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

FORM 10-Q

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

For the quarterly period ended
September 30, 2023

or

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

For the transition period from
to
Commission File Number 001-34279

GULF ISLAND

GULF ISLAND FABRICATION, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA	**72-1147390**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2170 BUCKTHORNE PLACE, SUITE 420 **THE WOODLANDS, TEXAS**	**77380**
(Address of principal executive offices)	**(Zip Code)**

(713) 714-6100
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GIFI	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of the registrant's common stock, no par value per share, outstanding as of October 31, 2023, was 16,287,469.

GULF ISLAND FABRICATION, INC.

I N D E X

GLOSSARY OF TERMS

As used in this report filed on Form 10-Q for the quarter ended September 30, 2023 ("this Report"), the following abbreviations and terms have the meanings listed below. In addition, the terms "Gulf Island," "the Company," "we," "us" and "our" refer to Gulf Island Fabrication, Inc. and its consolidated subsidiaries, unless the context clearly indicates otherwise. Certain terms defined below may be redefined separately within this Report when we believe providing a definition upon the first use of the term will assist users of this Report. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments in each case as amended, restated, supplemented or otherwise modified to the date of filing this Report.

2022 Annual Report	Our annual report for the year ended December 31, 2022, filed with the SEC on Form 10-K on March 28, 2023.
2022 Financial Statements	Our Financial Statements for the year ended December 31, 2022 and related notes, included in our 2022 Annual Report.
Active Retained Shipyard Contracts	Contracts and related obligations for our seventy-vehicle ferry and two forty-vehicle ferry projects that were under construction as of the date of the Shipyard Transaction, which were excluded from the Shipyard Transaction. The Active Retained Shipyard Contracts did not include the contracts and related obligations for the projects that were subject to our previous MPSV Litigation.
ASC	Accounting Standards Codification.
ASU	Accounting Standards Update.
Balance Sheet	Our Consolidated Balance Sheets, as filed in this Report.
contract assets	Costs and estimated earnings recognized to date in excess of cumulative billings.
contract liabilities	Cumulative billings in excess of costs and estimated earnings recognized to date and accrued contract losses.
cost-reimbursable	Work is performed and billed to the customer at cost plus a profit margin or other variable fee arrangements which can include a mark-up.
COVID-19	The global coronavirus pandemic.
deck	The component of a platform on which drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
DSS Acquisition	The acquisition of a services and industrial staffing business on December 1, 2021.
DTA(s)	Deferred Tax Asset(s).
EPC	Engineering, Procurement and Construction.
Exchange Act	Securities Exchange Act of 1934, as amended.
Fabrication Division	Our Fabrication reportable segment.
Facilities	Our Houma Facilities and other facilities that support our operations.
FDC	Fidelity & Deposit Company of Maryland.
Financial Statements	Our Consolidated Financial Statements, including comparative consolidated Balance Sheets, Statements of Operations, Statements of Changes in Shareholders' Equity and Statements of Cash Flows, as filed in this Report.
GAAP	Generally Accepted Accounting Principles in the U.S.
GIS	Gulf Island Shipyards, LLC.
Gulf Coast	Along the coast of the Gulf of Mexico.
Hornbeck	Hornbeck Offshore Services, LLC.
Houma Facilities	Our owned facilities located in Houma, Louisiana that support our Fabrication Division and Services Division and represent our primary operating facilities.
inland	Typically, bays, lakes and marshy areas.

Insurance Finance Arrangements	Short-term finance arrangements for insurance premiums associated with our property and equipment and general liability insurance coverages.
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 anchored with tubular steel piles driven into the seabed. The jacket supports the deck structure located above the water.
labor hours	Hours worked by employees directly involved in the fabrication of our products or delivery of our services.
LC Facility	Our $10.0 million letter of credit facility with Whitney Bank maturing on June 30, 2024, as amended.
LNG	Liquefied Natural Gas.
Mortgage Agreement	Multiple indebtedness mortgage arrangement with Zurich, to secure our obligations and liabilities under our Note Agreement with Zurich and our general indemnity agreement with Zurich associated with outstanding surety bonds for certain contracts. The mortgage arrangement encumbers the real estate associated with our Houma Facilities and includes certain covenants and events of default.
modules	Fabricated structures that include structural steel, piping, valves, fittings, storage vessels and other equipment that are incorporated into a refining, petrochemical, LNG or industrial system.
MPSV(s)	Multi-Purpose Supply Vessel(s).
MPSV Litigation	The lawsuit filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and is styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861, which was resolved on October 4, 2023.
Note Agreement	Promissory note entered into with Zurich, pursuant to which we will pay Zurich $20.0 million, plus interest at a fixed rate of 3.0% per annum, payable in 15 equal annual installments beginning on December 31, 2024. The promissory note was entered into in connection with the resolution of our MPSV Litigation.
offshore	In unprotected waters outside coastlines.
onshore	Inside the coastline on land.
Performance Bonds	The performance bonds issued by Zurich in connection with the construction of two MPSVs that were subject to our previous MPSV Litigation, for which the face amount of the bonds totaled $50.0 million.
performance obligation	A contractual obligation to construct and transfer a distinct good or service to a customer. It is the unit of account in Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.
piles	Rigid tubular pipes that are driven into the seabed to anchor a jacket.
platform	A structure from which offshore oil and gas development drilling and production are conducted.
POC	Percentage-of-completion.
Restrictive Covenant Agreement	Restrictive covenant arrangement with Zurich, to secure our obligations and liabilities under our general indemnity agreement with Zurich associated with its outstanding surety bonds for certain contracts that precluded us from paying dividends or repurchasing shares of our common stock, which was terminated on November 6, 2023 in connection with the Settlement Agreement and Note Agreement.
SEC	U.S. Securities and Exchange Commission.
Services Division	Our Services reportable segment.
Settlement Agreement	Agreement with Zurich pursuant to which, among other things, Zurich released GIS and the Company from all of their obligations under the Performance Bonds and the associated general indemnity agreements relating to the Performance Bonds, and we agreed to release possession of the MPSVs to Zurich.
Shipyard Division	Our Shipyard reportable segment.
Shipyard Transaction	The sale of our Shipyard Division's operating assets and certain construction contracts on April 19, 2021.
Statement of Cash Flows	Our Consolidated Statements of Cash Flows, as filed in this Report.

Statement of Operations	Our Consolidated Statements of Operations, as filed in this Report.
Statement of Shareholders' Equity	Our Consolidated Statements of Changes in Shareholders' Equity, as filed in this Report.
Surety or Sureties	A financial institution that issues bonds to customers on behalf of the Company for the purpose of providing third-party financial assurance related to the performance of our contracts. Payments by a Surety pursuant to one of our bonds in the event of non-performance are subject to reimbursement to such Surety by us under a general indemnity agreement relating to such bond.
T&M	Time and materials. Work is performed and billed to the customer at contracted time and material rates.
Topic 606	The revenue recognition criteria prescribed under ASU 2014-09, *Revenue from Contracts with Customers*.
U.S.	The United States of America.
USL&H	United States Longshoreman and Harbor Workers Act.
VA(s)	Valuation allowance(s).
Whitney Bank	Hancock Whitney Bank.
Zurich	FDC and Zurich American Insurance Company.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,125	$ 33,221
Restricted cash	1,197	1,603
Short-term investments	15,437	9,905
Contract receivables and retainage, net	35,684	29,427
Contract assets	4,305	4,839
Prepaid expenses and other assets	3,438	6,475
Inventory	2,340	1,599
Total current assets	87,526	87,069
Property, plant and equipment, net	29,285	31,154
Goodwill	2,217	2,217
Other intangibles, net	735	842
Other noncurrent assets	839	13,584
Total assets	$ 120,602	$ 134,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 11,515	$ 8,310
Contract liabilities	3,534	8,196
Accrued expenses and other liabilities	13,247	14,283
Total current liabilities	28,296	30,789
Contract liabilities, non-current	20,000	—
Other noncurrent liabilities	822	1,453
Total liabilities	49,118	32,242
Shareholders' equity:		
Preferred stock, no par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value, 30,000 shares authorized, 16,287 shares issued and outstanding at September 30, 2023 and 15,973 at December 31, 2022	11,690	11,591
Additional paid-in capital	108,257	107,372
Accumulated deficit	(48,463)	(16,339)
Total shareholders' equity	71,484	102,624
Total liabilities and shareholders' equity	$ 120,602	$ 134,866

The accompanying notes are an integral part of these financial statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue	$ 5,023	$ 39,593	$ 106,517	$ 104,181
Cost of revenue	34,902	35,373	126,881	98,709
Gross profit (loss)	(29,879)	4,220	(20,364)	5,472
General and administrative expense	4,080	4,510	12,883	12,965
Other (income) expense, net	(324)	(944)	(689)	(3,698)
Operating income (loss)	(33,635)	654	(32,558)	(3,795)
Interest (expense) income, net	397	(46)	1,057	(104)
Income (loss) before income taxes	(33,238)	608	(31,501)	(3,899)
Income tax (expense) benefit	3	(10)	9	(2)
Net income (loss)	$ (33,235)	$ 598	$ (31,492)	$ (3,901)
Per share data:				
Basic and diluted income (loss) per share	$ (2.04)	$ 0.04	$ (1.95)	$ (0.25)

The accompanying notes are an integral part of these financial statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2021	15,622	$ 11,384	$ 105,511	$ (12,987)	$ 103,908
Net loss	—	—	—	(5,027)	(5,027)
Vesting of restricted stock	153	(6)	(53)	—	(59)
Stock-based compensation expense	—	57	514	—	571
Balance at March 31, 2022	15,775	11,435	105,972	(18,014)	99,393
Net income	—	—	—	528	528
Vesting of restricted stock	148	(6)	(56)	—	(62)
Stock-based compensation expense	—	49	440	—	489
Balance at June 30, 2022	15,923	11,478	106,356	(17,486)	100,348
Net income	—	—	—	598	598
Stock-based compensation expense	—	40	364	—	404
Balance at September 30, 2022	15,923	$ 11,518	$ 106,720	$ (16,888)	$ 101,350

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2022	15,973	$ 11,591	$ 107,372	$ (16,339)	$ 102,624
Adoption of ASU 2016-13	—	—	—	(632)	(632)
Balance at January 1, 2023	15,973	11,591	107,372	(16,971)	101,992
Net income	—	—	—	641	641
Vesting of restricted stock	82	(18)	(163)	—	(181)
Stock-based compensation expense	—	51	458	—	509
Balance at March 31, 2023	16,055	11,624	107,667	(16,330)	102,961
Net income	—	—	—	1,102	1,102
Vesting of restricted stock	232	(30)	(271)	—	(301)
Stock-based compensation expense	—	44	400	—	444
Balance at June 30, 2023	16,287	$ 11,638	$ 107,796	$ (15,228)	$ 104,206
Net loss	—	—	—	(33,235)	(33,235)
Stock-based compensation expense	—	52	461	—	513
Balance at September 30, 2023	16,287	$ 11,690	$ 108,257	$ (48,463)	$ 71,484

The accompanying notes are an integral part of these financial statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (31,492)	$ (3,901)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,115	3,764
Asset impairments	—	484
Change in allowance for doubtful accounts and credit losses	(410)	—
Gain on sale or disposal of fixed assets, net	(249)	(79)
Gain on insurance recoveries	(245)	(1,200)
Stock-based compensation expense	1,466	1,464
Changes in operating assets and liabilities:		
Contract receivables and retainage, net	(6,479)	(17,026)
Contract assets	534	(3,048)
Prepaid expenses, inventory and other current assets	2,829	1,203
Accounts payable	2,914	2,811
Contract liabilities	(4,662)	(2,355)
Accrued expenses and other current liabilities	(373)	(288)
Noncurrent assets and liabilities, net	31,880	(654)
Net cash used in operating activities	(172)	(18,825)
Cash flows from investing activities:		
Capital expenditures	(1,701)	(1,032)
Proceeds from Shipyard Transaction	—	886
Proceeds from sale of property and equipment	396	2,035
Recoveries from insurance claims	245	1,200
Purchases of short-term investments	(30,731)	(9,809)
Maturities of short-term investments	25,200	—
Net cash used in investing activities	(6,591)	(6,720)
Cash flows from financing activities:		
Payments on Insurance Finance Arrangements	(1,257)	(963)
Tax payments for vested stock withholdings	(482)	(121)
Net cash used in financing activities	(1,739)	(1,084)
Net decrease in cash, cash equivalents and restricted cash	(8,502)	(26,629)
Cash, cash equivalents and restricted cash, beginning of period	34,824	54,589
Cash, cash equivalents and restricted cash, end of period	$ 26,322	$ 27,960

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Gulf Island Fabrication, Inc. (together with its subsidiaries, "Gulf Island," "the Company," "we," "us" and "our") is a leading fabricator of complex steel structures and modules and a provider of specialty services, including project management, hookup, commissioning, repair, maintenance, scaffolding, coatings, welding enclosures, civil construction and staffing services to the industrial and energy sectors. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through three operating divisions ("Services", "Fabrication" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our corporate headquarters is located in The Woodlands, Texas and our primary operating facilities are located in Houma, Louisiana ("Houma Facilities").

On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction") and intend to wind down our remaining Shipyard Division operations by the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2).

On December 1, 2021, we acquired a services and industrial staffing business ("DSS Acquisition"), which increased our skilled workforce, further diversified our customer base and expanded our service offerings for our Services Division.

On October 4, 2023, we resolved our MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements ("Financial Statements") reflect all wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial statements, the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, the Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. Our Consolidated Balance Sheet ("Balance Sheet") at December 31, 2022, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to our 2022 Financial Statements.

Operating Cycle

The duration of our contracts vary, but may extend beyond twelve months from the date of contract award. Consistent with industry practice, assets and liabilities have been classified as current under the operating cycle concept whereby all contract-related items are classified as current regardless of whether cash will be received or paid within a twelve-month period. Assets and liabilities classified as current, which may not be received or paid within the next twelve months, include contract retainage, contract assets and contract liabilities. Variations from normal contract terms may result in the classification of assets and liabilities as long-term. See Note 4 for discussion of the noncurrent contract liability associated with the resolution of our MPSV Litigation.

Use of Estimates

General – The preparation of our Financial Statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We believe our most significant estimates and judgments are associated with:

- revenue recognition for our long-term contracts, including application of the percentage-of-completion method ("POC"), estimating costs to complete each contract and the recognition of incentives, unapproved change orders, claims (including amounts arising from disputes with customers) and liquidated damages;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets, goodwill and other intangible assets;
- determination of deferred income tax assets, liabilities and related valuation allowances;
- reserves for bad debts and credit losses;
- liabilities related to self-insurance programs;
- insurance recoveries associated with damage to our Houma Facilities resulting from Hurricane Ida discussed further in Note 2; and
- the impacts of volatile oil and gas prices and macroeconomic conditions on our business, estimates and judgments as discussed further below.

If the underlying estimates and assumptions upon which our Financial Statements are based change in the future, actual amounts may differ materially from those included in the Financial Statements.

Oil and Gas Price Volatility and Macroeconomic Conditions – Since 2008, the prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, resulting in reductions in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows were negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing and under-utilization of our operating facilities and resources. Beginning in 2020, the global coronavirus pandemic ("COVID-19") added another layer of pressure and uncertainty on oil and gas prices (with oil prices reaching a twenty-year low and gas prices reaching a four-year low), which further negatively impacted certain of our end markets through the first quarter 2022. This volatility in oil and gas prices was compounded by Russia's invasion of Ukraine in February 2022 (and the related European energy crisis), and the U.S. and other countries actions in response (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high), which positively impacted certain of our end markets. While oil and gas prices have somewhat stabilized, the duration of such stability is uncertain and difficult to predict.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, supply chain disruptions (including global shipping and logistics challenges that began in 2020), inflationary pressures, economic slowdowns and recessions, bank failures, natural disasters, public health crises (such as COVID-19), and geopolitical conflicts (such as the conflict in Ukraine and the Israel-Hamas conflict).

The ultimate business and financial impacts of oil and gas price volatility and macroeconomic conditions on our business and results of operations continues to be uncertain, but the impacts have included, or may continue to include, among other things, reduced bidding activity; suspension or termination of backlog; deterioration of customer financial condition; and unanticipated project costs and schedule delays due to supply chain disruptions, labor and material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, increased safety incidents, lack of performance by subcontractors and suppliers, and contract disputes. We continue to monitor the impacts of oil and gas price volatility and macroeconomic conditions on our operations, and our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report.

Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the assumed conversion of dilutive securities in periods in which income is reported. See Note 5 for calculations of our basic and diluted income (loss) per share.

Cash Equivalents, Restricted Cash and Short-Term Investments

Cash Equivalents – We consider investments with original maturities of three months or less when purchased to be cash equivalents. We hold substantially all of our cash deposits with Hancock Whitney Bank (“Whitney Bank”).

Restricted Cash – At September 30, 2023 and December 31, 2022, we had $1.2 million and $1.6 million, respectively, of restricted cash as security for letters of credit issued under our letter of credit facility (“LC Facility”) with Whitney Bank. Our restricted cash is held in an interest-bearing money market account with Whitney Bank. The classification of the restricted cash as current and noncurrent is determined by the contractual maturity dates of the letters of credit being secured, with letters of credit having maturity dates of twelve months or less from the balance sheet date classified as current, and letters of credit having maturity dates of longer than twelve months from the balance sheet date classified as noncurrent. See Note 3 for further discussion of our letters of credit and associated security requirements.

Short-term Investments – We consider investments with original maturities of more than three months but less than twelve months to be short-term investments. At September 30, 2023 and December 31, 2022, our short-term investments included U.S. Treasuries with original maturities of four and six months, respectively. We intend to hold these investments until maturity and it is not more likely than not that we will be required to sell the investments prior to their maturity. The investments are stated at amortized costs, which approximates fair value due to their near-term maturities. All short-term investments are traded on active markets with quoted prices and represent Level 1 fair value measurements.

Inventory

Inventory is recorded at the lower of cost or net realizable value determined using the first-in-first-out basis. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. Net realizable value is our estimated selling price in the normal course of business, less reasonably predictable costs of completion, disposal and transportation. An allowance for excess or inactive inventory is recorded based on an analysis that considers current inventory levels, historical usage patterns, estimates of future sales and salvage value.

