# 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, 2021**

**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 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.)** |
| **16225 PARK TEN PLACE, SUITE 300**<br>**HOUSTON, TEXAS** | **77084** |
| **(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 November 9, 2021, was 15,551,891.

**GULF ISLAND FABRICATION, INC.**

**I N D E X**

## GLOSSARY OF TERMS

As used in this report on Form 10-Q for the quarter ended September 30, 2021 (“this Report”), the following abbreviations and terms have the meanings as 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.

| | |
|---|---|
| *2020 Annual Report* | Our annual report for the year ended December 31, 2020, filed with the SEC on Form 10-K on March 30, 2021. |
| *ASU* | Accounting Standards Update. |
| *Balance Sheet* | Our Consolidated Balance Sheets, as filed in this Report. |
| *CARES Act* | The Coronavirus Aid, Relief and Economic Security Act, as amended. |
| *Closing Adjustment* | The $8.0 million payment received on the Closing Date associated with the Shipyard Transaction, representing an estimate of the change in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date. |
| *Closing Adjustment True-up* | A post-closing reconciliation and true-up of the Closing Adjustment associated with the Shipyard Transaction based on actual changes in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date compared to the Closing Adjustment. |
| *Closing Date* | The closing date of the Shipyard Transaction of April 19, 2021. |
| *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. |
| *contracts in progress* | Net contract assets and contract liabilities on projects. |
| *COVID-19* | The ongoing 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. |
| *Deferred Transaction Price* | The portion of the Transaction Price totaling $2.2 million that will be received upon Bollinger's collection of certain customer payments associated with the Divested Shipyard Contracts. |
| *Divested Shipyard Contracts* | Contracts and related obligations for our three research vessel projects and five towing, salvage and rescue ship projects that were included in the Shipyard Transaction. |
| *DTA(s)* | Deferred Tax Asset(s). |
| *EPC* | Engineering, procurement and construction phases of a complex project that requires project management and coordination of these significant activities. |
| *Exchange Act* | Securities Exchange Act of 1934, as amended. |
| *F&S Facility* | Our Fabrication & Services Division’s facility located in Houma, Louisiana. |
| *Fabrication & Services* | Our Fabrication & Services Division (also referred to herein as F&S). |
| *FASB* | Financial Accounting Standards Board. |
| *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. |
| *GOM* | Gulf of Mexico. |
| *Gulf Coast* | Along the coast of the Gulf of Mexico. |

| | |
|---|---|
| *inland* | Typically, bays, lakes and marshy areas. |
| *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 pilings driven into the seabed. The jacket supports the deck structure located above the water. |
| *Jennings Facility* | Our Shipyard Division's leased facility located near Jennings, Louisiana, which was closed in the fourth quarter 2020. |
| *labor hours* | Hours worked by employees directly involved in the production of our products. |
| *Lake Charles Facility* | Our Shipyard Division's leased facility located near Lake Charles, Louisiana, which was closed in the fourth quarter 2020. |
| *LC Facility* | Our $20.0 million letter of credit facility with Whitney Bank maturing June 30, 2023, as amended. |
| *LNG* | Liquified Natural Gas. |
| *modules* | Fabricated structures including structural steel, piping, valves, fittings, storage vessels and other equipment that are incorporated into a refining, petrochemical, LNG or industrial system. These modules are prefabricated at our facilities and then transported to the customer's location for final integration. |
| *Mortgage Agreement* | Multiple indebtedness mortgage arrangement with a Surety, to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bonds for certain contracts, which encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. |
| *MPSV(s)* | Multi-Purpose Support Vessel(s). |
| *offshore* | In unprotected waters outside coastlines. |
| *onshore* | Inside the coastline on land. |
| *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 support platforms. |
| *PPP* | Paycheck Protection Program administered by the SBA under the CARES Act. |
| *PPP Loan* | Our $10.0 million loan from Whitney Bank issued pursuant to the PPP. |
| *platform* | A structure from which offshore oil and gas development drilling and production are conducted. |
| *Restrictive Covenant Agreement* | Restrictive covenant arrangement with a Surety, to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bonds for certain contracts, which precludes us from paying dividends or repurchasing shares of our common stock. |
| *Retained Shipyard Contracts* | Contracts and related obligations for our two forty-vehicle ferry projects, seventy-vehicle ferry project, and two MPSV projects that are subject to dispute, which were excluded from the Shipyard Transaction. |
| *SBA* | Small Business Administration. |
| *SEC* | U.S. Securities and Exchange Commission. |
| *Shipyard* | Our Shipyard Division. |
| *Shipyard Facility* | Our Shipyard Division’s owned facility located in Houma, Louisiana that was sold in connection with the Shipyard Transaction. |
| *Shipyard Transaction* | The sale of our Shipyard Division’s 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. |
| *Surety* | 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. |

| | |
|---|---|
| *T&M* | Work performed and billed to the customer generally at contracted time and material rates, cost plus or other variable fee arrangements. |
| *Topic 606* | The revenue recognition criteria prescribed under ASU 2014-09, *Revenue from Contracts with Customers*. |
| *Transaction Price* | The base sales price of $28.6 million associated with the Shipyard Transaction. |
| *U.S.* | The United States of America. |
| *Whitney Bank* | Hancock Whitney Bank. |

