ERISA Affiliate	2.14 (a)
GAAP	2.10
Governmental Entity	2.4
Hazardous Substances	2.21 (g)
including	8.4 (b)
Indemnified Party	7.2
Initial Purchase Price	1.3 (a)
Injunction	5.1 (b)
Intellectual Property	2.20
Interim Balance Sheet	2.10
Interim Financial Statements	2.10
IRS	2.14 (b)
Judgment	2.4
knowledge	8.4 (b)
Lien or Liens	1.1
Losses	7.2
Material Adverse Effect	2.7 (b)
Natural Resources Damages	2.21 (g)
Navigable Waters	2.21 (g)
Net After-Tax Income	1.3 (c)

</TABLE>

39

<S>	<C>
Option	2.18 (c)
Option Property Title Insurance	2.18 (c)
Party or Parties	Preamble
PBGC	2.14 (b)
Permits	2.15

Permitted Lien or Permitted Liens	2.18(a)
person	8.4(b)
Proceedings	2.12
Purchase Price	1.3(a)
Purchaser	Preamble
Purchaser Borrowing Rate	1.3(c)
Related Agreements	2.2
Release	2.21(g)
Requisite Regulatory Approvals	5.1(a)
Returns	2.13(a)
SG&A	1.3(c)
Shares	1.1
Shareholder or Shareholders	Preamble
Shareholders' Representative	8.9
Sites	2.21(g)
Southport	Preamble
Southport Common Stock	Preamble
Southport Financial Statement	2.10
Subject Areas	4.9(a)
Subsidiary	2.9(b)
Tax or Taxes	2.13(h)
Third Party Claim	7.5(a)
Threat of Release	2.21(g)
Transaction Expenses	2.6
Westport	2.18(c)
Year-end Financial Statements	2.10

</TABLE>

8.5 Counterparts; Signatures. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the Parties and delivered to the other, it being understood that both Parties need not sign the same counterpart. Telecopied signatures shall be deemed to have the authenticity and validity of original signatures.

8.6 Entire Agreement. This Agreement (including the documents, schedules, exhibits and Related Agreements referred to herein) contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter. Neither Party shall be liable or bound to the other in any manner by any representations, warranties or covenants relating to such subject matter except as specifically set forth herein.

40

8.7 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Louisiana, without regard to any applicable conflicts of law principles thereof.

8.8 Severability. Wherever possible, the terms of this Agreement shall be construed and interpreted so as to be valid and effective under Applicable Law. If any term or provision of this Agreement, any Related Agreement, any Schedule attached hereto or the application thereof to any person or circumstance, shall at any time or to any extent be deemed invalid, illegal and unenforceable in any respect as written, the Shareholders and Purchaser intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as not to affect any other term or provision hereof, and the remainder of this Agreement, Related Agreement or Schedule, or the application of such term or provision to persons or circumstances other than those that are deemed to be invalid, illegal or unenforceable, shall not be affected thereby and such term and provision shall be valid and enforced to the fullest extent permitted by law.

8.9 Shareholders' Representative. The Shareholders hereby irrevocably appoint Stephen G. Benton, Jr., a Shareholder, to serve as representative of all of the Shareholders from and after the date of this Agreement (the "Shareholders' Representative"). EACH SHAREHOLDER HEREBY AUTHORIZES THE SHAREHOLDERS' REPRESENTATIVE TO ACT AS ATTORNEY-IN-FACT ON BEHALF OF SUCH SHAREHOLDER WITH RESPECT TO ANY ACT REQUIRED OR PERMITTED TO BE TAKEN BY SUCH SHAREHOLDER HEREUNDER (INCLUDING, WITHOUT LIMITATION, TO SPECIFY THE MANNER OF MAKING PAYMENT TO SUCH SHAREHOLDER HEREUNDER OR TO RECEIVE ANY FUNDS TO BE PAID BY OR ON BEHALF OF BUYER TO SUCH SHAREHOLDERS HEREUNDER). WITH RESPECT TO ANY DISPUTE THAT MAY ARISE HEREUNDER OR UNDER ANY RELATED AGREEMENT, EACH SHAREHOLDER AGREES THAT HE OR SHE MAY ACT ONLY THROUGH THE SHAREHOLDERS' REPRESENTATIVE. Any Party hereto shall be entitled to rely, and shall be fully protected in relying, upon all actions taken by the Shareholders' Representative. The Shareholders' Representative may not be changed without the consent of Purchaser, except as provided in the next sentence. In the event of the death of the Shareholder' Representative, the Shareholders shall promptly irrevocably appoint by a majority vote of the Shareholders (based on stock ownership immediately prior to the Closing) one of the remaining Shareholders (or beneficial owners of Shareholders that are entities) who is a natural person to act as the Shareholders' Representative.

8.10 Waiver. Either Party may waive in writing any default by the other of any representation, warranty, or covenant made for its benefit in this Agreement, but no such waiver shall be deemed to constitute a waiver of any other or further breach unless expressly provided for in writing, and no waiver shall be deemed to have arisen from a course of conduct not involving a written waiver.

41

8.11 Amendment. This Agreement may be amended by the Parties hereto at any time but only by an instrument in writing signed on behalf of each of the Parties.

8.12 Successors. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective heirs, executors, successors, and assigns.

IN WITNESS WHEREOF, the Shareholders have executed and Purchaser has caused this Agreement to be executed by one of its officers thereunto duly authorized as of the date first above written.

SHAREHOLDERS:

/s/ STEPHEN G. BENTON, SR. ----- Stephen G. Benton, Sr.	/s/ STEPHEN G. BENTON, JR. ----- Stephen G. Benton, Jr.
---	---

/s/ GEORGE L. BENTON ----- George L. Benton	/s/ FRANK J. B. BENTON ----- Frank J. B. Benton
---	---

/s/ CHARLES L. BELSOM ----- Charles L. Belsom	/s/ JOHN GERRETS ----- John Gerrets
---	---

/s/ BUSH BENTON ----- Bush Benton	Lisette Katherine Benton
---	--------------------------

By: /s/ STEPHEN G. BENTON, JR.

Stephen G. Benton, Jr.
Attorney-in-Fact

GULF ISLAND FABRICATION, INC.

By: /s/ KERRY J. CHAUVIN

Kerry J. Chauvin, President

42

This Exhibit excludes the following schedules and appendices which the Company will provide to the Commission upon request:

Exhibit 4.6 Employment Agreements with each of Stephen G. Benton, Jr., Charles L. Belsom and Frank J. B. Benton.

43

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of Amendment No. 1 to this Registration Statement on Form S-1 of our report dated January 23, 1997, except for the third paragraph of Note 1 and the second paragraph of Note 9 which are as of February 13, 1997, the third paragraph of Note 9 which is as of February 14, 1997, and the fourth paragraph of Note 9 which is as of October 28, 1997, relating to the financial statements of Gulf Island Fabrication, Inc., which appears in such Prospectus. We also consent to the application of such report to the Financial Statements Schedule for the three years ended December 31, 1996 listed under Item 16(b) of this Registration Statement when such schedule is read in conjunction with the financial statements referred to in our report on the aforementioned financial statements of Gulf Island Fabrication, Inc. The audits referred to in such report also included this schedule. We also consent to the use, in this prospectus, of our report dated January 23, 1997 relating to the combined financial statements of Dolphin Services, Inc., Dolphin Sales and Rentals, Inc. and Dolphin Steel Sales, Inc., which appears in such Prospectus. We also consent to the reference to us under the heading "Experts" in such Prospectus.

PRICE WATERHOUSE LLP

Houston, Texas
November 13, 1997