Allowance for Doubtful Accounts and Credit Losses

As further discussed under “*New Accounting Standards”* below, we adopted the new accounting standard for measuring credit losses effective January 1, 2023. In the normal course of business, we extend credit to our customers on a short-term basis and contract receivables are generally not collateralized; however, we typically have the right to place liens on our projects in the event of nonpayment by our customers. We provide an allowance for credit losses and routinely review individual contract receivable balances and other financial assets for collectability and make provisions for probable uncollectible amounts as necessary. Among the factors considered in our review are the financial condition of our customer and its access to financing, underlying disputes with the customer, the age and value of the receivable balance, company-specific credit ratings, historical company-specific uncollectable amounts and economic conditions in general. See Note 2 for further discussion of our allowance for doubtful accounts and credit losses.

Stock-Based Compensation

Awards under our stock-based compensation plans are calculated using a fair value-based measurement method. Depending on the terms of the award, we use the straight-line or graded vesting methods to recognize share-based compensation expense over the requisite service period of the award. We recognize the excess tax benefit or tax deficiency resulting from the difference between the deduction we receive for tax purposes and the stock-based compensation expense we recognize for financial reporting purposes created when common stock vests, as an income tax benefit or expense on our Consolidated Statements of Operations (“Statement of Operations”). Tax payments made on behalf of employees to taxing authorities in order to satisfy employee income tax withholding obligations from the vesting of shares under our stock-based compensation plans are classified as a financing activity on our Consolidated Statements of Cash Flows (“Statement of Cash Flows”).

Depreciation and Amortization Expense

Property, plant and equipment are depreciated on a straight-line basis over estimated useful lives ranging from three 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. Intangible assets are amortized on a straight-line basis over seven years and amortization expense is reflected within general and administrative expense on our Statement of Operations.

Long-Lived Assets

Goodwill – Goodwill is not amortized, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). Our Services Division represents our only reporting unit with goodwill. We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of October 1. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is greater than its carrying value. If we determine that it is more likely than not that the carrying value of the reporting unit is greater than its fair value, we perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing it to the carrying value of the reporting unit, and we recognize an impairment charge to the extent its carrying value exceeds its fair value. To determine the fair value of our reporting unit and test for impairment, we utilize an income approach (discounted cash flow method) as we believe this is the most direct approach to incorporate the specific economic attributes and risk profile of our reporting unit into our valuation model. We had no indicators of impairment during the nine months ended September 30, 2023. If, based on future assessments, our goodwill is deemed to be impaired, the impairment would result in a charge to our operating results in the period of impairment.

Other Long-Lived Assets – Our property, plant and equipment, lease assets (included within other noncurrent assets), and finite-lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If a recoverability assessment is required, we compare the estimated future undiscounted cash flow associated with the asset or asset group to its carrying amount to determine if an impairment exists. An asset group constitutes the minimum level for which identifiable cash flows are principally independent of the cash flows of other assets or asset groups. An impairment loss is measured by comparing the fair value of the asset or asset group to its carrying amount and the excess of the carrying amount of the asset or asset group over its fair value is recorded as an impairment charge. Fair value is determined based on discounted cash flows, appraised values or third-party indications of value, as appropriate. We had no indicators of impairment during the nine months ended September 30, 2023.

Leases

We record a right-of-use asset and an offsetting lease liability on our Balance Sheet equal to the present value of our lease payments for leases with an original term of longer than twelve months. We do not record an asset or liability for leases with an original term of twelve months or less and we do not separate lease and non-lease components for our leases. Our lease assets are reflected within other noncurrent assets, and the current and noncurrent portions of our lease liabilities are reflected within accrued expenses and other liabilities, and other noncurrent liabilities, respectively, on our Balance Sheet. For leases with escalations over the life of the lease, we recognize expense on a straight-line basis.

Fair Value Measurements

Fair value determinations for financial assets and liabilities are based on the particular facts and circumstances. Financial instruments are required to be categorized within a valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels of the valuation hierarchy are as follows:

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – inputs are based upon model-based valuation techniques for which significant assumptions are generally not observable in the market and typically reflect estimates and assumptions that we believe market participants would use in pricing the asset or liability. These include discounted cash flow models and similar valuation techniques.

The carrying amounts of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximate their fair values. Our fair value assessments for determining the impairments of inventory, goodwill and long-lived assets are non-recurring fair value measurements that fall within Level 3 of the fair value hierarchy.

Revenue Recognition

General – Our revenue is derived from customer contracts and agreements that are awarded on a competitively bid and negotiated basis using a range of contracting options, including fixed-price, unit-rate, time and materials ("T&M") and cost-reimbursable, or a combination thereof. Our contracts primarily relate to the fabrication of steel structures and modules, and certain service arrangements. We recognize revenue from our contracts in accordance with Accounting Standards Update ("ASU") 2014-09, Topic 606 *"Revenue from Contracts with Customers"* ("Topic 606").

Topic 606 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, provisions of Topic 606 specify which goods and services are distinct and represent separate performance obligations (representing the unit of account in Topic 606) within a contract and which goods and services (which could include multiple contracts or agreements) should be aggregated. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue for performance obligations satisfied over time are recognized as the work progresses. Revenue for performance obligations that do not meet the criteria for over time recognition are recognized at a point-in-time when a performance obligation is complete and the customer has obtained control of a promised asset.

Long-term Contracts Satisfied Over Time – Revenue for our long-term contracts is recognized using the POC method based on contract costs incurred to date compared to total estimated contract costs (an input method). Fixed-price contracts, or contracts with a more significant fixed-price component, generally provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and accordingly, when revenue is recognized. Unit-rate, T&M and cost-reimbursable contracts generally have more variability in the scope of work and provide our customers with greater influence over the timing of when we perform our work, and accordingly, such contracts often result in less predictability with respect to the timing of when revenue is recognized. Contract costs include direct costs, such as materials and labor, and indirect costs attributable to contract activity. Material costs that are significant to a contract and do not reflect an accurate measure of project completion are excluded from the determination of our contract progress. Revenue for such materials is only recognized to the extent of costs incurred. Revenue and gross profit or loss for contracts accounted for using the POC method can be significantly affected by changes in estimated cost to complete such contracts. Significant estimates impacting the cost to complete a contract include: forecast costs of engineering, materials, equipment and subcontracts; forecast costs of labor and labor productivity; schedule durations, including subcontractor and supplier progress; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. Although our customers retain the right and ability to change, modify or discontinue further work at any stage of a contract, in the event our customers discontinue work, they are required to compensate us for the work performed to date. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our Financial Statements and related disclosures. See Note 2 for further discussion of projects with significant changes in estimated margins during the three and nine months ended September 30, 2023 and 2022.

Short-term Contracts and Contracts Satisfied at a Point In Time – Revenue for our short-term contracts (which includes revenue associated with our master services arrangements) and contracts that do not satisfy the criteria for revenue recognition over time is recognized when the work is performed or when control of the asset is transferred, the related costs are incurred and collection is reasonably assured.

Variable Consideration – Revenue and gross profit or loss for contracts can be significantly affected by variable consideration, which can be in the form of unapproved change orders, claims (including amounts arising from disputes with customers), incentives and liquidated damages that may not be resolved until the later stages of the contract or after the contract has been completed. Variable consideration can also include revenue associated with work performed on a unit-rate, T&M or cost-reimbursable basis that is recognized using the POC method. We estimate variable consideration based on the amount we expect to be entitled and include estimated amounts in transaction price to the extent it is probable that a significant future reversal of cumulative revenue recognized will not occur or when we conclude that any significant uncertainty associated with the variable consideration is resolved. See Note 2 for further discussion of our unapproved change orders, claims, incentives and liquidated damages.

Additional Disclosures – Topic 606 also requires disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. See Note 2 for required disclosures under Topic 606.

Pre-Contract Costs

Pre-contract costs are generally charged to cost of revenue as incurred, but in certain cases their recognition may be deferred if specific probability criteria are met. At September 30, 2023 and December 31, 2022, we had no deferred pre-contract costs.

Other (Income) Expense, Net

Other (income) expense, net, generally represents recoveries or provisions for bad debts and credit losses, gains or losses associated with the sale or disposition of property and equipment, and income or expense associated with certain nonrecurring items.

Income Taxes

Income taxes have been provided for using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted rates expected to be in effect during the year in which the differences are expected to reverse. Due to state income tax laws related to the apportionment of revenue for our projects, judgment is required to estimate the effective tax rate expected to apply to tax differences that are anticipated to reverse in the future.

A valuation allowance is provided to reserve for deferred tax assets ("DTA(s)") if, based upon the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our DTAs depends on our ability to generate sufficient taxable income of the appropriate character and in the appropriate jurisdictions. Our effective tax rate differs from our statutory rate for the three months ended September 30, 2023, and nine months ended September 30, 2023 and 2022, as no federal income tax benefit was recorded for our losses as a full valuation allowance was recorded against our net deferred tax assets generated during the periods, and for the three months ended September 30, 2022, as no federal income tax expense was recorded for our income as it was fully offset by the reversal of valuation allowance on our net deferred tax assets. Income taxes recorded for the three and nine months ended September 30, 2023 and 2022 relate to state income taxes.

Reserves for uncertain tax positions are recognized when we consider it more likely than not that additional tax will be due in excess of amounts reflected in our income tax returns, irrespective of whether or not we have received tax assessments. Interest and penalties on uncertain tax positions are recorded within income tax expense.

New Accounting Standards

Financial Instruments – In the first quarter 2023, we adopted ASU 2016-13, *"Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments,"* which changes the way we evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, short-term investments, loans and other instruments, we are required to use a new forward-looking "expected loss" model to evaluate impairment, which includes considering a broader range of information to estimate expected credit losses and may potentially result in earlier recognition of allowances for losses. The new accounting standard was adopted using the cumulative-effect transition method with any cumulative-effect adjustment being recorded to accumulated deficit on January 1, 2023. Upon adoption, we recorded a $0.6 million increase to beginning accumulated deficit, a $0.4 million decrease to contract receivables and retainage, net and contract assets, and a $0.2 million decrease to other noncurrent assets, on our Balance Sheet. Adoption of the new standard did not have a material effect on our results of operations or related disclosures.

Business Combinations – In the first quarter 2023, we adopted ASU 2021-08, *"Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,"* which changes the way companies measure contract assets and contract liabilities from contracts with customers acquired in a business combination and creates an exception to the general recognition and measurement principle of ASC 805. Adoption of the new standard did not have a material effect on our financial position, results of operations or related disclosures.

2. REVENUE, CONTRACT ASSETS AND LIABILITIES AND OTHER CONTRACT MATTERS

As discussed in Note 1, we recognize revenue from our contracts in accordance with Topic 606. Summarized below are required disclosures under Topic 606 and other relevant guidance.

Disaggregation of Revenue

The following tables summarize revenue for each of our operating segments, disaggregated by contract type and duration, for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30, 2023				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 557	$ 12,185	$ (32,702)	$ (20)	$ (19,980)
T&M and cost-reimbursable	21,086	2,794	—	—	23,880
Other	1,333	—	—	(210)	1,123
Total	$ 22,976	$ 14,979	$ (32,702)	$ (230)	$ 5,023
Long-term	$ 557	$ 13,043	$ (32,702)	$ (20)	$ (19,122)
Short-term	22,419	1,936	—	(210)	24,145
Total	$ 22,976	$ 14,979	$ (32,702)	$ (230)	$ 5,023

	Three Months Ended September 30, 2022				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 986	$ 11,410	$ 1,849	$ (1)	$ 14,244
T&M and cost-reimbursable	20,937	2,373	—	—	23,310
Other	646	1,646	—	(253)	2,039
Total	$ 22,569	$ 15,429	$ 1,849	$ (254)	$ 39,593
Long-term	$ 986	$ 14,078	$ 1,849	$ (1)	$ 16,912
Short-term	21,583	1,351	—	(253)	22,681
Total	$ 22,569	$ 15,429	$ 1,849	$ (254)	$ 39,593

	Nine Months Ended September 30, 2023				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 1,356	$ 37,773	$ (30,973)	$ (30)	$ 8,126
T&M and cost-reimbursable	64,456	31,609	—	—	96,065
Other	3,221	—	—	(895)	2,326
Total	$ 69,033	$ 69,382	$ (30,973)	$ (925)	$ 106,517
Long-term	$ 1,356	$ 65,259	$ (30,973)	$ (30)	$ 35,612
Short-term	67,677	4,123	—	(895)	70,905
Total	$ 69,033	$ 69,382	$ (30,973)	$ (925)	$ 106,517

	Nine Months Ended September 30, 2022				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 3,557	$ 25,651	$ 7,314	$ (7)	$ 36,515
T&M and cost-reimbursable	59,903	3,588	—	—	63,491
Other	1,953	2,646	—	(424)	4,175
Total	$ 65,413	$ 31,885	$ 7,314	$ (431)	$ 104,181
Long-term	$ 3,557	$ 29,319	$ 7,314	$ (7)	$ 40,183
Short-term	61,856	2,566	—	(424)	63,998
Total	$ 65,413	$ 31,885	$ 7,314	$ (431)	$ 104,181

Future Performance Obligations

The following table summarizes our remaining performance obligations, disaggregated by operating segment and contract type, at September 30, 2023 (in thousands):

	September 30, 2023			
	Services	Fabrication	Shipyard	Total
Fixed-price and unit-rate	$ 867	$ 10,033	$ 726	$ 11,626
T&M and cost-reimbursable(1)	—	1,474	—	1,474
Total(2)	$ 867	$ 11,507	$ 726	$ 13,100

(1) In February 2023, we received direction from our customer to suspend all activities on our offshore jackets project for our Fabrication Division, and in July 2023, the customer cancelled the contract. Accordingly, during the second quarter 2023, our performance obligations were reduced by $76.1 million to reflect the estimated revenue amount that will not be recognized due to the cancellation. See *"Other Operating and Project Matters"* below for further discussion of the project cancellation.

(2) Based on our current estimates we expect to recognize revenue of approximately $12.6 million and $0.5 million for the remainder of 2023 and 2024, respectively, associated with our performance obligations at September 30, 2023. Certain factors and circumstances could result in changes in the timing of recognition of our performance obligations as revenue and the amounts ultimately recognized.

Contracts Assets and Liabilities

The timing of customer invoicing and recognition of revenue using the POC method may occur at different times. Customer invoicing is generally dependent upon contractual billing terms, which could provide for customer payments in advance of performing the work, milestone billings based on the completion of certain phases of the work, or billings when services are provided. Revenue recognized in excess of amounts billed is reflected as contract assets on our Balance Sheet, or to the extent we have an unconditional right to the consideration, is reflected as contract receivables on our Balance Sheet. Amounts billed in excess of revenue recognized, and accrued contract losses, are reflected as contract liabilities on our Balance Sheet. Information with respect to contracts that were incomplete at September 30, 2023 and December 31, 2022, is as follows (in thousands):

	September 30, 2023	December 31, 2022
Contract assets(1), (2)	$ 4,305	$ 4,839
Contract liabilities(3), (4), (5)	(3,534)	(8,196)
Contracts in progress, net	$ 771	$ (3,357)

(1) The decrease in contract assets compared to December 31, 2022, was primarily due to decreased unbilled positions on our forty-vehicle ferry projects for our Shipyard Division, offset partially by increased unbilled positions on various projects for our Fabrication Division.

(2) Contract assets at September 30, 2023 and December 31, 2022, excluded $3.8 million and $3.6 million, respectively, associated with revenue recognized in excess of amounts billed for which we have an unconditional right to the consideration. Such amounts are reflected within contract receivables.

(3) The decrease in contract liabilities compared to December 31, 2022, was primarily due to a decrease in advance billings on our cancelled offshore jackets project for our Fabrication Division and accrued contract losses on our forty-vehicle ferry projects for our Shipyard Division. See *"Future Performance Obligations"* above for further discussion of the project cancellation.

(4) Revenue recognized during the three months ended September 30, 2023 and 2022, related to amounts included in our contract liabilities balance at June 30, 2023 and 2022 was $1.1 million and $0.6 million, respectively. Revenue recognized during the nine months ended September 30, 2023 and 2022, related to amounts included in our contract liabilities balance at December 31, 2022 and 2021, was $6.2 million and $2.7 million, respectively.

(5) Contract liabilities at September 30, 2023 and December 31, 2022, includes accrued contract losses of $0.4 million and $1.6 million, respectively. See "*Changes in Project Estimates"* below for further discussion of our accrued contract losses and Note 4 for discussion of the noncurrent contract liability associated with the resolution of our MPSV Litigation.

Allowance for Doubtful Accounts and Credit Losses

Our provision for bad debts and credit losses is included in other (income) expense, net on our Statement of Operations. For the three and nine months ended September 30, 2023, we recognized income of $0.2 million and $0.4 million, respectively, associated with revisions to our allowance for doubtful accounts and credit losses, and for the three and nine months ended September 30, 2022, changes were not significant. Our allowance for doubtful accounts and credit losses at September 30, 2023 was $0.2 million, and it was not significant at December 31, 2022. We recorded a $0.6 million increase to beginning accumulated deficit as of January 1, 2023, in connection with our adoption of ASU 2016-13. We had no significant write-offs or recoveries of previously recorded bad debts during the three or nine months ended September 30, 2023 or 2022. See *"New Accounting Standards"* in Note 1 for further discussion of our adoption of ASU 2016-13.

Variable Consideration

For the three and nine months ended September 30, 2023 and 2022, we had no material amounts in revenue related to unapproved change orders, claims or incentives, other than the amounts related to the resolution of our MPSV Litigation discussed further below. However, at September 30, 2023 and December 31, 2022, certain active projects within our Shipyard Division reflected a reduction to our estimated contract price for liquidated damages of $1.5 million and $1.4 million, respectively.

Changes in Project Estimates

We determine the impact of changes in estimated margins on projects for a given period by calculating the amount of revenue recognized in the period that would have been recognized in a prior period had such estimated margins been forecasted in the prior period. The total impact of changes in estimated margins for a project as disclosed on a quarterly basis may be different from the applicable year-to-date impact due to the application of the POC method and the changing progress of the project at each period end. Such impacts may also be different when a project is commenced and completed within the applicable year-to-date period but spans multiple quarters.

As a result of the resolution of our MPSV Litigation, we recorded a charge of $32.5 million during each of the three and nine months ended September 30, 2023. See Note 4 for further discussion of the resolution of our MPSV Litigation.

For each of the three and nine months ended September 30, 2023, significant changes in estimated margins on projects positively impacted operating results for our Fabrication Division by $0.7 million, and negatively impacted operating results for our Shipyard Division by $1.5 million and $2.3 million, respectively. For the three and nine months ended September 30, 2022, individual projects with significant changes in estimated margins did not have a material net impact on our operating results. The changes in estimates for the 2023 periods were associated with the following:

Fabrication Division

- *Various Projects* – For each of the three and nine months ended September 30, 2023, our operating results were positively impacted by $0.7 million on projects, resulting primarily from increases in contract price due to favorable resolution of customer change orders.