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements.**

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | (Unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 71,667 | $ 43,159 |
| Restricted cash, current | 1,736 | — |
| Short-term investments | — | 7,998 |
| Contract receivables and retainage, net | 8,229 | 14,089 |
| Contract assets | 2,246 | 5,098 |
| Prepaid expenses and other assets | 6,361 | 2,545 |
| Inventory | 1,673 | 2,157 |
| Assets held for sale | 1,800 | 6,200 |
| Current assets of discontinued operations | — | 66,116 |
| Total current assets | 93,712 | 147,362 |
| Property, plant and equipment, net | 28,377 | 31,178 |
| Restricted cash, noncurrent | 406 | — |
| Noncurrent assets of discontinued operations | — | 39,169 |
| Other noncurrent assets | 13,381 | 13,634 |
| Total assets | $ 135,876 | $ 231,343 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 7,396 | $ 12,362 |
| Contract liabilities | 7,188 | 10,262 |
| Accrued expenses and other liabilities | 8,372 | 6,682 |
| Long-term debt, current | — | 5,499 |
| Current liabilities of discontinued operations | 176 | 63,607 |
| Total current liabilities | 23,132 | 98,412 |
| Long-term debt, noncurrent | — | 4,501 |
| Other noncurrent liabilities | 1,590 | 2,068 |
| Total liabilities | 24,722 | 104,981 |
| 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, 15,552 shares issued and outstanding at September 30, 2021 and 15,359 at December 31, 2020 | 11,331 | 11,223 |
| Additional paid-in capital | 105,036 | 104,072 |
| Retained earnings (accumulated deficit) | (5,213) | 11,067 |
| Total shareholders' equity | 111,154 | 126,362 |
| Total liabilities and shareholders' equity | $ 135,876 | $ 231,343 |

*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, | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Revenue | $ 19,587 | $ 25,306 | $ 67,640 | $ 94,973 |
| Cost of revenue | 19,785 | 25,941 | 66,813 | 96,804 |
| Gross profit (loss) | (198) | (635) | 827 | (1,831) |
| General and administrative expense | 3,224 | 2,748 | 9,104 | 9,429 |
| Impairments and (gain) loss on assets held for sale, net | — | 72 | — | 72 |
| Other (income) expense, net | 260 | 749 | (649) | (9,284) |
| Operating loss | (3,682) | (4,204) | (7,628) | (2,048) |
| Gain on extinguishment of debt | 9,061 | — | 9,061 | — |
| Interest (expense) income, net | (58) | (118) | (347) | (154) |
| Income (loss) before income taxes | 5,321 | (4,322) | 1,086 | (2,202) |
| Income tax (expense) benefit | (9) | 20 | 6 | (86) |
| Income (loss) from continuing operations | 5,312 | (4,302) | 1,092 | (2,288) |
| Loss from discontinued operations, net of taxes | — | (8,035) | (17,372) | (9,681) |
| Net income (loss) | $ 5,312 | $ (12,337) | $ (16,280) | $ (11,969) |
| Per share data: | | | | |
| Basic and diluted income (loss) from continuing operations | $ 0.34 | $ (0.28) | $ 0.07 | $ (0.15) |
| Basic and diluted loss from discontinued operations | — | (0.52) | (1.12) | (0.63) |
| Basic and diluted income (loss) per share | $ 0.34 | $ (0.81) | $ (1.05) | $ (0.78) |

*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 | Retained | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Equity |
| Balance at December 31, 2019 | 15,263 | $ 11,119 | $ 103,124 | $ 38,442 | $ 152,685 |
| Net income | — | — | — | 5,905 | 5,905 |
| Vesting of restricted stock | 27 | (8) | (65) | — | (73) |
| Stock-based compensation expense | — | 10 | 85 | — | 95 |
| Balance at March 31, 2020 | 15,290 | 11,121 | 103,144 | 44,347 | 158,612 |
| Net loss | — | — | — | (5,537) | (5,537) |
| Vesting of restricted stock | 19 | — | (1) | — | (1) |
| Stock-based compensation expense | — | 34 | 311 | — | 345 |
| Balance at June 30, 2020 | 15,309 | $ 11,155 | $ 103,454 | $ 38,810 | $ 153,419 |
| Net loss | — | — | — | (12,337) | (12,337) |
| Vesting of restricted stock | 16 | — | — | — | — |
| Stock-based compensation expense | — | 34 | 307 | — | 341 |
| Balance at September 30, 2020 | 15,325 | $ 11,189 | $ 103,761 | $ 26,473 | $ 141,423 |