Shipyard Division

- *Seventy-Vehicle Ferry Project* – For the three and nine months ended September 30, 2023, our operating results were negatively impacted by $1.2 million and $1.8 million, respectively, for our seventy-vehicle ferry project, resulting primarily from increased materials and subcontracted services costs, duration related costs due to extensions of schedule and net reductions to contract price. The cost impacts were primarily due to delays in the receipt of certain equipment that required replacement and subcontractor delays. The contract price impacts were primarily due to a reduction related to the propeller blades replacement discussed further below, offset partially by increases due to favorable resolution of customer change orders and the customer's agreement to forego a portion of previously forecasted liquidated damages.

  As discussed in our previous quarterly filing, in connection with the delivery and commissioning of the vessel in the second quarter 2023, corrosion on the propeller blades was identified and the customer has determined that replacement of the propeller blades will be required. The customer has agreed to directly procure the new propeller blades and take responsibility for future installation of the blades once received. However, the customer believes we should bear the cost of the new propeller blades through a contract price reduction. We disagree with the customer given the fact that the customer specified the materials and equipment manufacturers to be used for the propulsion system and specified the cathodic protection to be used to mitigate corrosion. In light of the disagreement with the customer regarding who is responsible for the cost of the propeller blades, our forecasts at September 30, 2023, reflect a contract price reduction related to the estimated cost of the propeller blades. We are having ongoing discussions with the customer regarding who should bear final responsibility for the cost of the propeller blades.

  At September 30, 2023, the vessel was substantially complete and has been delivered to the customer. We anticipate completion of commissioning activities and final sea trials to occur in the fourth quarter 2023 (previously the third quarter 2023, but was delayed due to the aforementioned impacts). At September 30, 2023, the project was in a loss position and our reserve for estimated losses was $0.1 million. If future subcontractor availability or costs differ from our current estimates, our schedule is further extended or we incur additional liquidated damages, we experience challenges during commissioning or sea trials for the vessel, or unanticipated warranty costs, the project would experience further delays and losses.

- *Forty-Vehicle Ferry Projects* – During the second quarter 2023, we received final customer acceptance of one of the two forty-vehicle ferries that were under construction. For the three and nine months ended September 30, 2023, our operating results were negatively impacted by $0.3 million and $0.5 million, respectively, for our remaining forty-vehicle ferry project, resulting primarily from increased subcontracted services and duration related costs due to extensions of schedule, including forecast liquidated damages. The impacts were primarily due to delays in the receipt of certain equipment that required replacement and subcontractor delays. At September 30, 2023, the vessel was substantially complete, and as of the date of this Report, the ferry is in route for delivery to the customer. We anticipate completion of delivery, commissioning activities and final sea trials to occur in the fourth quarter 2023 (previously the third quarter 2023, but was delayed due to the aforementioned impacts). At September 30, 2023, the project was in a loss position and our reserve for estimated losses was $0.3 million.

  As discussed in our 2022 Financial Statements, we have experienced rework, construction and commissioning challenges on the two ferries, resulting in forecast cost increases and liquidated damages and the previous need to fabricate a new hull for the remaining vessel. Accordingly, during 2021 we submitted claims to our customer, and subsequently filed a lawsuit, to extend our project schedules and recover the cost impacts of the design deficiencies. The customer denied all liability. Further, during the fourth quarter 2022 and early 2023, we received correspondence from our customer indicating that the new hull for the remaining ferry under construction was exhibiting deformation issues that are potentially beyond the customer's desired tolerance levels. Our subsequent evaluation did not support the customer's conclusions and we completed construction of the vessel as designed.

  Our forecast costs and scheduled completion date for the remaining vessel are based on the current vessel design and reflect our best estimates; however, such estimates may be impacted by any future challenges with the vessel design deficiencies, including the final resolution of the aforementioned design and deformation issues in dispute. If future subcontractor availability or costs differ from our current estimates, our schedule is further extended or we incur additional liquidated damages, we experience challenges during delivery, commissioning or sea trails for the remaining vessel, or other challenges associated with the design deficiencies, including unanticipated warranty costs (for either vessel), and are unable to recover associated costs from our customer, or the customer rejects delivery and/or final acceptance of the remaining vessel due to the design dispute, the project would experience further delays and losses. Our forecasts at September 30, 2023 do not reflect potential future benefits, if any, from the favorable resolution of the aforementioned lawsuit and we can provide no assurance that we will be successful recovering previously incurred costs.

Other Operating and Project Matters

Hurricane Ida – On August 29, 2021, Hurricane Ida made landfall near Houma, Louisiana as a high-end Category 4 hurricane, with high winds and heavy rains causing damage to buildings and equipment at our Houma Facilities and resulting in significant debris throughout the facility. Our insurance coverages in effect at the time of the storm generally specify coverage amounts for each of our buildings (including contents) and major equipment.

During the nine months ended September 30, 2023 and 2022, we received insurance payments of $2.2 million and $7.0 million, respectively, from our insurance carriers associated with interruptions to our operations and damage to buildings and equipment. In addition, we have received payments from our insurance carriers during other periods subsequent to the storm associated with interruptions to our operations and damage to buildings and equipment. Such payments are nonrefundable, and with respect to our buildings, represent the insurance carriers' estimate of the damage to each building based on the estimated depreciated value of such buildings plus repair costs incurred by us in excess of such estimates for certain buildings. To the extent we incur further repair costs for a building in excess of the amounts received, we may receive additional insurance proceeds up to the limits of our insurance coverage for such building. The classification of insurance proceeds within our Statement of Cash Flows is based on our use or intended use of the proceeds. Proceeds used or intended to be used for repairs that are not deemed to be capital in nature, and proceeds associated with interruptions to our operations, are reflected within operating activities. Proceeds used or intended to be used for repairs that are deemed capital in nature, or proceeds in excess of anticipated repair costs, are reflected within investing activities.

The timing of payments from our insurance carriers have, and may continue to, differ from when we incur the applicable repair and cleanup costs, and accordingly, we have accounted for such differences in timing as follows:

- To the extent we incurred repair costs in excess of insurance proceeds received to date, we recorded an insurance receivable when we believe such amounts are probable of recovery under our insurance policies.
- To the extent we determined that damage to an asset resulted in a complete loss, we recorded an insurance receivable up to the impairments recognized when we believe such amounts are probable of recovery under our insurance policies.
- To the extent proceeds received exceeded repair costs incurred to date, we recorded an insurance gain as we do not have an obligation to perform further repair activities. Charges will be recorded in future periods to the extent such proceeds received are used for future repair activities that are not deemed to be capital in nature.
- Insurance deductibles, clean-up costs and uninsured losses have been expensed.

Based on the above, during the three months ended September 30, 2023 and 2022, and nine months ended September 30, 2023 and 2022, we recorded gains of $0.3 million (all related to our business interruption coverage), $1.3 million, $0.5 million (including $0.6 million related to our business interruption coverage) and $4.4 million, respectively, related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida. The gains are included in other (income) expense, net on our Statement of Operations and are reflected within our Fabrication Division. In addition, at September 30, 2023, we had total insurance receivables on our Balance Sheet of $0.1 million. We have finalized our restoration plans and are nearing completion of our repair efforts. We expect to incur future repair costs of approximately $0.5 million associated with previously received insurance payments for certain buildings and equipment. Further, we expect to incur future repair costs in excess of previously received insurance payments for certain buildings and equipment; however, we believe that recovery of insurance proceeds for such costs is probable.

In addition to damage to our Houma Facilities, the storm resulted in damage to one of our forty-vehicle ferry projects, the multi-purpose supply vessels ("MPSVs") and associated equipment that remain in our possession and were subject to our previous MPSV Litigation, and certain bulkheads where the vessels were moored. We are continuing to evaluate the extent to which any damage was the result of third-party vessels that broke free from their mooring during the storm and struck the ferry, MPSVs and bulkheads. During the three months ended September 30, 2023, we recorded charges of $0.1 million, and during the nine months ended September 30, 2023 and 2022, we recorded charges of $0.4 million and $0.2 million, respectively, associated with damage previously caused by Hurricane Ida. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Offshore Jackets Project – As discussed above, in February 2023, we received direction from our customer to suspend all activities on our offshore jackets project for our Fabrication Division, and in July 2023, the customer cancelled the contract. At September 30, 2023, we had $5.0 million of accounts receivable on our Balance Sheet related to the project and we expect such amounts to be paid in the fourth quarter 2023. We have received a payment guarantee bond as security for the remaining accounts receivable amounts.

3. CREDIT FACILITIES AND DEBT

LC Facility

On May 5, 2023, we amended our LC Facility with Whitney Bank to reduce our letters of credit capacity from $20.0 million to $10.0 million, subject to our cash securitization of the letters of credit, and extend the maturity date to June 30, 2024. Commitment fees on the unused portion of the LC Facility are 0.4% per annum and interest on outstanding letters of credit is 1.5% per annum. At September 30, 2023, we had $1.2 million of outstanding letters of credit under the LC Facility. See Note 4 for further discussion of our letters of credit and associated security requirements.

Surety Bonds

We issue surety bonds in the ordinary course of business to support our projects and certain of our insurance coverages. At September 30, 2023, we had $101.6 million of outstanding surety bonds, of which $50.0 million related to our MPSV projects that were subject to our MPSV Litigation (which was resolved on October 4, 2023 and the associated bonds were subsequently terminated), $45.6 million relates to our Active Retained Shipyard Contracts, and $6.0 million relates to our Fabrication Division contracts and certain of our insurance coverages. See Note 4 for further discussion of our surety bonds and related indemnification obligations and the resolution of our MPSV Litigation.

Insurance Finance Arrangement

In connection with the renewal of our property and equipment insurance coverages during 2022, and general liability insurance coverages during the first quarter 2023, we entered into short-term premium finance arrangements (“Insurance Finance Arrangements”). The property and equipment arrangement totaled $2.4 million, payable in ten equal monthly installments through March 2023, with interest at a fixed rate of 4.3% per annum. The general liability arrangement totaled $0.5 million, payable in eight equal monthly installments through August 2023, with interest at a fixed rate of 6.6% per annum. We considered the transactions to be non-cash financing activities, with the initial financed amount reflected within accrued expenses and other liabilities, and a corresponding asset reflected within prepaid expenses and other assets, on our Balance Sheet. For the nine months ended September 30, 2023 and 2022, we have reflected principal payments of $1.3 million and $1.0 million, respectively, as a financing activity on our Statement of Cash Flows.

Mortgage Agreement and Restrictive Covenant Agreement

In connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties (Fidelity & Deposit Company of Maryland (“FDC”) and Zurich American Insurance Company (together with FDC, “Zurich”)), we entered into a multiple indebtedness mortgage (“Mortgage Agreement”) and a restrictive covenant arrangement (“Restrictive Covenant Agreement”) with Zurich to secure our obligations for our MPSV projects and two forty-vehicle ferry projects. The Mortgage Agreement encumbers all real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. In connection with the resolution of our MPSV Litigation and the Note Agreement entered into with Zurich, the Mortgage Agreement was modified on November 6, 2023, to include a provision requiring that 50 percent of the proceeds received by us in excess of $8.0 million from the sale of any real estate of our Houma Facilities be used to make early payments on the principal balance under the Note Agreement. The Mortgage Agreement will terminate when the obligations and liabilities of Zurich associated with the outstanding surety bonds for the forty-vehicle ferry projects are discharged and the Note Agreement is repaid. The Restrictive Covenant Agreement precluded us from paying dividends or repurchasing shares of our common stock; however, in connection with the resolution of our MPSV Litigation, the Restrictive Covenant Agreement was terminated. See Note 1 for further discussion of the Shipyard Transaction and Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement.

4. COMMITMENTS AND CONTINGENCIES

Routine Legal Proceedings

We are subject to various routine legal proceedings in the normal conduct of our business, primarily involving commercial disputes and claims, workers’ compensation claims, and claims for personal injury under general maritime laws of the U.S. and the Jones Act. While the outcome of these legal proceedings cannot be predicted with certainty, we believe that the outcome of any such proceedings, even if determined adversely, would not have a material adverse effect on our financial position, results of operations or liquidity.

MPSV Litigation Resolution

On March 19, 2018, our subsidiary, Gulf Island Shipyards, LLC (“GIS”), received termination notices from its customer, Hornbeck Offshore Services, LLC (“Hornbeck”), of the contracts for the construction of two MPSVs. GIS disputed the purported terminations and disagreed with Hornbeck’s reasons for such terminations. In connection with such purported terminations, Hornbeck also made claims against the performance bonds issued by Zurich in connection with the construction of the MPSVs, for which the face amount of the bonds totaled $50.0 million (“Performance Bonds”). On October 2, 2018, GIS filed a lawsuit against Hornbeck to enforce its rights and remedies under the applicable construction contracts for the two MPSVs. The lawsuit was filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and was styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861 (“MPSV Litigation”). Hornbeck subsequently asserted counterclaims against GIS and Zurich seeking damages.

On October 4, 2023, the MPSV Litigation was dismissed in full with prejudice at the request of the parties after the parties reached an agreement in principle. To effectuate such agreement, on November 6, 2023, GIS and the Company entered into an agreement (“Settlement Agreement”) with Zurich pursuant to which Zurich released GIS and the Company from all of their obligations under the Performance Bonds and the associated general indemnity agreements relating to the Performance Bonds, and we agreed to release possession of the MPSVs to Zurich. Further, we entered into a promissory note (“Note Agreement”) payable to Zurich in the principal amount of $20 million. The Note Agreement bears interest at a fixed rate of 3.0% per annum commencing on January 1, 2024, with principal and interest payable in 15 equal annual installments of approximately $1.7 million, beginning on December 31, 2024 and ending on December 31, 2038. The estimated present value of the Note Agreement amount is $12.6 million based on an estimated market rate of interest.

As a result of the resolution of the MPSV Litigation, we recorded a charge of $32.5 million during each of the three and nine months ended September 30, 2023, consisting of (i) a $12.5 million charge associated with the write-off of a noncurrent net contract asset related to the MPSV construction contracts, and (ii) a $20.0 million charge associated with recording a liability resulting from the Note Agreement. Because the Note Agreement was entered into subsequent to September 30, 2023, the liability has been reflected as a noncurrent contract liability on our Balance Sheet at September 30, 2023, and will be reclassified as long-term debt in the fourth quarter 2023. The charge was reflected as a reduction to previously recognized revenue on the MPSV construction contracts, resulting in a negative revenue amount for the Shipyard Division for the three and nine months ended September 30, 2023, and is included in the changes in noncurrent assets and liabilities, net on our Statement of Cash Flows.

Insurance

We maintain insurance coverage for various aspects of our business and operations. However, we may be exposed to future losses due to coverage limitations and our use of deductibles and self-insured retentions for our exposures related to property and equipment damage, builder's risk, third-party liability and workers' compensation and USL&H claims. In connection with our insurance coverage renewal for our property and equipment in the second quarter 2023, we determined that the benefits of maintaining insurance coverage for our property and equipment were limited due to high premium costs and deductibles and increased coverage limitations. Accordingly, we did not renew all of our property and equipment coverage and are now generally self-insured for exposures resulting from any future damage to our property and equipment.

To the extent we have insurance coverage, we do not have an offset right for liabilities in excess of any deductibles and self-insured retentions. Accordingly, we have recorded a liability for estimated amounts in excess of our deductibles and retentions, and have recorded a corresponding asset related to estimated insurance recoveries, on our Balance Sheet. Further, to the extent we are self-insured, reserves are recorded based upon our estimates, with input from legal and insurance advisors. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change. See Note 2 for discussion of insurance deductibles incurred associated with damage caused by Hurricanes Ida.

Letters of Credit and Surety Bonds

We obtain letters of credit under our LC Facility or surety bonds from financial institutions to provide to our customers in order to secure advance payments or guarantee performance under our contracts, or in lieu of retention being withheld on our contracts. Letters of credit under our LC Facility are subject to cash securitization of the full amount of the outstanding letters of credit. In the event of non-performance under a contract, our cash securitization with respect to the letter of credit supporting such contract would become the property of Whitney Bank. With respect to surety bonds, payments by a Surety pursuant to a bond in the event of non-performance are subject to reimbursement to such Surety by us under a general indemnity agreement relating to such bond. Such indemnification obligations may include the face amount of the surety bond, or portions thereof, as well as other reimbursable items such as interest and certain investigative expenses and legal fees of the Surety. Such indemnification obligations would require us to use our cash, cash equivalents or short-term investments, and we may not have sufficient liquidity to satisfy such indemnification obligations. When a contract is complete, the contingent obligation terminates, and letters of credit or surety bonds are returned. See Note 3 for further discussion of our LC Facility and surety bonds.

Environmental Matters

Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other countries, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. In connection with the historical operation of our facilities, including those associated with acquired operations, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. We believe we are in compliance, in all material respects, with environmental laws and regulations and maintain insurance coverage to mitigate exposure to environmental liabilities. We do not believe any environmental matters will have a material adverse effect on our financial condition, results of operations or cash flow.

Leases

We maintain operating leases for our corporate office and certain operating facilities and equipment. See Note 1 for further discussion of our leases.

5. INCOME (LOSS) PER SHARE

The following table presents the computation of basic and diluted income (loss) per share for the three and nine months ended September 30, 2023 and 2022 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	$ (33,235)	$ 598	$ (31,492)	$ (3,901)
Weighted average shares[(1)]	16,287	15,923	16,162	15,808
Basic and diluted income (loss) per common share	$ (2.04)	$ 0.04	$ (1.95)	$ (0.25)

(1) The effect of approximately 147 thousand dilutive non-vested shares is not material to the calculation of diluted income per share for the three months ended September 30, 2022.

6. OPERATING SEGMENTS

We currently operate and manage our business through three operating divisions ("Services", "Fabrication" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our three operating divisions and Corporate Division are discussed below:

Services Division – Our Services Division provides maintenance, repair, construction, scaffolding, coatings, welding enclosures and other specialty services on offshore platforms and inland structures and at industrial facilities; provides services required to connect production equipment and service modules and equipment on offshore platforms; provides project management and commissioning services; provides industrial staffing services; and performs municipal and drainage projects, including pump stations, levee reinforcement, bulkheads and other public works. Our services activities are managed from our various Facilities and include the results of the DSS Acquisition. See Note 1 for further discussion of the DSS Acquisition.

Fabrication Division – Our Fabrication Division fabricates modules, skids and piping systems for onshore refining, petrochemical, LNG and industrial facilities and offshore facilities; fabricates foundations, secondary steel components and support structures for alternative energy developments and coastal mooring facilities; fabricates offshore production platforms and associated structures, including jacket foundations, piles and topsides for fixed production and utility platforms, as well as hulls and topsides for floating production and utility platforms; and fabricates other complex steel structures and components. Our fabrication activities are performed at our Houma Facilities.

Shipyard Division – Our Shipyard Division previously fabricated newbuild marine vessels and provided marine repair and maintenance services. However, on April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction"). The Shipyard Transaction excluded the contracts and related obligations for our seventy-vehicle ferry and two forty-vehicle ferry projects ("Active Retained Shipyard Contracts") that were under construction as of the transaction date and excluded the contracts and related obligations for the projects that were subject to our MPSV Litigation (which was resolved on October 4, 2023). The Active Retained Shipyard Contracts have been or will be completed at our Houma Facilities and we intend to wind down our Shipyard Division operations by the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2). At September 30, 2023 and December 31, 2022, the net operating liabilities on our Balance Sheet associated with our Shipyard Division operations totaled $3.5 million and $2.7 million, respectively. See Note 1 for further discussion of the Shipyard Transaction and Note 4 for further discussion of the resolution of our MPSV Litigation.

Corporate Division and Allocations – Our Corporate Division includes costs that do not directly relate to our operating divisions. Such costs include, but are not limited to, costs of maintaining our corporate office, executive management salaries and incentives, board of directors' fees, certain insurance costs and costs associated with overall corporate governance and reporting requirements for a publicly traded company. Shared resources and costs that benefit more than one operating division are allocated amongst the operating divisions based on each operating division's estimated share of the benefit received. Such costs include, but are not limited to, human resources, insurance, information technology, accounting, business development and certain division leadership.

Segment Results – We generally evaluate the performance of, and allocate resources to, our divisions based upon gross profit or loss and operating income or loss. Segment assets are comprised of all assets attributable to each division. Intersegment revenues are priced at the estimated fair value of work performed. Summarized financial information for our segments as of September 30, 2023 and 2022, and for the three and nine months ended September 30, 2023 and 2022, is as follows (in thousands):

	Three Months Ended September 30, 2023				
	Services	Fabrication	Shipyard	Corporate	Consolidated
Revenue	$ 22,976	$ 14,979	$ (32,702)	$ (230)	$ 5,023
Gross profit (loss)	3,260	1,217	(34,356)	—	(29,879)
Operating income (loss)	2,577	904	(35,117)	(1,999)	(33,635)
Depreciation and amortization expense	502	813	—	75	1,390
Capital expenditures	—	573	—	72	645
Total assets(1)	30,407	44,372	727	45,096	120,602

	Three Months Ended September 30, 2022				
	Services	Fabrication	Shipyard	Corporate	Consolidated
Revenue	$ 22,569	$ 15,429	$ 1,849	$ (254)	$ 39,593
Gross profit (loss)	3,163	1,326	(269)	—	4,220
Operating income (loss)	2,390	2,120	(1,393)	(2,463)	654
Depreciation and amortization expense	382	807	—	51	1,240
Capital expenditures	499	4	—	55	558
Total assets(1)	33,899	40,061	17,349	43,430	134,739

	Nine Months Ended September 30, 2023				
	Services	Fabrication	Shipyard	Corporate	Consolidated
Revenue	$ 69,033	$ 69,382	$ (30,973)	$ (925)	$ 106,517
Gross profit (loss)	10,348	5,243	(35,955)	—	(20,364)
Operating income (loss)	8,187	4,443	(39,268)	(5,920)	(32,558)
Depreciation and amortization expense	1,440	2,460	—	215	4,115
Capital expenditures	508	1,111	—	82	1,701
Total assets(1)	30,407	44,372	727	45,096	120,602

	Nine Months Ended September 30, 2022				
	Services	Fabrication	Shipyard	Corporate	Consolidated
Revenue	$ 65,413	$ 31,885	$ 7,314	$ (431)	$ 104,181
Gross profit (loss)	8,295	(2,064)	(759)	—	5,472
Operating income (loss)	5,912	787	(3,965)	(6,529)	(3,795)
Depreciation and amortization expense	1,128	2,436	—	200	3,764
Capital expenditures	817	160	—	55	1,032
Total assets(1)	33,899	40,061	17,349	43,430	134,739

(1) Cash and short-term investments are reported within our Corporate Division.

7. SUBSEQUENT EVENTS

On October 4, 2023, we resolved our MPSV Litigation, resulting in a charge of $32.5 million during both the three and nine months ended September 30, 2023. In addition, on November 6, 2023, we entered into the Settlement Agreement, Note Agreement and an amendment to the Mortgage Agreement, and the Restrictive Covenant Agreement was terminated. See Note 3 for further discussion of the Mortgage Agreement amendment and Restrictive Covenant Agreement termination, and Note 4 for further discussion of the resolution of our MPSV Litigation, the Settlement Agreement, the Note Agreement and the associated impacts for the three and nine months ended September 30, 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* is provided to assist readers in understanding our financial performance during the periods presented and significant trends that may impact our future performance. This discussion should be read in conjunction with our Financial Statements and the related notes thereto. References to *"Notes"* relate to the Notes to our Financial Statements in Item 1. References to "*nm"* relate to percentage references that are not considered meaningful. Certain terms are defined in the *"Glossary of Terms"* beginning on page ii.

Cautionary Statement on Forward-Looking Information

This Report contains forward-looking statements in which we discuss our potential future performance, operations and projects. Forward-looking statements, within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, are all statements other than statements of historical facts, such as projections or expectations relating to operating results, timing of delivery of vessels related to the Active Retained Shipyard Contracts and subsequent wind down of our Shipyard Division operations; impacts of the resolution of the MPSV Litigation; diversification and entry into new end markets; improvement of risk profile; industry outlook; oil and gas prices; timing of investment decisions and new project awards; cash flows and cash balance; capital expenditures; liquidity; tax rates; and execution of strategic initiatives. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," "potential" and any similar expressions are intended to identify those assertions as forward-looking statements.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include: supply chain disruptions (including global shipping and logistics challenges), inflationary pressures, economic slowdowns and recessions, natural disasters, public health crises (such as COVID-19), labor costs and geopolitical conflicts (such as the conflict in Ukraine and the Israel-Hamas conflict), and the related volatility in oil and gas prices and other factors impacting the global economy; cyclical nature of the oil and gas industry; our ability to resolve any material legal proceedings; competition; reliance on significant customers; competitive pricing and cost overruns on our projects; performance of subcontractors and dependence on suppliers; timing and our ability to secure and commence execution of new project awards, including fabrication projects for refining, petrochemical, LNG, industrial and sustainable energy end markets; our ability to maintain and further improve project execution; nature of our contract terms and customer adherence to such terms; suspension or termination of projects; changes in contract estimates; customer or subcontractor disputes; operating dangers, weather events and availability and limits on insurance coverage; operability and adequacy of our major equipment; recoveries of any insurance proceeds for previous damage at our Houma Facilities; our ability to raise additional capital; our ability to amend or obtain new debt financing or credit facilities on favorable terms; our ability to generate sufficient cash flow; our ability to obtain letters of credit or surety bonds and ability to meet any indemnification obligations thereunder; consolidation of our customers; financial ability and credit worthiness of our customers; adjustments to previously reported profits or losses under the percentage-of-completion method; our ability to employ a skilled workforce; loss of key personnel; utilization of facilities or closure or consolidation of facilities; failure of our safety assurance program; barriers to entry into new lines of business; weather impacts to operations; any future asset impairments; changes in trade policies of the U.S. and other countries; compliance with regulatory and environmental laws; lack of navigability of canals and rivers; systems and information technology interruption or failure and data security breaches; performance of partners in any future joint ventures and other strategic alliances; shareholder activism; focus on environmental, social and governance factors by institutional investors and regulators; and other factors described under "Risk Factors" in Part I, Item 1A of our 2022 Annual Report as updated in Item 1A "Risk Factors" in our quarterly report on Form 10-Q for the quarter ended June 30, 2023 and as may be further updated by subsequent filings with the SEC.

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made, which we cannot control. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to publicly update or revise any forward-looking statements, which speak only as of the date made, for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise, and notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.

Overview

We are a leading fabricator of complex steel structures and modules and provider of specialty services, including project management, hookup, commissioning, repair, maintenance, scaffolding, coatings, welding enclosures, civil construction and staffing services to the industrial and energy sectors. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through three operating divisions (“Services”, “Fabrication” and “Shipyard”) and one non-operating division (“Corporate”), which represent our reportable segments. Our corporate headquarters is located in The Woodlands, Texas, and our primary operating facilities are located in Houma, Louisiana (“Houma Facilities”). See Note 6 for further discussion of our reportable segments.

On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts (“Shipyard Transaction”) and intend to wind down our remaining Shipyard Division operations by the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2). See Note 1 for further discussion of the Shipyard Transaction.

On December 1, 2021, we acquired a services and industrial staffing business (“DSS Acquisition,”) which increased our skilled workforce, further diversified our customer base and expanded our service offerings for our Services Division. See Note 1 for further discussion of the DSS Acquisition.

On October 4, 2023, we resolved our MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Impacts of Oil and Gas Price Volatility and Macroeconomic Conditions on Operations

Since 2008, the prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, resulting in reductions in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows were negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing and under-utilization of our operating facilities and resources. Beginning in 2020, the global coronavirus pandemic (“COVID-19”) added another layer of pressure and uncertainty on oil and gas prices (with oil prices reaching a twenty-year low and gas prices reaching a four-year low), which further negatively impacted certain of our end markets through the first quarter 2022. This volatility in oil and gas prices was compounded by Russia’s invasion of Ukraine in February 2022 (and the related European energy crisis), and the U.S. and other countries actions in response (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high), which positively impacted certain of our end markets. While oil and gas prices have somewhat stabilized, the duration of such stability is uncertain and difficult to predict.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, supply chain disruptions (including global shipping and logistics challenges that began in 2020), inflationary pressures, economic slowdowns and recessions, bank failures, natural disasters, public health crises (such as COVID-19), and geopolitical conflicts (such as the conflict in Ukraine and the Israel-Hamas conflict).

The ultimate business and financial impacts of oil and gas price volatility and macroeconomic conditions on our business and results of operations continues to be uncertain, but the impacts have included, or may continue to include, among other things, reduced bidding activity; suspension or termination of backlog; deterioration of customer financial condition; and unanticipated project costs and schedule delays due to supply chain disruptions, labor and material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, increased safety incidents, lack of performance by subcontractors and suppliers, and contract disputes. We continue to monitor the impacts of oil and gas price volatility and macroeconomic conditions on our operations, and our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions and Note 2 for further discussion of the impacts of the aforementioned on our projects. See also *“Risk Factors”* in Part I, Item 1A of our 2022 Annual Report as updated in Item 1A *“Risk Factors”* in our quarterly report on Form 10-Q for the quarter ended June 30, 2023.

Other Impacts to Operations

Hurricane Ida – On August 29, 2021, Hurricane Ida made landfall near Houma, Louisiana as a high-end Category 4 hurricane, with high winds and heavy rains causing damage to buildings and equipment at our Houma Facilities and resulting in significant debris throughout the facility. See Note 2 for further discussion of the impacts of Hurricane Ida.

Ferry Projects – We have experienced construction challenges and cost increases on our seventy-vehicle ferry and forty-vehicle ferry projects. See Note 2 for further discussion of our project impacts.

Initiatives to Improve Operating Results and Generate Stable, Profitable Growth

We previously outlined a strategy to address our operational, market and economic challenges and position the Company to generate stable, profitable growth. Underpinning the first phase of our strategic transformation was a focus on the following initiatives:

- Mitigate the impacts of COVID-19 on our operations and workforce;
- Reduce our risk profile;
- Preserve and improve our liquidity;
- Improve our resource utilization and centralize key project resources;
- Improve our competitiveness and project execution; and
- Reduce our reliance on the offshore oil and gas construction sector and pursue new growth end markets, including:
  - Fabricating modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities in our core Gulf Coast region, and
  - Fabricating foundations, secondary steel components and support structures for offshore wind developments.

With the significant progress achieved on these objectives, we have shifted our focus to the next phase of our strategic transformation, which is focused on generating stable, profitable growth. Underpinning this strategy is a focus on the following initiatives:

- Expand our skilled workforce;
- Further strengthen project execution and maintain bidding discipline;
- Diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast;
- Continue to pursue opportunities in our traditional offshore fabrication markets; and
- Pursue additional growth end markets and increase our T&M versus fixed price revenue mix, including:
  - Fabricating structures in support of our customers as they transition away from fossil fuels to green energy end markets, and
  - Fabricating structures that support commercial construction activities outside of energy end markets.

Progress on our Strategic Transformation Initiatives

Efforts to mitigate the impacts of COVID-19 on our operations and workforce – We continue to take actions to mitigate the impacts of COVID-19 on our operations and maintain a safe work environment for our workforce, including maintaining protocols for handling employees who have tested positive for COVID-19 or have come in contact with individuals that have tested positive for COVID-19. In addition, we have protocols for employees to return to work that test positive for COVID-19, including requiring a negative COVID-19 antigen test prior to returning to work.

Efforts to reduce our risk profile – The completion of the Shipyard Transaction improved our risk profile by removing potential future risks associated with certain construction contracts that represented approximately 90% of our backlog with durations that extended through 2024. The Active Retained Shipyard Contracts have been or will be completed at our Houma Facilities and we are winding down our Shipyard Division operations, which is currently anticipated to occur by the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2). See Note 1 for further discussion of the Shipyard Transaction.

Efforts to preserve and improve our liquidity – We continue to take actions to preserve and improve our liquidity, including cost reduction initiatives, monetization of under-utilized assets and facilities, and an ongoing focus on project cash flow management. In addition, as a result of the Shipyard Transaction and anticipated wind down of our Shipyard Division operations, our bonding, letters of credit and working capital requirements for our remaining Shipyard Division operations were significantly reduced. See Note 1 for further discussion of the Shipyard Transaction and Note 3 for further discussion of our outstanding bonds and letters of credit.

Efforts to improve our resource utilization and centralize key project resources – We have improved our resource utilization and centralized key project resources through the rationalization and integration of our facilities and operations.

- *Consolidation of our fabrication activities* **–** In the first quarter 2022, we combined all of our fabrication activities within our Fabrication Division to improve utilization and operational efficiency.
- *Sublease and lease termination of previously closed facilities* – In the first quarter 2022, we entered into a sublease arrangement for a previously closed leased facility associated with our Shipyard Division operations that will recover our lease costs for the facility for the duration of our lease. In the third quarter 2022, we also terminated a lease for a previously closed facility associated with our Shipyard Division operations that eliminated our future lease obligations for the facility.
- *Completion of Shipyard Transaction and anticipated wind down of our Shipyard Division operations* – In the second quarter 2021, we completed the Shipyard Transaction and intend to wind down our Shipyard Division operations upon completion of the Active Retained Shipyard Contracts, which is currently anticipated to occur by the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2). The Shipyard Transaction and wind down of our Shipyard Division operations is expected to reduce overhead costs, improve utilization and enable senior management to focus on existing and new higher-margin markets associated with our other operating divisions. See Note 1 for further discussion of the Shipyard Transaction.
- *Sale of assets* – In the third quarter 2022, we sold (for $1.9 million, net of transaction and other costs) a purchase option entered into in connection with the DSS Acquisition that provided us with a right to buy a leased fabrication and operating facility for a nominal amount. Further, the fabrication activities previously performed at the facility were moved to our Houma Facilities to improve utilization and operational efficiency. In addition, we entered into a separate lease arrangement for a smaller and more cost-effective office and warehouse facility to accommodate our services activities performed at the previous facility. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.
- *Sublease of our corporate office* – In the third quarter 2022, we entered into a sublease arrangement with a third-party for the remainder of our corporate office, which will partially recover our lease costs for the office for the duration of our lease. In addition, we entered into a separate lease arrangement for a smaller and more cost-effective office to accommodate our corporate activities.

Efforts to improve our competitiveness, project execution and bidding discipline – We have taken, and continue to take, actions to improve our competitiveness and project execution by enhancing our proposal, estimating and operations resources, processes and procedures. Our actions include strategic changes in management and key personnel, the addition of functional expertise, project management training, development of a formal "lessons learned" program, and other measures designed to strengthen our personnel, processes and procedures. Further, we are taking a disciplined approach to pursuing and bidding project opportunities, putting more rigor around our bid estimates to provide greater confidence that our estimates are achievable, increasing accountability and providing incentives for the execution of projects in line with our original estimates and subsequent forecasts, and incorporating previous experience into the bidding and execution of future projects. Additionally, we are focused on managing the risks associated with long-term fixed price contracts given the unpredictability of labor availability and labor and material costs, with a priority on increasing the mix of T&M contracts in our backlog.

Efforts to expand our skilled workforce – We are focused on ways to improve retention and enhance and add to our skilled, craft personnel, as we believe a strong workforce will be a key differentiator in pursuing new project awards given the scarcity of available skilled labor. The DSS Acquisition in the fourth quarter 2021 nearly doubled our skilled workforce and expanded our geographic footprint for skilled labor, which we believe will contribute to the retention and recruitment of personnel. We have successfully maintained our headcount levels for our Services Division and have opportunistically looked to shift our workforce to higher margin opportunities given the industry-wide labor constraints. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.

Efforts to diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast – We believe diversifying and expanding our services business will deliver a more stable revenue stream while providing underpinning work to recruit, develop and retain our craft professionals. The DSS Acquisition in the fourth quarter 2021 accelerated our progress in this initiative and provides a stronger platform to continue such progress. Further, in the third quarter 2022, we made capital and other investments to expand our offshore services offering to include welding enclosures, which provide a safe environment for welding, cutting and burning without the need to shut down operations. We are also pursuing opportunities to partner with original equipment manufacturers to provide critical services to our customers along the Gulf Coast and strategic partnership opportunities with engineering companies to provide turnkey solutions. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.

Efforts to pursue opportunities in our traditional offshore fabrication markets – We continue to fabricate structures associated with our traditional offshore markets, including subsea and associated structures. During the third quarter 2022, we were awarded a large contract for the fabrication of jacket foundations for an offshore project; however, the project was suspended in February 2023 and cancelled in July 2023. See *"New Project Awards and Backlog"* below and Note 2 for further discussion of the project cancellation.

Efforts to reduce our reliance on the offshore oil and gas construction sector, pursue new growth end markets and increase our T&M versus fixed price revenue mix – While we continue to pursue opportunities in our traditional offshore markets, we are pursuing initiatives to grow our business and diversify our revenue mix.