| | Common Stock | | Additional Paid-In | Retained Earnings (Accumulated | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit) | Equity |
| Balance at December 31, 2020 | 15,359 | $ 11,223 | $ 104,072 | $ 11,067 | $ 126,362 |
| Net loss | — | — | — | (18,641) | (18,641) |
| Vesting of restricted stock | 158 | (9) | (91) | — | (100) |
| Stock-based compensation expense | — | 31 | 282 | — | 313 |
| Balance at March 31, 2021 | 15,517 | 11,245 | 104,263 | (7,574) | 107,934 |
| Net loss | — | — | — | (2,951) | (2,951) |
| Vesting of restricted stock | 18 | (1) | (7) | — | (8) |
| Stock-based compensation expense | — | 37 | 327 | — | 364 |
| Balance at June 30, 2021 | 15,535 | 11,281 | 104,583 | (10,525) | 105,339 |
| Net income | — | — | — | 5,312 | 5,312 |
| Vesting of restricted stock | 17 | — | — | — | — |
| Stock-based compensation expense | — | 50 | 453 | — | 503 |
| Balance at September 30, 2021 | 15,552 | $ 11,331 | $ 105,036 | $ (5,213) | $ 111,154 |

*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, 2021 | Nine Months Ended September 30, 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (16,280) | $ (11,969) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and lease asset amortization | 4,282 | 6,463 |
| Other amortization, net | 15 | 48 |
| Asset impairments | 22,750 | — |
| Loss on Shipyard Transaction | 2,581 | — |
| (Gain) loss on sale of assets held for sale, net | — | 72 |
| (Gain) loss on sale of fixed assets and other assets, net | 45 | (5) |
| Gain on extinguishment of debt | (9,061) | — |
| Stock-based compensation expense | 1,180 | 781 |
| Changes in operating assets and liabilities: | | |
| Contract receivables and retainage, net | 7,164 | 1,659 |
| Contract assets | (4,436) | (20,232) |
| Prepaid expenses, inventory and other current assets | (471) | 1,713 |
| Accounts payable | (13,261) | 18,900 |
| Contract liabilities | (6,342) | (6,094) |
| Accrued expenses and other current liabilities | 1,206 | (656) |
| Noncurrent assets and liabilities, net | (600) | 2,043 |
| Net cash used in operating activities | (11,228) | (7,277) |
| Cash flows from investing activities: | | |
| Capital expenditures | (1,080) | (10,191) |
| Proceeds from Shipyard Transaction, net of transaction costs | 31,677 | — |
| Proceeds from sale of property and equipment | 4,439 | 1,679 |
| Purchases of short-term investments | — | (19,992) |
| Maturities of short-term investments | 8,000 | 20,000 |
| Net cash provided by (used in) investing activities | 43,036 | (8,504) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | — | 10,000 |
| Repayment of borrowings | (1,050) | — |
| Payment of financing cost | — | (70) |
| Tax payments for vested stock withholdings | (108) | (74) |
| Net cash provided by (used in) financing activities | (1,158) | 9,856 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 30,650 | (5,925) |
| Cash, cash equivalents and restricted cash, beginning of period | 43,159 | 49,703 |
| Cash, cash equivalents and restricted cash, end of period | $ 73,809 | $ 43,778 |
| **Supplemental cash flow information:** | | |
| Deferred Transaction Price receivable from Shipyard Transaction | $ 2,200 | $ — |
| Forgiveness of principal and interest of PPP Loan | $ 9,061 | $ — |

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

# GULF ISLAND FABRICATION, INC.
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
**September 30, 2021**
**(Unaudited)**

## 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 provider of project management, hookup, commissioning, repair, maintenance and civil construction services. 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 two operating divisions ("Fabrication & Services" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our corporate headquarters is located in Houston, Texas and our operating facilities are located in Houma, Louisiana. 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 third quarter 2022. See *"Basis of Presentation"* below and Note 3 for further discussion of the Shipyard Transaction.

**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, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Our Consolidated Balance Sheet at December 31, 2020, 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 the Financial Statements and related footnotes included in our 2020 Annual Report.

We determined the Shipyard Division assets, liabilities and operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021. Accordingly, such assets and liabilities at September 30, 2021, and operating results for the three and nine months ended September 30, 2021, have been classified as discontinued operations on our Consolidated Balance Sheet ("Balance Sheet") and Consolidated Statement of Operations ("Statement of Operations"), respectively. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such assets and liabilities at December 31, 2020, and operating results for the three and nine months ended September 30, 2020, have been recast and classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. Discontinued operations are not presented separately on our Consolidated Statement of Cash Flows ("Statement of Cash Flows"). Unless otherwise noted, the amounts presented throughout the notes to our Financial Statements relate to our continuing operations. See Note 3 for further discussion of the Shipyard Transaction and our discontinued operations.