- *Fabricate onshore modules, piping systems and structures* – We continue to focus our business development efforts on the fabrication of modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities. We are having success with smaller project opportunities and our volume of bidding activity for onshore modules, piping systems and structures continues to be strong. We continue to believe that our strategic location in Houma, Louisiana and track record of quality and on-time completion of onshore modules position us well to compete in the onshore fabrication market. We intend to remain disciplined in our pursuit of future large project opportunities to ensure we do not take unnecessary risks generally associated with the long-term, fixed-price nature of such projects. The timing of any future large project opportunities may be impacted by ongoing uncertainty created by oil and gas price volatility and macroeconomic conditions. We continue to strengthen our relationships with key customers and strategic partners and enhance and rationalize our resources as discussed above. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions.
- *Fabricate offshore wind foundations, secondary steel components and support structures* – We continue to believe that current initiatives, and potential future requirements, to provide electricity from renewable and green sources will result in growth of offshore wind projects. Furthermore, we believe that we possess the expertise to fabricate foundations, secondary steel components and support structures for this emerging market. This is demonstrated by our fabrication of wind turbine foundations for the first offshore wind project in the U.S. and the fabrication of a meteorological tower and platform for an offshore wind project. While we believe we have the capability to participate in this emerging market, we do not expect meaningful opportunities in the near-term.
- *Fabricate structures in support of our customers as they transition away from fossil fuels to green energy end markets* – We believe that our expertise and capabilities provide us with the necessary foundation to fabricate steel structures in support of our customers as they transition away from fossil fuels to green energy end markets. Examples of these opportunities include refiners who are looking to process biofuels, customers looking to embrace the growing hydrogen economy, and customers using carbon capture technologies to offset their carbon footprint.
- *Fabricate structures that support commercial construction activities outside of energy end markets* – We believe our expertise and capabilities for the fabrication of steel structures will enable us to successfully serve the commercial construction market. Examples of these opportunities include the fabrication of structures for data centers and semiconductor manufacturing sites.

Operating Outlook

Our focus remains on securing profitable new project awards and backlog and generating operating income and cash flows, while ensuring the safety and well-being of our workforce. Our success, including achieving the aforementioned initiatives, will be determined by, among other things:

- Our ability to hire, develop, motivate and retain key personnel and craft labor to execute our projects in light of industry-wide labor constraints, and maintain our expected project margins if such constraints result in labor cost increases that cannot be recovered from our customers;
- Oil and gas prices and the level of volatility in such prices, including the impact of macroeconomic conditions, geopolitical conflicts (such as the conflict in Ukraine and the Israel-Hamas conflict) and any current or future public health crises (such as COVID-19);
- The level of fabrication opportunities in our traditional offshore markets and the new markets that we are pursuing, including refining, petrochemical, LNG and industrial facilities, green energy and offshore wind developments, and the impact of any climate related regulations;
- The timing of recognition of our backlog as revenue;
- Our ability to secure new project awards through competitive bidding and/or alliance and partnering arrangements;
- Our ability to execute projects within our cost estimates and successfully manage them through completion (including the Active Retained Shipyard Contracts);
- The successful wind down of our Shipyard Division operations;
- Consideration of organic and inorganic opportunities for growth, including, but not limited to, acquisitions, mergers, joint ventures, partnerships and other strategic arrangements, transactions and capital allocations;
- The operability and adequacy of our major equipment; and
- The successful restoration of our Houma Facilities within our insurance coverage amounts, resulting from damage previously caused by Hurricane Ida.

In addition, the near-term utilization of our Fabrication Division will be impacted by the timing of new project awards and their execution, including the replacement of our cancelled offshore jackets project, and our operations may continue to be impacted by inefficiencies and disruptions associated with employee turnover, craft labor hiring challenges, engineering delays, and supplier and subcontractor disruptions. Our results may also be adversely affected by (i) costs associated with the retention of certain personnel that may be temporarily under-utilized as we evaluate our resource requirements to support our future operations, (ii) investments in key personnel and process improvement efforts to support our aforementioned initiatives, and (iii) higher costs and availability of craft labor due to industry labor constraints. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions, *"Results of Operations"* below and Note 2 for further discussion of our project impacts, and *"New Project Awards and Backlog"* below and Note 2 for further discussion of the project cancellation.

Critical Accounting Policies

For a discussion of critical accounting policies and estimates used in the preparation of our Financial Statements, refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Part II, Item 7 included in our 2022 Annual Report. There have been no changes to our critical accounting policies and estimates since December 31, 2022.

New Project Awards and Backlog

New project awards represent expected revenue values of commitments received during a given period, including scope growth on existing commitments. A commitment represents authorization from our customer to begin work or purchase materials pursuant to a written agreement, letter of intent or other form of authorization. Backlog represents the unrecognized revenue for our new project awards and at September 30, 2023, was consistent with the value of remaining performance obligations for our contracts required to be disclosed under Topic 606 and presented in Note 2. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. We believe that backlog, a non-GAAP financial measure, provides useful information to investors as it represents work that we are obligated to perform under our current contracts. New project awards and backlog may vary significantly each reporting period based on the timing of our major new contract commitments.

Projects in our backlog are generally subject to delay, suspension, termination, or an increase or decrease in scope at the option of the customer; however, the customer is required to pay us for work performed and materials purchased through the date of termination, suspension, or decrease in scope. Depending on the size of the project, the delay, suspension, termination or increase or decrease in scope of any one contract could significantly impact our backlog and change the expected amount and timing of revenue recognized. New project awards by Division for the three and nine months ended September 30, 2023 and 2022, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Services	$ 22,776	$ 22,110	$ 68,578	$ 64,572
Fabrication	16,589	116,926	46,733	136,948
Shipyard	(718)	380	(1,067)	1,213
Eliminations	(230)	(254)	(925)	(431)
Total	$ 38,417	$ 139,162	$ 113,319	$ 202,302

Backlog by Division at September 30, 2023 and December 31, 2022, is as follows (in thousands):

	September 30, 2023		December 31, 2022	
	Amount	Labor Hours	Amount	Labor Hours
Services	$ 867	8	$ 1,322	20
Fabrication[(1)]	11,507	119	110,287	613
Shipyard[(2)]	726	2	3,272	22
Total[(3)]	$ 13,100	129	$ 114,881	655

(1) In February 2023, we received direction from our customer to suspend all activities on our offshore jackets project for our Fabrication Division, and in July 2023, the customer cancelled the contract. Accordingly, during the second quarter 2023, our backlog was reduced by $76.1 million to reflect the estimated revenue amount that will not be recognized due to the cancellation. See Note 2 for further discussion of the project cancellation.

(2) At September 30, 2023, backlog for our Shipyard Division included the following significant projects:

(i) Construction of a forty-vehicle ferry for our Shipyard Division that is being performed primarily on a fixed-price basis. At September 30, 2023, the vessel was substantially complete and we expect final completion of the vessel in the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2);

(ii) Construction of a seventy-vehicle ferry for our Shipyard Division that is being performed primarily on a fixed-price basis. At September 30, 2023, the vessel was substantially complete and we expect final completion of the vessel in the fourth quarter 2023 (previously the third quarter 2023, but was delayed and is subject to the potential schedule impacts discussed in Note 2).

(3) Based on our current estimates we expect to recognize revenue of approximately $12.6 million and $0.5 million for the remainder of 2023 and 2024, respectively, associated with our backlog at September 30, 2023. Certain factors and circumstances could result in changes in the timing of recognition of our backlog as revenue and the amounts ultimately recognized.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022 (in thousands in each table, except for percentages):

Consolidated

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ 38,417	$ 139,162	$ (100,745)
Revenue	$ 5,023	$ 39,593	$ (34,570)
Cost of revenue	34,902	35,373	471
Gross profit (loss)	(29,879)	4,220	(34,099)
Gross profit (loss) percentage	*nm*	*10.7%*	
General and administrative expense	4,080	4,510	430
Other (income) expense, net	(324)	(944)	(620)
Operating income (loss)	(33,635)	654	(34,289)
Interest (expense) income, net	397	(46)	443
Income (loss) before income taxes	(33,238)	608	(33,846)
Income tax (expense) benefit	3	(10)	13
Net income (loss)	$ (33,235)	$ 598	$ (33,833)

References below to 2023 and 2022 refer to the three months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $38.4 million and $139.2 million, respectively. New project awards for both periods were primarily related to:

- Small-scale fabrication work for our Fabrication Division, and
- Offshore services work for our Services Division.

The 2022 period also included an award for the fabrication of jacket foundations for an offshore project (which was cancelled by the customer in July 2023) for our Fabrication Division.

Revenue – Revenue for 2023 and 2022 was $5.0 million and $39.6 million, respectively, representing a decrease of 87.3%. The decrease was primarily due to:

- Lower revenue for our Shipyard Division of $34.6 million (including negative revenue for the 2023 period), primarily attributable to:
  - The reversal of $32.5 million of previously recognized revenue resulting from the resolution of our MPSV Litigation, and
  - Lower revenue for our seventy-vehicle ferry and forty-vehicle ferry projects, which are completed or nearing completion, and
- Lower revenue for our Fabrication Division of $0.5 million, primarily attributable to:
  - Lower revenue for our offshore jackets project (which was cancelled in July 2023), offset partially by,
  - Higher small-scale fabrication activity, offset partially by,
- Higher revenue for our Services Division of $0.4 million, primarily attributable to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022).

See Note 4 for further discussion of the resolution of our MPSV Litigation.

Gross profit (loss) – Gross loss for 2023 was $29.9 million and gross profit for 2022 was $4.2 million (10.7% of revenue). Gross loss for 2023 was primarily impacted by:

- Charges of $32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation for our Shipyard Division,
- Project charges of $1.5 million on our seventy-vehicle ferry project and remaining forty-vehicle ferry project for our Shipyard Division,
- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources for our Fabrication Division and, to a lesser extent, our resources for our Shipyard Division, and
- Holding costs of $0.2 million related to the two MPSVs that remain in our possession and were subject to our previous MPSV Litigation for our Shipyard Division, offset partially by,
- Project improvements of $0.7 million for our Fabrication Division, and
- A strong market and demand for the services provided by our Services Division.

The gross loss for 2023 relative to gross profit for 2022 was primarily due to:

- The aforementioned charges of $32.5 million for 2023 for our Shipyard Division,
- The aforementioned project charges of $1.5 million for 2023 for our Shipyard Division, and
- An increase in the under-recovery of overhead costs for our Fabrication Division, offset partially by,
- Higher revenue for our Services Division,
- A higher margin mix for our Fabrication Division and Services Division, and
- Lower property and equipment insurance costs for our Fabrication Division.

See *"Operating Segments"* below and Note 2 for further discussion of our project impacts and Note 4 for further discussion of the resolution of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 and 2022 was $4.1 million and $4.5 million, respectively, representing a decrease of 9.5%. The decrease was primarily due to lower legal and advisory fees associated with our previous MPSV Litigation for our Shipyard Division. General and administrative expense included legal and advisory fees of $0.9 million and $1.2 million for 2023 and 2022, respectively, associated with our previous MPSV Litigation, which are reflected within our Shipyard Division. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.3 million and $0.9 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts and credit losses, gains or losses associated with the sale or disposition of property and equipment, and income or expense associated with certain nonrecurring items. Other income for 2023 was primarily due to:

- Gains of $0.3 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities for our Fabrication Division,
- Gains on the sales of equipment and scrap materials for our Fabrication Division, and
- Miscellaneous income items for our Shipyard Division, offset partially by,
- Costs of $0.4 million associated with the consolidation of fabrication activities at our Houma Facilities for our Fabrication Division, and
- Charges of $0.1 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which are in our possession and were subject to our previous MPSV Litigation for our Shipyard Division.

Other income for 2022 was primarily due to:

- Gains of $1.3 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities for our Fabrication Division, offset partially by,
- An impairment charge of $0.5 million associated with the underlying right-of-use asset for our corporate office lease, resulting from a sublease arrangement with a third-party for our Corporate Division.

See Note 2 for further discussion of the impacts of Hurricanes Ida.

Interest (expense) income, net – Interest (expense) income, net for 2023 and 2022 was income of $0.4 million and expense of less than $0.1 million, respectively. Interest (expense) income, net for both periods included the net impact of interest earned on our cash and short-term investment balances and interest incurred on the unused portion of our LC Facility and on our Insurance Finance Arrangements. The income for 2023 relative to expense for 2022 was primarily due to higher interest earned on our cash and short-term investment balances for the 2023 period.

Income tax (expense) benefit – Income tax (expense) benefit for 2023 and 2022 represents state income taxes. No federal income tax benefit was recorded for our loss for 2023 as a full valuation allowance was recorded against our net deferred tax assets generated during the period, and no federal income tax expense was recorded for our income for 2022 as it was fully offset by the reversal of valuation allowance on our net deferred tax assets.

Operating Segments

Services Division

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ 22,776	$ 22,110	$ 666
Revenue	$ 22,976	$ 22,569	$ 407
Gross profit	3,260	3,163	97
Gross profit percentage	*14.2%*	*14.0%*	
General and administrative expense	701	791	90
Other (income) expense, net	(18)	(18)	—
Operating income	2,577	2,390	187

References below to 2023 and 2022 refer to the three months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $22.8 million and $22.1 million, respectively, and were primarily related to offshore services work, with the increase primarily due to incremental new project awards associated with our welding enclosures business line (commenced in the third quarter 2022).

Revenue – Revenue for 2023 and 2022 was $23.0 million and $22.6 million, respectively, representing an increase of 1.8%. The increase was primarily due to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022).

Gross profit – Gross profit for 2023 and 2022 was $3.3 million (14.2% of revenue) and $3.2 million (14.0% of revenue), respectively. The increase in gross profit for 2023 relative to 2022 was primarily due to:

- Higher revenue, and
- A higher margin mix (including the benefit of our welding enclosures business line).

General and administrative expense – General and administrative expense for 2023 and 2022 was $0.7 million and $0.8 million, respectively, representing a decrease of 11.4%. The decrease was primarily due to timing of expenses.

Fabrication Division

	Three Months Ended September 30,				Favorable (Unfavorable) Change	
	2023		2022			
New project awards	$	16,589	$	116,926	$	(100,337)
Revenue	$	14,979	$	15,429	$	(450)
Gross profit		1,217		1,326		(109)
Gross profit percentage		*8.1 %*		*8.6 %*		
General and administrative expense		448		507		59
Other (income) expense, net		(135)		(1,301)		(1,166)
Operating income		904		2,120		(1,216)

References below to 2023 and 2022 refer to the three months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $16.6 million and $116.9 million, respectively, and were primarily related to small-scale fabrication work. The 2022 period also included an award for the fabrication of jacket foundations for an offshore project (which was cancelled by the customer in July 2023).

Revenue – Revenue for 2023 and 2022 was $15.0 million and $15.4 million, respectively, representing a decrease of 2.9%. The decrease was primarily due to:

- Lower revenue for our offshore jackets project (which was cancelled in July 2023), offset partially by,
- Higher small-scale fabrication activity.

Gross profit – Gross profit for 2023 and 2022 was $1.2 million (8.1% of revenue) and $1.3 million (8.6% of revenue), respectively. Gross profit for 2023 was primarily impacted by:

- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources due to low work hours, offset partially by,
- Project improvements of $0.7 million related to favorable resolution of customer change orders.

The decrease in gross profit for 2023 relative to 2022 was primarily due to:

- An increase in the under-recovery of overhead costs due to lower recoveries resulting from the cancellation of our offshore jackets project in July 2023, offset partially by,
- A higher margin mix associated with our small-scale fabrication work,
- The aforementioned project improvements of $0.7 million for 2023, and
- Lower property and equipment insurance costs.

See Note 2 for further discussion of our project impacts.

General and administrative expense – General and administrative expense for 2023 and 2022 was $0.4 million and $0.5 million, respectively, representing a decrease of 11.6%. The decrease was primarily due to various cost savings.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.1 million and $1.3 million, respectively. Other income for 2023 was primarily due to:

- Gains of $0.3 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities, and
- Gains on the sales of equipment and scrap materials, offset partially by,
- Costs of $0.4 million associated with the consolidation of fabrication activities at our Houma Facilities.

Other income for 2022 was primarily due to gains of $1.3 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities. See Note 2 for further discussion of the impacts of Hurricane Ida.

Shipyard Division

	Three Months Ended September 30, 2023	2022	Favorable (Unfavorable) Change
New project awards	$ (718)	$ 380	$ (1,098)
Revenue	$ (32,702)	$ 1,849	$ (34,551)
Gross loss	(34,356)	(269)	(34,087)
Gross loss percentage	*nm*	*(14.5)%*	
General and administrative expense	857	1,193	336
Other (income) expense, net	(96)	(69)	27
Operating loss	(35,117)	(1,393)	(33,724)

References below to 2023 and 2022 refer to the three months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were negative $0.7 million and $0.4 million, respectively. The negative new project awards for 2023 were due to liquidated damages and contract price adjustments for our seventy-vehicle ferry and remaining forty-vehicle ferry project.

Revenue – Revenue for 2023 and 2022 was negative $32.7 million and $1.8 million, respectively. The decrease was primarily due to:

- The reversal of previously recognized revenue resulting from the resolution of our MPSV Litigation. The reversals were primarily due to:
  - The write-off of a $12.5 million noncurrent net contract asset associated with the construction contracts subject to the MPSV Litigation, and
  - A charge of $20.0 million resulting from the Note Agreement entered into with Zurich in connection with the resolution of our MPSV Litigation.
- No revenue for our forty-vehicle ferry project that was substantially completed in the fourth quarter 2022 and accepted by the customer in the second quarter 2023,
- Lower revenue for our remaining forty-vehicle ferry project, which is nearing completion, and
- Lower revenue for our seventy-vehicle ferry project, which is nearing completion.

See Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement.

Gross loss – Gross loss for 2023 and 2022 was $34.4 million and $0.3 million (14.5% of revenue), respectively. The gross loss for 2023 was primarily due to:

- Charges of $32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation,
- Project charges of $1.5 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project and remaining forty-vehicle ferry project,
- Holding costs of $0.2 million related to the two MPSVs that remain in our possession and were subject to our previous MPSV Litigation, and
- The partial under-recovery of overhead costs due to the under-utilization of our resources due to low work hours as our remaining projects are nearing completion.

The increase in gross loss for 2023 relative to 2022 was primarily due to:

- The aforementioned charges of $32.5 million for 2023,
- The aforementioned project charges of $1.5 million for 2023, and
- An increase in the under-recovery of overhead costs due to a decrease in work hours as our remaining projects are nearing completion.

See Note 2 for further discussion of our project impacts and Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement.