**Operating Cycle**

The duration of our contracts vary but typically 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.

**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 contracts, including application of the percentage-of-completion method, estimating costs to complete each contract and the recognition of incentives, unapproved change orders, claims and liquidated damages;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived assets and our assets held for sale;
- determination of deferred income tax assets, liabilities and related valuation allowances;
- reserves for bad debts;
- liabilities related to self-insurance programs;
- costs and insurance recoveries associated with damage to our operating facilities in Houma, Louisiana resulting from Hurricane Ida discussed further below; and
- the impacts of the ongoing global coronavirus pandemic ("COVID-19") and volatile oil prices 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.

*Volatile Oil Prices and COVID-19* – For the last several years, the price of oil has experienced significant volatility, 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 have been negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing, under-utilization of our operating facilities and resources, and losses on certain projects. COVID-19 added another layer of pressure and uncertainty on oil prices and our end markets, which further impacted our operations during 2020 and 2021. In addition, our operations (as well as the operations of our customers, subcontractors and other counterparties) were negatively impacted by the physical distancing, quarantine and isolation measures recommended by national, state and local authorities on large portions of the population, and mandatory business closures that were enacted in an attempt to control COVID-19. We continue to monitor the impact of COVID-19 on our operations and recognize that it could continue to negatively impact our business and results of operations during the remainder of 2021 and beyond.

The ultimate business and financial impacts of oil price volatility and COVID-19 on our business and results of operations continues to be uncertain, but the impacts have included, or may include, among other things, reduced bidding activity, suspension or termination of backlog, deterioration of customer financial condition, potential supply interruptions, and unanticipated project costs due to project disruptions and schedule delays, material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, lack of performance by subcontractors and suppliers, and contract disputes. Our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report for the impacts of oil price volatility and COVID-19.

**Income (Loss) Per Share**

Basic income (loss) per share is calculated by dividing net income (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. See Note 7 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.

*Restricted Cash* – At September 30, 2021, we had $2.1 million of restricted cash as security for letters of credit issued under our letter of credit facility ("LC Facility") with Hancock Whitney Bank ("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. We had no restricted cash at December 31, 2020. See Note 5 for further discussion of our cash security requirements under our LC Facility.

*Short-Term Investments* – We consider investments with original maturities of more than three months but less than twelve months to be short-term investments. We had no short-term investments at September 30, 2021. At December 31, 2020, our short-term investments included U.S. Treasuries with original maturities of less than six months that were held until their maturity.

**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**

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 routinely review individual contract receivable balances 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, and economic conditions in general. See Note 2 for further discussion of our allowance for doubtful accounts.

**Stock-Based Compensation**

Awards under our stock-based compensation plans are calculated using a fair value-based measurement method. We use the straight-line method 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 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 Statement of Cash Flows.

**Assets Held for Sale**

Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. See Note 4 for further discussion of our assets held for sale.

**Depreciation 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.

**Long-Lived Assets**

Long-lived assets, which include property, plant and equipment and our lease assets included within other noncurrent 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. See Note 2 for discussion of our long-lived asset impairments associated with Hurricane Ida and Note 3 for discussion of our long-lived asset impairments within discontinued operations.

**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. We recognize expense on a straight-line basis for leases with escalations over the life of the lease.

**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 impairments of inventory, long-lived assets and assets held for sale are non-recurring fair value measurements that fall within Level 3 of the fair value hierarchy. See Note 4 for further discussion of our assets held for sale.

**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 and T&M. Our contracts primarily relate to the fabrication and construction of steel structures, modules and marine vessels, and project management services and other 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 a customer has obtained control of a promised asset.

*Fixed-Price and Unit-Rate Contracts* – Revenue for our fixed-price and unit-rate contracts is recognized using the percentage-of-completion method based on contract costs incurred to date compared to total estimated contract costs (an input method). 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 for contracts accounted for using the percentage-of-completion 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, 2021 and 2020.

*T&M Contracts* – Revenue for our T&M contracts is recognized at contracted rates when the work is performed, the costs are incurred and collection is reasonably assured. Our T&M contracts provide for labor and materials to be billed at rates specified within the contract. The consideration from the customer directly corresponds to the value of our performance completed at the time of invoicing.

*Variable Consideration* – Revenue and gross profit for contracts can be significantly affected by variable consideration, which can be in the form of unapproved change orders, claims, incentives and liquidated damages that may not be resolved until the later stages of the contract or after the contract has been completed. 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 unapproved change orders, claims, incentives and liquidated damages for our projects.

*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, 2021 and December 31, 2020, we had no deferred pre-contract costs.

**Other (Income) Expense**

Other (income) expense, net, generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. For both the three and nine months ended September 30, 2021, other (income) expense included charges of $0.4 million associated with damage caused by Hurricane Ida. For both the three and nine months ended September 30, 2020, other (income) expense included charges of $0.7 million associated with damage caused by Hurricane Laura, and for the nine months ended September 30, 2020, included a gain of $10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015. See Note 2 for further discussion of the impacts of Hurricanes Laura and Ida.

**Income Taxes**

Income taxes have been provided 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 expected 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. Net income for the three and nine months ended September 30, 2021 includes a $9.1 million nontaxable benefit associated with extinguishment of debt on our PPP Loan. Excluding this nontaxable benefit for the 2021 period, our effective tax rate differs from our statutory rate for the three and nine months ended September 30, 2021 and 2020, as no federal benefit was recorded for our losses as a full valuation allowance was recorded against our federal deferred tax assets generated during the respective periods. Income taxes recorded for the three and nine months ended September 30, 2021 and 2020 represent state income taxes. See Note 5 for further discussion of the extinguishment of debt on our PPP Loan.

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**

*Income taxes* – In the first quarter 2021, we adopted Accounting Standards Update ("ASU") 2019-12, *"Income Taxes,"* which simplifies the accounting for income taxes by removing certain exceptions to the general principles and simplifies areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enacted tax laws or rate changes. Adoption of the new standard did not have a material effect on our financial position, results of operations or related disclosures.

*Financial instruments* – In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *"Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments,"* which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, short-term investments, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. The new standard also requires enhanced disclosures, including the requirement to disclose the information used to track credit quality by year of origination for most financing receivables. ASU 2016-13 will be effective for us in the first quarter 2023. Early adoption of the new standard is permitted; however, we have not elected to early adopt the standard. The new standard is required to be applied using a cumulative-effect transition method. We are currently evaluating the effect that the new standard will have on our financial position, results of operations and 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, for the three and nine months ended September 30, 2021 and 2020 (in thousands):

| | Three Months Ended September 30, 2021 | | | |
|---|---|---|---|---|
| **Contract Type** | **F&S** | **Shipyard** | **Eliminations** | **Total** |
| Fixed-price and unit-rate(1) | $ 8,188 | $ 2,202 | $ — | $ 10,390 |
| T&M(2) | 8,427 | 100 | — | 8,527 |
| Other | 670 | — | — | 670 |
| Total | $ 17,285 | $ 2,302 | $ — | $ 19,587 |

| | Nine Months Ended September 30, 2021 | | | |
|---|---|---|---|---|
| **Contract Type** | **F&S** | **Shipyard** | **Eliminations** | **Total** |
| Fixed-price and unit-rate(1) | $ 30,386 | $ 10,461 | $ (8) | $ 40,839 |
| T&M(2) | 23,950 | 100 | — | 24,050 |
| Other | 3,236 | — | (485) | 2,751 |
| Total | $ 57,572 | $ 10,561 | $ (493) | $ 67,640 |

| | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| **Contract Type** | **F&S** | **Shipyard** | **Eliminations** | **Total** |
| Fixed-price and unit-rate(1) | $ 10,464 | $ 7,515 | $ (20) | $ 17,959 |
| T&M(2) | 5,800 | — | — | 5,800 |
| Other | 1,973 | — | (426) | 1,547 |
| Total | $ 18,237 | $ 7,515 | $ (446) | $ 25,306 |

| | Nine Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| **Contract Type** | **F&S** | **Shipyard** | **Eliminations** | **Total** |
| Fixed-price and unit-rate(1) | $ 55,874 | $ 18,100 | $ (344) | $ 73,630 |
| T&M(2) | 17,180 | — | — | 17,180 |
| Other | 5,232 | — | (1,069) | 4,163 |
| Total | $ 78,286 | $ 18,100 | $ (1,413) | $ 94,973 |

(1) Revenue is recognized as the contract progresses over time.

(2) Revenue is recognized at contracted rates when the work is performed and costs are incurred.

**Future Performance Obligations Required Under Contracts**

The following table summarizes our remaining performance obligations by operating segment at September 30, 2021 (in thousands):

| Segment | | Performance Obligations |
| --- | --- | --- |
| Fabrication & Services | $ | 7,241 |
| Shipyard | | 12,220 |
| Total(1) | $ | 19,461 |

(1) We expect to recognize revenue of approximately $10.7 million and $8.8 million for the remainder of 2021 and thereafter, respectively, associated with our remaining performance obligations at September 30, 2021.