General and administrative expense – General and administrative expense for 2023 and 2022 was $0.9 million and $1.2 million, respectively, representing a decrease of 28.2%. General and administrative expense relates to legal and advisory fees associated with our previous MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.1 million and $0.1 million, respectively. Other income for 2023 was primarily due to:

- Miscellaneous income items, offset partially by,
- Charges of $0.1 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which remain in our possession and were subject to our previous MPSV Litigation.

See Note 2 for further discussion of the impacts of Hurricane Ida.

Corporate Division

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards (eliminations)	$ (230)	$ (254)	$ 24
Revenue (eliminations)	$ (230)	$ (254)	$ 24
Gross profit	—	—	—
General and administrative expense	2,074	2,019	(55)
Other (income) expense, net	(75)	444	519
Operating loss	(1,999)	(2,463)	464

References below to 2023 and 2022 refer to the three months ended September 30, 2023 and 2022, respectively.

General and administrative expense – General and administrative expense for 2023 and 2022 was $2.1 million and $2.0 million, respectively, representing an increase of 2.7%.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.1 million and expense of $0.4 million, respectively. Other expense for 2022 was primarily due to an impairment charge of $0.5 million associated with the underlying right-of-use asset for our corporate office lease, resulting from a sublease arrangement with a third-party.

Comparison of the Nine Months Ended September 30, 2023 and 2022 (in thousands in each table, except for percentages):

Consolidated

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ 113,319	$ 202,302	$ (88,983)
Revenue	$ 106,517	$ 104,181	$ 2,336
Cost of revenue	126,881	98,709	(28,172)
Gross profit (loss)	(20,364)	5,472	(25,836)
Gross profit (loss) percentage	*(19.1)%*	*5.3%*	
General and administrative expense	12,883	12,965	82
Other (income) expense, net	(689)	(3,698)	(3,009)
Operating loss	(32,558)	(3,795)	(28,763)
Interest (expense) income, net	1,057	(104)	1,161
Loss before income taxes	(31,501)	(3,899)	(27,602)
Income tax (expense) benefit	9	(2)	11
Net loss	$ (31,492)	$ (3,901)	$ (27,591)

References below to 2023 and 2022 refer to the nine months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $113.3 million and $202.3 million, respectively. New project awards for both periods were primarily related to:

- Small-scale fabrication work for our Fabrication Division, and
- Offshore services work for our Services Division.

The 2022 period also included an award for the fabrication of jacket foundations for an offshore project (which was cancelled by the customer in July 2023) for our Fabrication Division.

Revenue – Revenue for 2023 and 2022 was $106.5 million and $104.2 million, respectively, representing an increase of 2.2%. The increase was primarily due to:

- Higher revenue for our Services Division of $3.6 million, primarily attributable to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022), and
- Higher revenue for our Fabrication Division of $37.5 million, primarily attributable to:
  - Revenue for our offshore jackets project prior to its cancellation (primarily related to procurement activities prior to project suspension), and
  - Increased small-scale fabrication activity, offset partially by,
- Lower revenue for our Shipyard Division of $38.3 million (including negative revenue for the 2023 period), primarily attributable to:
  - The reversal of $32.5 million of previously recognized revenue resulting from the resolution of our MPSV Litigation, and
  - Lower revenue for our seventy-vehicle ferry and forty-vehicle ferry projects, which are completed or nearing completion.

See Note 4 for further discussion of the resolution of our MPSV Litigation.

Gross profit (loss) – Gross loss for 2023 was $20.4 million (19.1% of revenue) and gross profit for 2022 was $5.5 million (5.3% of revenue). Gross loss for 2023 was primarily impacted by:

- Charges of $32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation for our Shipyard Division,
- Project charges of $2.3 million on our seventy-vehicle ferry project and remaining forty-vehicle ferry project for our Shipyard Division,
- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources for our Fabrication Division, and to a lesser extent, our resources for our Shipyard Division,
- Holding costs of $0.7 million related to the two MPSVs that remain in our possession and were subject to our previous MPSV Litigation for our Shipyard Division, and
- A low margin associated with procurement activities for our cancelled offshore jackets project prior to its suspension for our Fabrication Division, offset partially by,
- Project improvements of $0.7 million for our Fabrication Division, and
- A strong market and demand for the services provided by our Services Division.

The gross loss for 2023 relative to gross profit for 2022 was primarily due to:

- The aforementioned charges of $32.5 million for 2023 for our Shipyard Division, and
- The aforementioned project charges of $2.3 million for 2023 for our Shipyard Division, offset partially by,
- Higher revenue for our Fabrication Division and Services Division,
- A higher margin mix for our Fabrication Division and Services Division,
- A decrease in the under-recovery of overhead costs for our Fabrication Division, and
- The aforementioned project improvements of $0.7 million for 2023 for our Fabrication Division.

See *"Operating Segments"* below and Note 2 for further discussion of our project impacts and Note 4 for further discussion of the resolution of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 and 2022 was $12.9 million and $13.0 million, respectively, representing a decrease of 0.6%. The decrease was primarily due to:

- Lower administrative expense for our Fabrication Division and Services Division, offset partially by,
- Higher legal and advisory fees associated with our previous MPSV Litigation for our Shipyard Division.

General and administrative expense included legal and advisory fees of $3.1 million and $2.9 million for 2023 and 2022, respectively, associated with our previous MPSV Litigation, which are reflected within our Shipyard Division. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.7 million and $3.7 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts and credit losses, gains or losses associated with the sale or disposition of property and equipment, and income or expense associated with certain nonrecurring items. Other income for 2023 was primarily due to:

- Gains of $0.5 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities for our Fabrication Division, and
- Gains on the sales of equipment and scrap material for our Fabrication Division, offset partially by,
- Costs of $0.4 million associated with the consolidation of fabrication activities at our Houma Facilities for our Fabrication Division, and
- Charges of $0.4 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which remain in our possession and were subject to our previous MPSV Litigation for our Shipyard Division.

Other income for 2022 was primarily due to:

- Gains of $4.4 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities for our Fabrication Division, offset partially by,
- An impairment charge of $0.5 million associated with the underlying right-of-use asset for our corporate office lease, resulting from a sublease arrangement with a third-party for our Corporate Division, and
- Charges of $0.2 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which remain in our possession and were subject to our previous MPSV Litigation for our Shipyard Division.

See Note 2 for further discussion of the impacts of Hurricanes Ida.

Interest (expense) income, net – Interest (expense) income, net for 2023 and 2022 was income of $1.1 million and expense of $0.1 million, respectively. Interest (expense) income, net for both periods included the net impact of interest earned on our cash and short-term investment balances and interest incurred on the unused portion of our LC Facility and on our Insurance Finance Arrangements. The income for 2023 relative to expense for 2022 was primarily due to higher interest earned on our cash and short-term investment balances for the 2023 period.

Income tax (expense) benefit – Income tax (expense) benefit for 2023 and 2022 represents state income taxes. No federal income tax benefit was recorded for our losses for either period as a full valuation allowance was recorded against our net deferred tax assets generated during the periods.

Operating Segments

Services Division

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ 68,578	$ 64,572	$ 4,006
Revenue	$ 69,033	$ 65,413	$ 3,620
Gross profit	10,348	8,295	2,053
Gross profit percentage	*15.0%*	*12.7%*	
General and administrative expense	2,203	2,280	77
Other (income) expense, net	(42)	103	145
Operating income	8,187	5,912	2,275

References below to 2023 and 2022 refer to the nine months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $68.6 million and $64.6 million, respectively, and were primarily related to offshore services work, with the increase due to incremental new project awards associated with our welding enclosures business line (commenced in the third quarter 2022).

Revenue – Revenue for 2023 and 2022 was $69.0 million and $65.4 million, respectively, representing an increase of 5.5%. The increase was primarily due to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022).

Gross profit – Gross profit for 2023 and 2022 was $10.3 million (15.0% of revenue) and $8.3 million (12.7% of revenue), respectively. The increase in gross profit for 2023 relative to 2022 was primarily due to:

- Higher revenue, and
- A higher margin mix (including the benefit of our welding enclosures business line).

General and administrative expense – General and administrative expense for 2023 and 2022 was $2.2 million and $2.3 million, respectively, representing a decrease of 3.4%.

Other (income) expense, net – Other (income) expense, net for 2022 was expense of $0.1 million.

Fabrication Division

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ 46,733	$ 136,948	$ (90,215)
Revenue	$ 69,382	$ 31,885	$ 37,497
Gross profit (loss)	5,243	(2,064)	7,307
Gross profit (loss) percentage	*7.6%*	*(6.5)%*	
General and administrative expense	1,438	1,699	261
Other (income) expense, net	(638)	(4,550)	(3,912)
Operating income	4,443	787	3,656

References below to 2023 and 2022 refer to the nine months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $46.7 million and $136.9 million, respectively, and were primarily related to small-scale fabrication work. The 2022 period also included an award for the fabrication of jacket foundations for an offshore project (which was cancelled by the customer in July 2023).

Revenue – Revenue for 2023 and 2022 was $69.4 million and $31.9 million, respectively, representing an increase of 117.6%. The increase was primarily due to:

- Revenue for our offshore jackets project prior to its cancellation (primarily related to procurement activities prior to project suspension), and
- Higher small-scale fabrication activity.

Gross profit (loss) – Gross profit for 2023 was $5.2 million (7.6% of revenue) and gross loss for 2022 was $2.1 million (6.5% of revenue). Gross profit for 2023 was primarily impacted by:

- A low margin associated with procurement activities for our cancelled offshore jackets project prior to its suspension, and
- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources due to low work hours, offset partially by,
- Project improvements of $0.7 million related to favorable resolution of customer change orders.

The gross profit for 2023 relative to the gross loss for 2022 was primarily due to:

- Higher revenue,
- A decrease in the under-recovery of overhead costs due an increase in work hours associated with our small-scale fabrication work and recoveries associated with our offshore jackets project prior to its cancellation, and
- A higher margin mix associated with our small-scale fabrication work.

The Fabrication Division utilization for 2023 and 2022 benefited by $0.1 million and $0.6 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry and forty-vehicle ferry projects. See Note 2 for further discussion of our project impacts.

General and administrative expense – General and administrative expense for 2023 and 2022 was $1.4 million and $1.7 million, respectively, representing a decrease of 15.4%. The decrease was primarily due to various cost savings.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.6 million and $4.6 million, respectively. Other income for 2023 was primarily due to:

- Gains of $0.5 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities, and
- Gains on the sales of equipment and scrap materials, offset partially by,
- Costs of $0.4 million associated with the consolidation of fabrication activities at our Houma Facilities.

Other income for 2022 was primarily due to gains of $4.4 million related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities.

Shipyard Division

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards	$ (1,067)	$ 1,213	$ (2,280)
Revenue	$ (30,973)	$ 7,314	$ (38,287)
Gross loss	(35,955)	(759)	(35,196)
Gross loss percentage	*nm*	*(10.4)%*	
General and administrative expense	3,107	2,939	(168)
Other (income) expense, net	206	267	61
Operating loss	(39,268)	(3,965)	(35,303)

References below to 2023 and 2022 refer to the nine months ended September 30, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were negative $1.1 million and $1.2 million, respectively. The negative new project awards for 2023 were due to liquidated damages and contract price adjustments for our seventy-vehicle ferry and remaining forty-vehicle ferry project.

Revenue – Revenue for 2023 and 2022 was negative $31.0 million and $7.3 million, respectively. The decrease was primarily due to:

- The reversal of previously recognized revenue resulting from the resolution of our MPSV Litigation. The reversals were primarily due to:
  - The write-off of a $12.5 million noncurrent net contract asset associated with the construction contracts subject to the MPSV Litigation, and
  - A charge of $20.0 million resulting from the Note Agreement entered into with Zurich in connection with the resolution of our MPSV Litigation.
- Lower revenue for our forty-vehicle ferry project that was substantially completed in the fourth quarter 2022 and accepted by the customer in the second quarter 2023,
- Lower revenue for our remaining forty-vehicle ferry project, which is nearing completion, and
- Lower revenue for our seventy-vehicle ferry project, which is nearing completion.

See Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement.

Gross loss – Gross loss for 2023 and 2022 was $36.0 million and $0.8 million (10.4% of revenue), respectively. The gross loss for 2023 was primarily due to:

- Charges of $32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation,
- Project charges of $2.3 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project and remaining forty-vehicle ferry project,
- Holding costs of $0.7 million related to the two MPSVs that remain in our possession and were subject to our previous MPSV Litigation, and
- The partial under-recovery of overhead costs due to the under-utilization of our resources due to low work hours as our remaining projects are nearing completion.

The increase in gross loss for 2023 relative to 2022 was primarily due to:

- The aforementioned charges of $32.5 million for 2023,
- The aforementioned project charges of $2.3 million for 2023, and
- An increase in the under-recovery of overhead costs due to a decrease in work hours as our remaining projects are nearing completion.

See Note 2 for further discussion of our project impacts and Note 4 for further discussion of the resolution of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 and 2022 was $3.1 million and $2.9 million, respectively, representing an increase of 5.7%. General and administrative expense relates to legal and advisory fees associated with our previous MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was expense of $0.2 million and $0.3 million, respectively. Other expense for 2023 was primarily due to:

- Charges of $0.4 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which are in our possession and were subject to our previous MPSV Litigation, offset partially by,
- Miscellaneous income items.

Other expense for 2022 was primarily due to charges of $0.2 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs which are in our possession and were subject to our previous MPSV Litigation.

Corporate Division

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Favorable (Unfavorable) Change
New project awards (eliminations)	$ (925)	$ (431)	$ (494)
Revenue (eliminations)	$ (925)	$ (431)	$ (494)
Gross profit	—	—	—
General and administrative expense	6,135	6,047	(88)
Other (income) expense, net	(215)	482	697
Operating loss	(5,920)	(6,529)	609

References below to 2023 and 2022 refer to the nine months ended September 30, 2023 and 2022, respectively.

General and administrative expense – General and administrative expense for 2023 and 2022 was $6.1 million and $6.0 million, respectively, representing an increase of 1.5%.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.2 million and expense of $0.5 million, respectively. Other expense for 2022 was primarily due to an impairment charge of $0.5 million associated with the underlying right-of-use asset for our corporate office lease, resulting from a sublease arrangement with a third-party.

Liquidity and Capital Resources

Available Liquidity

Our primary sources of liquidity are our cash, cash equivalents and scheduled maturities of our short-term investments. At September 30, 2023, our cash, cash equivalents, short-term investments and restricted cash totaled $41.8 million, as follows (in thousands):

		September 30, 2023
Cash and cash equivalents	$	25,125
Short-term investments[1]		15,437
Available cash, cash equivalents and short-term investments		40,562
Restricted cash, current		1,197
Total cash, cash equivalents, short-term investments and restricted cash	$	41,759

(1) Includes U.S. Treasuries with original maturities of four months.

Our available liquidity is impacted by changes in our working capital and our capital expenditure requirements. Fluctuations in our working capital, and its components, are not unusual in our business and are impacted by the size of our projects and the mix of our backlog. Our working capital is particularly impacted by the timing of new project awards and related payments in advance of performing work, and the subsequent achievement of billing milestones or project progress on backlog. Working capital is also impacted at period-end by the timing of contract receivables collections and accounts payable payments on our projects.

At September 30, 2023, our working capital was $59.2 million and included $41.8 million of cash, cash equivalents, short-term investments and restricted cash. Excluding cash, cash equivalents, short-term investments and restricted cash, our working capital at September 30, 2023 was $17.5 million, and consisted of: net contract assets and contract liabilities of $0.8 million; contract receivables and retainage of $35.7 million; inventory, prepaid expenses and other current assets of $5.8 million; and accounts payable, accrued expenses and other current liabilities of $24.8 million. The components of our working capital (excluding cash, cash equivalents, short-term investments and restricted cash) at September 30, 2023 and December 31, 2022, and changes in such amounts during the nine months ended September 30, 2023, were as follows (in thousands):

		September 30, 2023		December 31, 2022		Change[3]
Contract assets	$	4,305	$	4,839	$	(534)
Contract liabilities[1]		(3,534)		(8,196)		4,662
Contracts in progress, net[2]		771		(3,357)		4,128
Contract receivables and retainage, net		35,684		29,427		6,257
Prepaid expenses, inventory and other current assets		5,778		8,074		(2,296)
Accounts payable, accrued expenses and other current liabilities		(24,762)		(22,593)		(2,169)
Total	$	17,471	$	11,551	$	5,920

(1) Contract liabilities at September 30, 2023 and December 31, 2022, includes accrued contract losses of $0.4 million and $1.6 million, respectively, associated primarily with the Active Retained Shipyard Contracts.

(2) Represents our cash position relative to revenue recognized on projects, with contract assets representing unbilled amounts that reflect future cash inflows on projects, and contract liabilities representing (i) advance payments that reflect future cash expenditures and non-cash earnings on projects and (ii) accrued contract losses that represent future cash expenditures on projects.

(3) Changes referenced in the *"Cash Flow Activity"* section below may differ from the changes in this table due to non-cash reclassifications and due to certain changes in balance sheet accounts being reflected within other line items on the Statement of Cash Flows, including allowance for doubtful accounts and credit losses, gains and losses on sales of fixed assets and other assets, and accruals for capital expenditures.

Cash Flow Activity *(in thousands)*

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (172)	$ (18,825)
Net cash used in investing activities	(6,591)	(6,720)
Net cash used in financing activities	(1,739)	(1,084)

Operating Activities – Cash used in operating activities for the nine months ended September 30, 2023 and 2022 was $0.2 million and $18.8 million, respectively, and was primarily due to the net impacts of the following:

2023 Activity

- Net loss adjusted for depreciation and amortization of $4.1 million, gain from net changes in allowance for doubtful accounts and credit losses of $0.4 million, gain on the sale of fixed assets of $0.2 million, gain on insurance recoveries of $0.2 million and stock-based compensation expense of $1.5 million;
- Decrease in contract assets of $0.5 million related to the timing of billings on projects, primarily due to decreased unbilled positions on our forty-vehicle ferry projects for our Shipyard Division, offset partially by increased unbilled positions on various projects for our Fabrication Division;
- Decrease in contract liabilities of $4.7 million, primarily due to a decrease in advance billings on our cancelled offshore jackets project for our Fabrication Division and accrued contract losses on our forty-vehicle ferry projects for our Shipyard Division;
- Increase in contract receivables and retainage of $6.5 million related to the timing of billings and collections on projects, primarily due to increased receivable positions on various projects for our Fabrication Division and Services Division;
- Decrease in prepaid expenses, inventory and other assets of $2.8 million, primarily due to prepaid expenses and the associated timing of certain prepayments. The change differs from the table above primarily due to the Insurance Finance Arrangements discussed further in Note 3;
- Increase in accounts payable, accrued expenses and other current liabilities of $2.5 million, primarily due to the timing of payments and increased accounts payable positions on various projects for our Fabrication Division. The change differs from the table above primarily due to the Insurance Finance Arrangements discussed further in Note 3; and
- Change in noncurrent assets and liabilities, net of $31.9 million, primarily due to the write-off of a $12.5 million noncurrent net contract asset, and recording of a $20.0 million noncurrent contract liability, associated with the resolution of our MPSV Litigation. The contract liability was replaced with the Note Agreement on November 6, 2023. See Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement.

2022 Activity

- Net loss adjusted for depreciation and amortization of $3.8 million, non-cash asset impairments of $0.5 million, gain on the sale of fixed assets of $0.1 million, gain on insurance recoveries of $1.2 million and stock-based compensation expense of $1.5 million;
- Increase in contract assets of $3.0 million related to the timing of billings on projects, primarily due to increased unbilled positions on our seventy-vehicle ferry and forty-vehicle ferry projects for our Shipyard Division;
- Decrease in contract liabilities of $2.4 million, primarily due to a decrease in accrued contract losses and the unwind of advance payments on our forty-vehicle ferry projects for our Shipyard Division;
- Increase in contract receivables and retainage of $17.0 million related to the timing of billings and collections on projects, primarily due to increased receivable positions on various projects for our Services Division and Fabrication Division;
- Increase in prepaid expenses, inventory and other assets of $1.2 million, primarily due to prepaid expenses and the associated timing of certain prepayments;
- Increase in accounts payable, accrued expenses and other current liabilities of $2.5 million, primarily due to the timing of payments and increased accounts payable positions on various projects for our Services Division and Fabrication Division; and
- Change in noncurrent assets and liabilities, net of $0.7 million.

Investing Activities – Cash used in investing activities for the nine months ended September 30, 2023 and 2022 was $6.6 million and $6.7 million, respectively. Cash used in investing activities for 2023 was primarily due to net purchases of short-term investments of $5.5 million and capital expenditures of $1.7 million, offset partially by recoveries from insurance claims of $0.2 million, and proceeds from the sale of fixed assets of $0.4 million. Cash used in investing activities for 2022 was primarily due to net purchases of short-term investments of $9.8 million and capital expenditures of $1.0 million, offset partially by proceeds from the Shipyard Transaction of $0.9 million, recoveries from insurance claims of $1.2 million, and proceeds from the sale of fixed assets of $2.0 million. See Note 1 for further discussion of the Shipyard Transaction and Note 2 for further discussion of our insurance claims associated with Hurricane Ida.

Financing Activities – Cash used in financing activities for the nine months ended September 30, 2023 and 2022 was $1.7 million and $1.1 million, respectively. Cash used in financing activities for 2023 and 2022 was primarily due to payments on our Insurance Finance Arrangements of $1.3 million and $1.0 million, respectively, and tax payments made on behalf of employees from vested stock withholdings. See Note 3 for further discussion of our Insurance Finance Arrangements.

Credit Facilities

See Note 3 for discussion of our LC Facility, Surety Bonds, Insurance Finance Arrangements, Mortgage Agreement and Restrictive Covenant Agreement and Note 4 for discussion of our Note Agreement.

Registration Statement

We have a shelf registration statement that is effective with the SEC that expires on August 24, 2026. The shelf registration statement enables us to issue up to $200.0 million in either debt or equity securities, or a combination thereof, from time to time subsequent to the filing of a prospectus supplement, which among other things, identifies the underwriter, dealer or agent, specifies the number and value of securities that may be sold, and provides a time frame over which the securities may be offered.

Liquidity Outlook

We have made significant progress in our efforts to preserve and improve our liquidity, including cost reductions, the sale of under-utilized assets and facilities, improved project cash flow management and the completion of the Shipyard Transaction. The primary uses of our liquidity for the remainder of 2023 and the foreseeable future are to fund:

- Overhead costs associated with the under-utilization of our facilities and resources for our Fabrication Division until we secure and begin to execute sufficient backlog to fully recover our overhead costs;
- Capital expenditures, including expenditures to maintain, upgrade and replace aged equipment;
- Accrued contract losses for the Active Retained Shipyard Contracts;
- Working capital requirements for our projects, including the unwind of advance payments on projects and the payment of vendor obligations prior to receipt of payment from our customer for our cancelled offshore jackets project. See *"New Project Awards and Backlog"* above and Note 2 for further discussion of the project cancellation;
- Remaining liabilities of the Shipyard Division operations that were excluded from the Shipyard Transaction;
- Interest and principal payments on the Note Agreement entered into in connection with the resolution of our MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation and the Note Agreement;
- Corporate administrative expenses (including the temporary under-utilization of personnel as we evaluate our resource requirements to support our future operations);
- Initiatives to diversify and enhance our business; and
- Costs associated with the impacts of Hurricane Ida, including uninsured losses, if any, as well as repair costs for buildings and equipment for which insurance payments have previously been received from our insurance carriers.

We anticipate capital expenditures of approximately $2.0 million for the remainder of 2023, excluding any future expenditures for deductibles and uninsured losses, if any, associated with damage caused by Hurricane Ida, that may be determined to be capital items. Further investments in facilities may be required to win and execute potential new project awards, which are not included in these estimates.

We believe that our cash, cash equivalents and short-term investments at September 30, 2023, will be sufficient to enable us to fund our operating expenses, meet our working capital and capital expenditure requirements, and satisfy any debt service obligations or other funding requirements, for at least twelve months from the date of this Report. Our evaluation of the sufficiency of our cash and liquidity is primarily based on our financial forecast for 2023 and 2024, which is impacted by our existing backlog and estimates of future new project awards and may be further impacted by the ongoing effects of oil and gas price volatility and macroeconomic conditions, and future losses, if any, due to coverage limitations and our use of deductibles and self-insured retentions for our exposures related to property and equipment damage, builder’s risk, third-party liability and workers’ compensation and USL&H claims. We can provide no assurances that our financial forecast will be achieved or that we will have sufficient cash and short-term investments to meet planned operating expenses and unforeseen cash requirements. Accordingly, we may be required to obtain new or additional credit facilities, sell additional assets or conduct equity or debt offerings at a time when it is not beneficial to do so.

Off-Balance Sheet Arrangements

We are not a party to any contract or other obligation not included on our Balance Sheet that has, or is reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were effective as of the end of the period covered by this Report.

During the third quarter 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 4 of our Financial Statements in Part I, Item 1 for discussion of our legal proceedings, including the resolution of our MPSV Litigation, which is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A. “Risk Factors” of our 2022 Annual Report, except as disclosed in Part II, Item 1A. “Risk Factors” of our quarterly report on Form 10-Q for the quarter ended June 30, 2023.

Item 5. Other Information.

On November 6, 2023 we entered into the Note Agreement in the principal amount of $20.0 million. The Note Agreement bears interest at a fixed rate of 3.0% per annum commencing on January 1, 2024, with principal and interest payable in 15 equal annual installments of approximately $1.7 million, beginning on December 31, 2024 and ending on December 31, 2038. See Note 3 of our Financial Statements in Part I, Item 1 for discussion of the related amendment to the Mortgage Agreement and termination of the Restrictive Covenant Agreement, and Note 4 of our Financial Statements in Part I, Item 1 for further discussion of the Note Agreement. A copy of the Note Agreement, Mortgage Agreement amendment and Restrictive Covenant Agreement termination are filed with this Report as Exhibits 10.1, 10.2 and 10.3, respectively.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on May 22, 2020 (SEC File No. 001-34279).
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on November 6, 2023 (SEC File No. 001-34279).
10.1	Secured Promissory Note by and among Gulf Island Fabrication, Inc. and all of its subsidiaries, as payors, and Zurich American Insurance Company and Fidelity and Deposit Company of Maryland, as payees, dated November 6, 2023.*
10.2	Amendment to Multiple Indebtedness Mortgage by and among Fidelity and Deposit Company of Maryland and Zurich American Insurance Company, as mortgagees, and Gulf Island, L.L.C. and Gulf Island Services, L.L.C. f/k/a Dolphin Services, L.L.C., as mortgagors, dated November 6, 2023.*
10.3	Nullification of Restrictive Covenant Regarding Restricted Payments by and among Gulf Island Fabrication, Inc., Gulf Island, L.L.C., Gulf Island Shipyards, LLC, Fidelity and Deposit Company of Maryland and Zurich American Insurance Company, dated November 6, 2023.*
31.1	CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
31.2	CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
32	Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350. *
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. *
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document. *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. *
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, has been formatted in Inline XBRL and is contained in Exhibit 101. *

* Filed or furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GULF ISLAND FABRICATION, INC.

BY: /s/ Westley S. Stockton

Westley S. Stockton
Executive Vice President, Chief Financial
Officer, Treasurer and Secretary (Principal Financial Officer and
Principal Accounting Officer)

Date: November 7, 2023

SECURED PROMISSORY NOTE

DATED: November 6, 2023

AMOUNT: $20,000,000.00

FOR VALUE RECEIVED, Gulf Island Fabrication, Inc.; Gulf Island EPC, LLC; Gulf Island, LLC; Gulf Island Shipyards, LLC; Gulf Island Services, LLC; Gulf Island Works, LLC; Dolphin Services, LLC; Southport, LLC; G.M. Fabricators, LP d/b/a Gulf Marine Fabricators; and Dolphin Steel Sales, LLC (collectively, the "Payors"), solidarily promise to pay to the order of Zurich American Insurance Company and Fidelity and Deposit Company of Maryland (collectively, the "Payees") the sum of Twenty Million Dollars and No Cents ($20,000,000.00).

This Note is secured by that certain Multiple Indebtedness Mortgage between Gulf Island, LLC and Gulf Island Services, LLC f/k/a Dolphin Services, LLC as Mortgagor and Zurich American Insurance Company and Fidelity & Deposit Company of Maryland as Mortgagee, recorded in the public records of Terrebonne Parish, Louisiana on April 21, 2021, File No. 1625076, Book 3242, Page 791, including all amendments to said mortgage that have or may be made by the parties thereto.

I. PAYMENTS UNDER NOTE

The principal indebtedness evidenced hereby shall be due and payable as follows:

The Payors shall pay to the order of Payee the total sum of $20,000,000.00, at the rate of 3% interest per annum with yearly capitalization. Interest shall begin accruing on January 1, 2024. No interest shall accrue from the date of this note through December 31, 2023.

The sum of $20,000,000.00, plus interest as provided above, shall be payable in 15 annual installments of $1,675,331.61 on the last day of each year until paid, with the first payment due on December 31, 2024 and the last payment to be due on December 31, 2038. This Note may be prepaid in full without any penalty or premium. At the time of such prepayment, all unpaid principal and accrued but unpaid interest shall be paid.

All payments shall be made to Zurich American Insurance Company and Fidelity and Deposit Company of Maryland, Attn: Linda Flores, 1299 Zurich Way, Schaumburg, IL 60196-1056, or such other address as Payees may direct in writing. Payment shall be deemed timely if received by Payees on or before its due date.

This Note shall be deemed paid in full upon timely payment of the principal sum of $20,000,000.00, plus any accrued but unpaid interest, as set forth above.

II. DEFAULT/ACCELERATION AND INTEREST

If any payment is not received by the Payee on or before the date it is due, at the option of the Payee, the entire amount of this Note and 12% interest on the unpaid balance, from the date the Note was executed, may be declared immediately due and payable.

However, before (1) Payors may be declared in breach or default or (2) any unpaid balance may be accelerated, Payees shall deliver written notice of an alleged breach of or default under this Note to Payors by Federal Express or United States Post Office certified mail (return receipt requested) at:

Gulf Island Fabrication, Inc.
2170 Buckthorne Place, Suite #420
The Woodlands, TX 77380

With a copy to Payors' attorney:

Etienne Balart
Jones Walker LLP
201 St. Charles Avenue
New Orleans, LA 70170

Notice may also be made at such other address as Payors shall direct in writing.

Payors shall have 15 calendar days after such notice is sent to cure any alleged breach of or default under this Note without any adverse consequences. Notice under this Section of the Note is deemed to be sufficient if the certified mail or Federal Express, which is sent to the addresses directed in writing by Payors, is returned as undeliverable.

III. NO WAIVER OF RIGHTS

The failure by Payees to exercise any of the rights, powers, or remedies under this Note shall not constitute a waiver of the right to exercise the same or any other right, power, or remedy at any subsequent time. The acceptance by Payees of any payment which is less than payment in full of all amounts due at the time of such payment, or the acceptance of any untimely payment, shall not constitute a waiver of the right to exercise any of Payees' rights, powers, or remedies at that time, or at any prior or subsequent time, or nullify any prior exercise of any such right, power, or remedy without the written consent of Payees.

IV. ATTORNEY'S FEES

In case this Note should be placed in the hands of any attorney to institute legal proceedings to recover all or part of the amount hereof, or to protect the interests of Payees, or in case this Note should be placed in the hands of an attorney for collection, compromise, or other action, Payors bind themselves to pay the fees of the attorneys who may be employed for that purpose.

V. RIGHTS CUMULATIVE

Payees' rights under this Note are cumulative and do not alter or limit Payees' rights against any of the undersigned Indemnitors at law or under any other agreement, including without limitation under the General Indemnity Agreements with effective dates of October 15, 2007, June 21, 2010, December 15, 2015, and May 1, 2018.

VI. GOVERNING LAW

This Note is made for commercial purposes and shall be governed by the laws of the State of Louisiana.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this Promissory Note as of the date first written above.

GULF ISLAND FABRICATION, INC., a Louisiana corporation

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND EPC, LLC, a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND, LLC, a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND SHIPYARDS, LLC, a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND SERVICES, LLC, a Louisiana limited liability company d/b/a Dolphin Services, LLC and Dolphin Steel Sales, LLC

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND WORKS, LLC, a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

SOUTHPORT, LLC, a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

G.M. FABRICATORS, LP, a Louisiana limited liability company d/b/a Gulf Marine Fabricators

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

Exhibit 10.2

AMENDMENT TO MULTIPLE INDEBTEDNESS MORTGAGE

BE IT KNOWN that on this 6th day of November, 2023;

BEFORE ME, THE UNDERSIGNED, a Notary Public, duly commissioned and qualified within the State of ______________ and the Parish/County of ___________________, and in the presence of the undersigned competent witnesses;

PERSONALLY CAME AND APPEARED:

Gulf Island, L.L.C. (Tax ID# ***-**-XXXX), a Louisiana limited liability company domiciled in Terrebonne Parish, Louisiana, with its registered place of business and mailing address being 567 Thompson Road, Houma, LA 70363, represented herein by its undersigned duly authorized officer, authorized pursuant to the certified resolutions attached hereto; and

-and-

Gulf Island Services, L.L.C. f/k/a Dolphin Services, L.L.C. (Tax ID# ***-**-XXXX), a Louisiana limited liability company domiciled in Terrebonne Parish, Louisiana, with its registered place of business and mailing address being 400 Thompson Road, Houma, LA 70363, represented herein by its undersigned duly authorized officer, authorized pursuant to the certified resolutions attached hereto; (collectively, "Mortgagors")

-and-

Zurich American Insurance Company and Fidelity & Deposit Company of Maryland (collectively, the "Sureties")

who did declare as follows:

WHEREFORE, on April 19, 2021, Mortgagors granted a Multiple Indebtedness Mortgage in favor of the Sureties over the property described in Exhibit A of this Amendment to Multiple Indebtedness Mortgage ("Mortgaged Property") and in the maximum amount of $50,000,000.00, which was filed in the Terrebonne Parish Public Records on April 21, 2021 under Instrument No. 1625076 ("MIM");

NOW THEREFORE, for valid cause and for good and valuable consideration, the Parties have agreed to amend and modify the MIM as follows:

1. The Mortgagors and the Sureties hereby (i) amend, modify, and replace the definition of "Obligations" and (ii) add the definition of "Net Cash Proceeds" in alphabetical order, each as follows:

Net Cash Proceeds The term "Net Cash Proceeds" means the aggregate proceeds paid in cash or cash equivalents received by Mortgagor in connection with any sale or transfer of the Mortgaged Property, net of (a) direct costs incurred or estimated costs for which reserves are maintained, in connection therewith (including legal, accounting and investment banking fees and expenses, sales commissions and underwriting discounts), and (b) estimated taxes paid or payable (including sales, use or other transactional taxes and any net marginal increase in income taxes) as a result thereof.

Obligations. The term "Obligations" shall mean any and all obligations and liabilities of the Indemnitors and/or Mortgagor to Mortgagee, as expressed in the General Indemnity Agreements executed by any or all of the Indemnitors and Mortgagor in favor of Mortgagee with effective dates of October 15, 2007, June 21, 2010, December 15, 2015, and May 1, 2018 ("General Indemnity Agreements"); and/or any and all obligations and liabilities arising under or in connection with any surety bonds issued by Mortgagee that name any of the Indemnitors or Mortgagor as principal ("Surety Bonds"); and/or any and all obligations and liabilities arising under or in connection with that certain Secured Promissory Note dated November 6, 2023 executed by the Indemnitors (the "Note"); and/or any and all obligations and liabilities arising under or in connection with that certain Settlement Agreement dated November 6, 2023 executed by the Indemnitors and the Sureties.

2. The Mortgagors and the Sureties hereby amend, modify, and replace the section of the MIM styled "Negative Covenants Concerning the Mortgaged Property" with the following:

"NEGATIVE COVENANTS CONCERNING THE MORTGAGED PROPERTY. So long as this Mortgage remains in effect, Mortgagor shall not (a) sell or transfer the Mortgaged Property unless the Net Cash Proceeds from such sale or transfer are shared equally between Mortgagor and Mortgagee, *provided*, that Mortgagee's portion of such Net Cash proceeds shall be applied to amounts owed and outstanding under the Note and shall in no event exceed any amounts outstanding under the Note; *provided further*, that the first $8,000,000 of Net Cash Proceeds from any such sale or transfer (i) shall be exempt from the sharing requirement in this clause (a), (ii) shall be retained in full by Mortgagor and (iii) shall not be required to pay down outstanding amounts under the Note so long as all of such retained amount is used to improve the Mortgaged Property, (b) abandon, permit others to abandon, commit waste of, or destroy the Mortgaged Property, except during required evacuations for weather events, pandemics or other similar occurrences, (c) other than any sale or transfer of Mortgaged Property permitted in clause (a) of this covenant, demolish and remove any building(s) on the Mortgaged Property with a book value in excess of $100,000, without Mortgagee's consent, except if significantly damaged by fire or other casualty, and (d) do anything or permit anything to be done that may in any way materially impair Mortgagee's rights under this Mortgage or Mortgagee's rights in and to the Mortgaged Property."