**Contracts Assets and Liabilities**

Revenue recognition and customer invoicing for our fixed-price and unit-rate contracts may occur at different times. Revenue recognition is based upon our estimated percentage-of-completion as discussed in Note 1; however, 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. 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, 2021 and December 31, 2020, is as follows (in thousands):

| | | September 30, 2021 | | December 31, 2020 |
| --- | --- | --- | --- | --- |
| Contract assets(1) | $ | 2,246 | $ | 5,098 |
| Contract liabilities(2), (3), (4) | | (7,188) | | (10,262) |
| Contracts in progress, net | $ | (4,942) | $ | (5,164) |

(1) The decrease in contract assets compared to December 31, 2020, was primarily due to decreased unbilled positions for our seventy-vehicle ferry project within our Shipyard Division.

(2) The decrease in contract liabilities compared to December 31, 2020, was primarily due to the unwind of advance payments on our two forty-vehicle ferry projects within our Shipyard Division.

(3) Revenue recognized during the three months ended September 30, 2021 and 2020, related to amounts included in our contract liabilities balance at June 30, 2021 and 2020, was $1.6 million and $4.6 million, respectively. Revenue recognized during the nine months ended September 30, 2021 and 2020, related to amounts included in our contract liabilities balance at December 31, 2020 and 2019, was $3.2 million and $11.4 million, respectively.

(4) Contract liabilities at September 30, 2021 and December 31, 2020, includes accrued contract losses of $4.4 million and $5.4 million, respectively. See "*Changes in Project Estimates"* below for further discussion of our accrued contract losses.

**Allowance for Doubtful Accounts**

Our provision for bad debts is included in other (income) expense, net on our Statement of Operations. Our provision for bad debts for the nine months ended September 30, 2021 and 2020, and our allowance for doubtful accounts at September 30, 2021 and December 31, 2020, were not significant.

**Variable Consideration**

For the three and nine months ended September 30, 2021 and 2020, we had no material amounts in revenue related to unapproved change orders, claims or incentives. However, at September 30, 2021 and December 31, 2020, certain projects reflected a reduction to our estimated contract price for liquidated damages of $1.2 million and $0.6 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 percentage-of-completion 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.

*Changes in Estimates for 2021* – For the three and nine months ended September 30, 2021, significant changes in estimated margins on projects positively impacted operating results for our Fabrication & Services Division by $1.1 million and $3.7 million, respectively, and negatively impacted operating results for our Shipyard Division by $1.3 million and $3.0 million, respectively. The changes in estimates were associated with the following:

***Fabrication & Services Division***

- *Marine Docking Structures Project, Offshore Modules Project, Material Supply Project and Subsea Structures Project* – Positive impact for the three months ended September 30, 2021 of $1.1 million for our marine docking structures project and material supply project, and positive impact for the nine months ended September 30, 2021 of $3.7 million for our marine docking structures project, offshore modules project, material supply project and a subsea structures project, resulting from increased contract price and reduced forecast costs, primarily associated with reduced craft labor and subcontracted services costs and reduced contingency associated with schedule-related liquidated damages. The impacts were primarily due to better than anticipated labor productivity and progress on the projects and favorable resolution of change orders with the customers. At September 30, 2021, the offshore modules project, material supply project and subsea structures project were complete, and the marine docking structures project was approximately 89% complete and is forecast to be completed in December 2021.

***Shipyard Division***

- *Seventy-Vehicle Ferry Project* – Negative impact for the three and nine months ended September 30, 2021 of $1.7 million and $3.3 million, respectively, for our seventy-vehicle ferry project, resulting from increased forecast costs and forecast liquidated damages, primarily associated with extensions of schedule and associated duration related costs, including supervision and subcontracted services costs. The impacts were primarily due to customer-directed changes, higher forecast costs to launch the vessel, and engineering delays and lower than anticipated progress on the project, due in part to COVID-19 and Hurricane Ida. We have submitted claims to our customer to extend our project schedule and recover the increased forecast costs associated with the impacts of the customer-directed changes, COVID-19 and Hurricane Ida; however, we can provide no assurances that we will be successful recovering these costs. Our forecast at September 30, 2021 does not reflect potential future benefits, if any, from the favorable resolution of the claims. At September 30, 2021, the vessel was approximately 78% complete and is forecast to be completed in the third quarter 2022. The project was in a loss position at September 30, 2021 and our reserve for estimated losses was $1.0 million. If future craft labor productivity and subcontractor costs differ from our current estimates, construction activities are determined to be more complex than anticipated upon finalization of production engineering, we are unable to achieve our progress estimates, our schedule is further extended or we incur additional schedule liquidated damages, the project would experience further losses.

- *Forty-Vehicle Ferry Projects* – Positive impact for the three and nine months ended September 30, 2021 of $0.4 million and $0.3 million, respectively, for our two forty-vehicle ferry projects, resulting from reduced forecast costs, primarily associated with reduced subcontracted services and material costs. The impacts were primarily due to progress achieved on the first vessel and favorable resolution of insurance claims associated with damage to the vessel hull that occurred in the third quarter 2020. At September 30, 2021, the second vessel was approximately 96% complete and is forecast to be completed in the first quarter 2022 and the first vessel was approximately 62% complete and is forecast to be completed in the third quarter 2022. The projects were in a loss position at September 30, 2021 and our reserve for estimated losses was $3.3 million. If future craft labor productivity and subcontractor costs differ from our current estimates, we are unable to achieve our progress estimates, our schedules are further extended or we incur additional schedule liquidated damages, the projects would experience further losses.

*Changes in Estimates for 2020* – For the three and nine months ended September 30, 2020, significant changes in estimated margins on projects positively impacted operating results for our Fabrication & Services Division by $0.6 million and $2.6 million, respectively, and for the nine months ended September 30, 2020, negatively impacted operating results for our Shipyard Division by $1.3 million. The changes in estimates were associated with the following:

***Fabrication & Services Division***

- *Paddle Wheel Riverboat Project and Subsea Components Project* – Positive impact for the nine months ended September 30, 2020 of $1.5 million for our paddle wheel riverboat project and subsea components project, resulting from reduced forecast costs and increased contract price, primarily associated with reduced craft labor and subcontracted services costs and change orders. The impacts were primarily due to better than anticipated labor productivity and favorable resolution of subcontractor and customer change orders. The projects had no significant changes in estimated margins for the three months ended September 30, 2020. At September 30, 2021, the projects were both complete.

- *Jacket and Deck Project* – Positive impact for the three and nine months ended September 30, 2020 of $0.6 million and $1.1 million, respectively, for our jacket and deck project, resulting from reduced forecast costs and increased contract price, primarily associated with reduced subcontracted services costs, change orders and incentives. The impacts were primarily due to favorable resolution of subcontractor and customer change orders and realization of project incentives. At September 30, 2021, the project was complete.

***Shipyard Division***

- *Forty-Vehicle Ferry Projects* – Negative impact for the nine months ended September 30, 2020 of $1.3 million for our two forty-vehicle ferry projects, resulting from increased forecast costs and forecast liquidated damages, primarily associated with increased craft labor and material costs and extensions of schedule. The impacts were primarily due to anticipated rework for the first vessel, including potential reconstruction of previously completed portions of the vessel resulting from the determination that portions of the vessel structure were outside of acceptable tolerance levels. The projects had no significant changes in estimated margins for the three months ended September 30, 2020.

**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, heavy rains and storm surge causing significant damage and power outages throughout the region. Our F&S Facility did not experience significant flood damage; however, the high winds and heavy rain damaged multiple buildings and equipment and resulted in significant debris throughout the facility. As a result of the power outages, damage to buildings and debris, the operations at our F&S Facility were temporarily suspended and we immediately commenced cleanup and restoration efforts. While cleanup and restoration efforts are ongoing, we recommenced our operations before the end of the third quarter 2021.

As a result of the storm, certain buildings and equipment were damaged and were determined to be complete losses. Accordingly, during both the three and nine months ended September 30, 2021, we recorded impairments of $0.5 million associated with the damaged assets. The impairments were offset by corresponding insurance recoveries, as we have determined it is probable that we will receive insurance proceeds to replace the damaged assets up to the amount of impairments recognized. In addition, multiple other buildings and equipment were partially damaged by the storm. We expect to incur future repair costs in excess of our deductibles for such assets; however, we believe that recovery of insurance proceeds for such costs is probable, and accordingly, we have not recorded any repair costs related to the partially damaged assets at September 30, 2021. We are working with our insurance providers and advisors to assess the full extent of damage to buildings and equipment and applicable insurance coverage amounts, which will be subject to deductibles associated with our insurance coverages that range from $2.0 million to $3.0 million. During the three and nine months ended September 30, 2021, we also incurred costs of $0.9 million associated with clean-up and expediting activities to enable us to restart operations. We have recorded insurance recoveries up to the amount of costs recognized as we believe such costs are covered under our insurance policies and we have determined recovery of such amounts is probable. The insurance receivable amounts associated with the aforementioned are reflected within prepaid expenses and other assets on our Balance Sheet at September 30, 2021.

In addition to damage to our F&S Facility, the storm resulted in damage to our second forty-vehicle ferry, the MPSVs (and associated equipment) that are in our possession and subject to dispute, and certain bulkheads where the vessels were moored. We have retained advisors 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 both the three and nine-months ended September 30, 2021, we recorded charges of $0.4 million related to actual costs incurred and anticipated contract costs associated with our insurance coverages, without giving consideration to potential recoveries from the third-parties associated with damage caused by their vessels, as we expect these deductibles to be met absent such recoveries. The charges are included in other (income) expense, net on our Statement of Operations. We are working with our insurance providers and advisors to assess the full extent of damage to the MPSVs and bulkheads and applicable insurance coverage amounts, which will be subject to deductibles associated with our insurance coverages that range from $1.0 million to $1.5 million. See Note 6 for further discussion of our MPSV dispute.