3. The Mortgagors and the Sureties hereby amend, modify, and replace the first sub-paragraph of the section of the MIM styled "Default" with the following:

"(1) the failure to make payment of or failure to fully perform the Obligations upon coming due and upon 60-day written demand provided by Mortgagee to Mortgagor,"

4. The Mortgagors and the Sureties hereby amend, modify, and replace the section of the MIM styled "Application of Proceeds" with the following:

"APPLICATION OF PROCEEDS. Subject to the negative covenant herein governing the use of Net Cash Proceeds, Mortgagee may apply any proceeds derived or to be derived from the sale or other disposition of the Mortgaged Property first to the reimbursement of the expenses incurred by Mortgagee in connection therewith, including Mortgagee's attorneys' fees and costs; and then to the payment of any costs incurred by Mortgagee pursuant to this Mortgage; and then to the payment of the Obligations."

5. The Mortgagors and the Sureties do not wish to amend or modify any other provision of the MIM, and instead intend that all other terms and conditions shall remain as written.

[SIGNATURE PAGES AND EXHIBITS FOLLOW.]

THUS DONE AND PASSED, on the day, month and year first written above, in the presence of the undersigned Notary Public and the undersigned competent witnesses, who hereunto sign their names with Mortgagor after reading of the whole.

MORTGAGOR:
GULF ISLAND, L.L.C., a Louisiana limited liability company
By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND SERVICES, L.L.C., a Louisiana limited liability company f/k/a Dolphin Services, L.L.C.
By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

WITNESSES:

By: ___________________________________

Printed Name: _________________________

By: ___________________________________

Printed Name: _________________________

WITNESS my hand and official seal.

Printed Name:

Notary Public in and for the said County/
Parish and State first stated above
Bar/Notary ID: _______________________
Commission Expiration: _______________

[SEAL]

THUS DONE AND PASSED, on the day, month and year first written above, in the presence of the undersigned Notary Public and the undersigned competent witnesses, who hereunto sign their names with Mortgagor after reading of the whole.

MORTGAGEE:
Zurich American Insurance Company
By: /s/ Mark Wood

Printed Name: Mark Wood

Its: Vice President

Fidelity & Deposit Company of Maryland
By: /s/ Mark Wood

Printed Name: Mark Wood

Its: Vice President

WITNESSES:

By: ________________________________

Printed Name: ________________________

By: ________________________________

Printed Name: ________________________

WITNESS my hand and official seal.

Printed Name:

Notary Public in and for the said County/
Parish and State first stated above
Bar/Notary ID: ______________________
Commission Expiration: _______________

[SEAL]

EXHIBIT A

Property Description

1. A certain tract or parcel of land with all buildings, improvements, tools and equipment thereon, containing 135.13 acres, more or less, located in Sections 1 and 15, T18S-R17E, Terrebonne Parish, Louisiana, as commencing at a intersection of the centerline of Thompson Road with the centerline of Grand Caillou Road (La. Hwy. 57) and being the point of beginning designated as Point "A";

THENCE, S 8°56'10" E, a distance of 1300.00 feet to Point "B";

THENCE, S 81°03'50" W, a distance of 1779.09 feet to Point "C";

THENCE, S 8°56'10" E, a distance of 650.00 feet to Point "D";

THENCE, S 81°03'50" W, a distance of 2323.21 feet to the centerline of the Houma Navigation Canal right-of-way designated as Point "E";

THENCE, N 7°45'19" E, on and along said centerline a distance of 187.31 feet to Point "F";

THENCE, N 5°31'22" E, on and along said centerline a distance of 485.97 feet to Point "G";

THENCE, N 5°33'33" E, on and along said centerline a distance of 404.43 feet to Point "H";

THENCE, N 1°18'58" E, on and along said centerline a distance of 889.50 feet to Point "I";

THENCE, N 0°58'37" W, on and along said centerline a distance of 33.43 feet to Point "J";

THENCE, N 81°03'50" E, on and along the centerline of Thompson Road a distance of 3662.99 feet to Point "A", the point of beginning, containing 140.6805 acres.

Less and Except
1.958 Acre Parcel

COMMENCING at a point being located S 81°03'50" W for a distance of 1938.47 feet and S 8°56'10" E for a distance of 859.28 feet from Point "A" and being the point of beginning;

THENCE, S 7°51'57" E, a distance of 626.11 feet to a point;

THENCE, S 82°08'03" W, a distance of 136.21 feet to a point;

THENCE, N 7°51'57" W, a distance of 626.11 feet to a point;

THENCE, N 82°08'03" E, a distance of 136.21 feet to the point of beginning, containing 1.958 acres.

Less and Except
3.604 Acre Panel

COMMENCING at a point being located S 81°03'50" W for a distance of 2922.24 feet and S 8°56'10" E, for a distance of 1100.00 feet from Point "A" and being the point of beginning;

THENCE, N 81°03'50" E, a distance of 70.00 feet to a point;

THENCE, S 8°56'10" E, a distance of 100.00 feet to a point;

THENCE, N 81°03'50" E/, a distance of 530.00 feet to a point;

THENCE, S 8°56'10" E, a distance of 150.00 feet to a point;

THENCE, S 81°03'50" W, a distance of 1000.00 feet to a point;

THENCE, N 8°56'10" W, a distance of 150.00 feet to a point;

THENCE, N 81°03'50" E, a distance of 400.00 feet to a point;

THENCE, N 8°56'10" W, a distance of 100.00 feet to the point of beginning, containing 3.604 acres.

All as shown on a plat prepared by the office of T. Baker Smith & Son, Inc. titled "Survey Of 140.6805 Acres To Be Purchased By Gulf Island Fabrication, Inc. Located In Sections 1 & 15, T18S-R17E, Terrebonne Parish, Louisiana," dated May 16, 1985.

2. Those certain tracts or parcels of land, designate as Lot "A" on the plat entitled "Marlin Marine Corporation, Proposed Sale of Lot A located in Sections 1 and 15, Township 18 South, Range 17 East, Terrebonne Parish, Louisiana," dated May 13, 1976, prepared by T. Baker Smith & Son, Inc., Civil and Consulting Engineers, Houma, Louisiana approved by Charles M. Camp, Registered Land Surveyor, said property being more particularly described as follows:

Commencing at a point in the intersection of Louisiana State Highway 57 and the centerline of Thompson Road in Section 12, Township 17 South, Range 17 East, Terrebonne Parish, Louisiana; thence South 81°3'50" West on along said Thompson Road centerline a distance of 7,650 feet to a point, thence North 8°56'10" West a distance of 40 feet to the point of beginning, thence South 81°3'50" West a distance of 566.77 feet to a point; thence North 2°10'37" West a distance of 403.91 feet to a point; thence North 81°3'50" East a distance of 519.24 feet to a point; thence South 8° 56' 10" East a distance of 401.10 feet to the point of beginning, and containing an area of 5.000 acres, more or less, all as more fully shown on the above referred to plat, including all building and improvements thereon, as well as all rights, ways, privileges and servitudes thereunto belonging or in anywise appertaining.

3. A certain lot or parcel of land commencing at a point located S81° 03' 50"W on and along the centerline of Thompson Road for a distance of 7320 feet from the centerline of Louisiana State Highway 57 and Thompson Road, also being the point of beginning; thence along the following bearings and distances; thence S81°03'50"W on and along the centerline of Thompson Road for a distance of 901.52 feet to a point; thence N2° 10'37"W for a distance of 40.28 feet to a point; thence N81°03'50" E for a distance of 566.77 feet to a point; thence N8°56'10"W for a distance of 401.10 feet to a point; thence S81°03'50"W for a distance of 519.24 feet to a point; thence N2°10'37"W for a distance of 125.87 feet to a point; thence N81°03'50"E for a distance of 834.42 feet to a point; thence S8°56'10"E for a distance of 566.10 feet to the point of beginning and containing an area of 6.280 acres, more or less, all as more fully

shown on a map prepared by T. Baker Smith Son, Inc. dated August 9, 1979, and revised August 10, 1979 entitled "Exchange & Purchase Between Marlin Marine Corporation and CNG Producing Company located in Sections 1 & 15, T18S-R17E, Terrebonne Parish, Louisiana."

Being the same property acquired by Seller by a Cash Sale of Property from American Oilfield Divers, Inc. dated June 13, 1997, filed June 2, 1994, under Entry Nol 1000060 of the public records of Terrebonne Parish, State of Louisiana.

4. One certain piece of ground designated as two irregular shaped lots known as a portion of Lots 15 & 16 on a plat entitled "MAP SHOWING LOTS 15 & 16 OF PROPERTY FORMERLY BELONGING TO WALTER LAND CO., OR ASSIGNS AND AN ADJOINING TRACT OF LAND LOCATED IN SECS. 1 & 15, T18S – R18E, TERREBONNE PARISH, LOUISIANA", dated February 8, 2001, prepared by Charles L. McDonald, and recorded at Entry No. 1089425, Terrebonne Parish, Louisiana and according to said plat said portions of Lots 15 & 16 have a combined southerly footage of 1,174.99 feet on its south side extending into the Houma Navigation Canal, a combined total in the rear of 1,030.84 feet on its north side, by a depth of 1,320.00 feet on its east side, by depth of 1,268.86 feet on its west side; said Lots 15 & 16 being bounded on its north by Munson Slip, on its south by property owned by Gulf Island Fabrication Company and extending into the Houma Navigation Canal, on its east by Lot 17 and on its west by the Houma Navigation Canal, all according to the above mentioned plat, together with all rights, ways, servitudes and privileges thereunto belonging or in anywise appertaining.

5.

THAT PORTION OF GROUND together with all the buildings and improvements thereon and all the rights, ways, privileges, servitudes, appurtenances, and advantages thereunto belonging or in anywise appertaining, situated in Section 12, Township 17 South, Range 17 East, and Section 1, Township 18 South, Range 17 East, Terrebonne Parish, Louisiana, being lot 26 of Houma-Terrebonne Industrial Park as shown on plat of survey of Robert C. Reed, registered Land Surveyor dated March 22, 1972, revised July 11, 1973, said plat attached to document dated February 17, 1975 and registered in COB 608, Folio 670, Entry Number 482726 and said lot 26 being more particularly described as follows to wit:

COMMENCING at a point S81 degrees 03'50"W, a distance of 1,480.00 feet from the intersection of the centerline of Roland Road with the centerline of Thompson Road, said point being the southeasterly corner of Lot 26 and also being the point of beginning;

THENCE S81 degrees 03'50"W, along the centerline of Thompson Road a distance of 330.00 feet to a point on the property line between Lot 26 and Walter Land Company;

THENCE N8 degrees 56'10"W, along said property line a distance of 1,320.00 feet to a point on the centerline of Munson Slip;

THENCE N81 degrees 03'50"E, along the centerline of Munson Slip a distance of 330.00 feet to a point on the property line between Lot 26 and Walter Land Company;

THENCE S8 degrees 56'10"E, along said property line a distance of 1,320.00 feet to the point of beginning and containing an area of 10.00 acres, more or less, all as more fully shown on a plat prepared by Euclid Engineering Co., Inc., dated January 2, 1979 and titled "Plat of Survey Showing a Proposed Purchase from Walter Land Company in Section 12, T17S, R17E, and Section 1, T18S, R17E, Terrebonne Parish, Louisiana".

Being the same property acquired by Thomas N. Reagan from Wilburn Ray Hines by act dated May 29, 1981, passed before Logan L. Loomis, Notary Public, registered in COB 839, folio 554, Entry No. 654115 of the records of Terrebonne Parish, Louisiana.

6. A certain lot or parcel of ground known as Lot Twenty-five (25), all as more particularly shown on that plat entitled, "PLAT OF SURVEY SHOWING A PROPOSED PURCHASE FROM WALTER LAND COMPANY IN SECTION 12, T17S-R17E AND SECTION 1, T18S-R17E, TERREBONNE PARISH, LOUISIANA", prepared by Euclid Engineering Co., Inc. dated January 3, 1979, revised January 4, 1979, a copy of which is made part of that certain Act of Cash Sale dated January 30, 1979, and recorded at Entry Number 586594, COB 742, page 160 records of Terrebonne Parish, Louisiana. Said lot is more fully described as follows: Having a front of Three hundred thirty and 00/100 (330.00') feet, with a rear of Three hundred thirty and 00/100 (330.00') feet and a westerly sideline of One thousand three hundred twenty and 00/100 (1,320.00') feet and an easterly sideline of One thousand three hundred twenty and 00/100 (1,320.00') feet. Said Lot 25 is bounded as follows: Front or Southerly by Thompson Road, westerly by Walter Land Company, Northerly or rear by Munson Slip, and Easterly by Walter Land Company; together with all the improvements thereon, as well as all rights, ways, privileges and servitudes thereunto belonging or otherwise appertaining.

7. A certain tract or parcel of land located in Section 1, Township 18 South, Range 17 East, Terrebonne Parish, Louisiana, containing 19.1 acres and described as follows: Begin at Point A of the Northeast Corner of Parcel II and travel a westerly direction on the North boundary of Parcel II a distance of 640 feet; then travel South a distance of 1300 feet on a line which is parallel to the Eastern boundary of Parcel II; thence travel a distance of 640 feet to point B; thence travel to point A along the Easterly boundary of Parcel II, all as more particularly set forth on that one certain plat prepared by Robert C. Reed, Registered Civil Engineer, entitled "Plat of Survey Showing Lands Purchased by Fluor Ocean Services, Inc. from the South Coast Corporation within Section 1 and 15, T18S, R17E, Terrebonne Parish, Louisiana" which is dated April 21, 1970, a copy of which is filed for record under Entry No. 380939 of the records of Terrebonne Parish, Louisiana, together with all improvements thereon and all rights, ways, privileges, and servitudes thereunto belonging or in anywise appertaining.

8. A CERTAIN LOT OR PARCEL OF GROUND, together with all the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, including but not limited to all batture, batture rights, alluvion, alluvion rights, dereliction and/or accretion, located in Section 12, Township 17 South range 17 East and Section 1 Township 18 South range 17 East Terrebonne Parish, Louisiana,

being lot 27 of Houma - Terrebonne Industrial Park as shown on plat of survey of Robert C. Reed, registered Land Surveyor dated March 22, 1972, revised July 11, 1973, said plat attached to document dated February 17, 1975 and registered in COB 608, Folio 670, Entry No. 482726 and said lot 27 being more particularly described as follows to wit:

COMMENCING at a point S81°03'50"W a distance of 1150.00 feet from the intersection of the centerline of Roland Road with the centerline of Thompson Road, said point being the southeasterly corner of Lot 27 and also being the point of beginning;

THENCE S81°03'50"W along the centerline of Thompson Road a distance of 330.00 feet to a point on the property line between lots 27 and 26;

THENCE N8°56'10"W along said property line a distance of 1320.00 feet to a point in the centerline of Munson Slip;

THENCE N81°03'50"E, along the centerline of Munson Slip a distance of 330.00 feet to a point on the property line between Lots 27 and 28 of said Houma - Terrebonne Industrial Park;

THENCE S8°56'10"E, along said line between Lots 27 and 28 a distance of 1320.00 feet to the point of beginning containing an area of 10100 acres more or less, said lot 27 is shown on a plat prepared by Euclid Engineering Co., Inc. dated November 13, 1978.

Per survey by Kenneth L. Rembert, Land Surveyor, dated November 18, 1980, the said property has the same measurements and location as hereinabove described.

Schedule B

Exhibit 10.3

NULLIFICATION OF RESTRICTIVE COVENANT REGARDING RESTRICTED PAYMENTS

This Nullification of Restrictive Covenant Regarding Restricted Payments (this "Agreement") is hereby entered into and effective as of November 6, 2023 (the "Effective Date") by and between:

(1) Gulf Island Fabrication, Inc., a Louisiana corporation, Gulf Island, LLC, a Louisiana limited liability company; and Gulf Island Shipyards, LLC, a Louisiana limited liability company (collectively, "Gulf Island"); and

(2) Zurich American Insurance Company, an Illinois corporation; and Fidelity and Deposit Company of Maryland, a Maryland corporation (collectively, the "Sureties").

The foregoing parties may be collectively referred to herein as the "Parties."

A. **Nullification and Termination.** For valid cause and for good and valuable consideration, the Parties hereby expressly terminate and nullify that certain Restrictive Covenant Regarding Restricted Payments dated April 19, 2021 between Gulf Island and the Sureties ("Restrictive Covenant").

B. **Effect of Nullification.** The Restrictive Covenant shall be immediately terminated, null, void, and without any legal effect upon the execution of this Agreement by Gulf Island and the Sureties, which expressly terminates the Restrictive Covenant.

[Signatures on Following Page]

THUS DONE AND PASSED, on the day, month and year first written above, who hereunto sign their names after reading of the whole.

GULF ISLAND:

GULF ISLAND, L.L.C., a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND SHIPYARDS, L.L.C., a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

GULF ISLAND FABRICATION, L.L.C., a Louisiana limited liability company

By: /s/ Richard W. Heo

Printed Name: Richard W. Heo

Its: President and Chief Executive Officer

THUS DONE AND PASSED, on the day, month and year first written above, who hereunto sign their names after reading of the whole.

SURETIES:

ZURICH AMERICAN INSURANCE COMPANY, an Illinois corporation

By: /s/ James W. Hamel

Printed Name: James W. Hamel

Its: AVP & Team Manager

FIDELITY & DEPOSIT COMPANY OF MARYLAND., a Maryland corporation

By: /s/ James W. Hamel

Printed Name: James W. Hamel

Its: AVP & Team Manager

Exhibit 31.1

Certifications

I, Richard W. Heo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2023

/s/ Richard W. Heo

Richard W. Heo
President, Chief Executive Officer and Director (Principal Executive Officer)

Exhibit 31.2

Certifications

I, Westley S. Stockton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 7, 2023

/s/ Westley S. Stockton

Westley S. Stockton
Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32

Certification Furnished Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Gulf Island Fabrication, Inc. (the “Company”) for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, who are the Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to U.S.C. Section 1350, as adopted pursuant to of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

By: /s/ Richard W. Heo
Richard W. Heo
President, Chief Executive Officer and Director (Principal Executive Officer)
November 7, 2023

By: /s/ Westley S. Stockton
Westley S. Stockton
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
November 7, 2023

A signed original of this written statement required by Section 906 has been provided to Gulf Island Fabrication, Inc. and will be retained by Gulf Island Fabrication, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.