While our evaluation of damage caused by Hurricane Ida is ongoing, we are currently not aware of damage to buildings, equipment or vessels that would result in material repair or replacement costs to us in excess of our deductible amounts. However, we may incur additional costs beyond such amounts if damages are determined to be in excess of insurance coverage amounts or if costs we believed to be covered by our insurance coverages are ultimately not covered.

*Hurricane Laura* – On August 27, 2020, Hurricane Laura made landfall near Lake Charles, Louisiana as high-end Category 4 hurricane, with high winds and flooding causing significant damage throughout the region. At our Lake Charles Facility, the storm damaged drydocks, warehouses, bulkheads and our ninth harbor tug project which was nearing completion and subsequently completed in the fourth quarter 2020. As a result of the storm, during both the three and nine months ended September 30, 2020, we recorded charges of $1.2 million (of which $0.5 million was reflected within discontinued operations) related to deductibles associated with our insurance coverages, and our preliminary estimates of cost associated with uninsurable damage, primarily for bulkheads. The charges are included in other (income) expense, net on our Statement of Operations.

## 3. SHIPYARD TRANSACTION AND DISCONTINUED OPERATIONS

**Shipyard Transaction**

*Transaction Summary* – On April 19, 2021 (the "Closing Date"), we entered into a definitive agreement (the "Purchase Agreement") pursuant to which we sold the operating assets and certain construction contracts of our Shipyard Division ("Shipyard Transaction") to Bollinger Houma Shipyards, L.L.C. and Bollinger Shipyards Lockport, L.L.C. (collectively, "Bollinger") for approximately $28.6 million ("Transaction Price") ($26.1 million, net of transaction and other costs). We received $26.4 million of the Transaction Price on the Closing Date and the remaining $2.2 million ("Deferred Transaction Price") will be received upon Bollinger's collection of certain customer payments associated with the Divested Shipyard Contracts (defined below), of which $1.3 million was received in October 2021 and the remainder is anticipated to be received in the first quarter 2022. The $2.2 million receivable associated with the Deferred Transaction Price has been reflected within prepaid expenses and other assets on our Balance Sheet at September 30, 2021.

We also received $8.0 million from Bollinger on the Closing Date, representing an estimate of the change in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date (the "Closing Adjustment"). The Closing Adjustment was subject to a post-closing reconciliation and true-up (the "Closing Adjustment True-Up") based on actual changes in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date compared to the Closing Adjustment. Actual changes in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date totaled approximately $7.8 million. Accordingly, $0.2 million of the Closing Adjustment was returned to Bollinger during the three months ended June 30, 2021 in connection with the Closing Adjustment True-Up.

Included in the Shipyard Transaction were the Shipyard Division's:

- Shipyard Facility and inventory and equipment in Houma, Louisiana;
- Contracts and related obligations for our three research vessel projects and five towing, salvage and rescue ship projects (collectively, the "Divested Shipyard Contracts");
- Contract retentions, contract assets, contract liabilities and certain accounts payable associated with the Divested Shipyard Contracts as of the Closing Date; and
- Four drydocks (three of which previously supported our Shipyard Division operations in our Lake Charles Facility and Jennings Facility).

Bollinger offered employment to most of the employees of our Shipyard Division associated with the Divested Shipyard Contracts.

Excluded from the Shipyard Transaction were the Shipyard Division's:

- Accounts receivable, certain accounts payable and other accrued liabilities associated with the Divested Shipyard Contracts as of the Closing Date;
- Contracts and related obligations for our (i) two forty-vehicle ferry projects, (ii) seventy-vehicle ferry project and (iii) two multi-purpose support vessel ("MPSV") projects (which are subject to dispute) (collectively, the "Retained Shipyard Contracts"), together with the associated accounts receivable, accounts payable and other accrued liabilities;
- Lake Charles Facility and Jennings Facility (which were closed in the fourth quarter 2020) and related lease obligations; and
- Remaining assets and liabilities of the Shipyard Division.

We retained those employees of our Shipyard Division associated with the Retained Shipyard Contracts.

In connection with the Shipyard Transaction, we recorded a total pre-tax loss of $25.3 million during the nine months ended September 30, 2021, of which $22.8 million was related to the impairment of our Shipyard Division's long-lived assets (discussed further below) and $2.6 million was related to transaction and other costs associated with the Shipyard Transaction.

At September 30, 2021, the net liabilities on our Balance Sheet associated with the Retained Shipyard Contracts and other retained Shipyard Division operations totaled $11.0 million. The wind down of the Shipyard Division operations is anticipated to occur by the third quarter 2022.

*Impairment* – During the first quarter 2021, events and changes in circumstances indicated that the carrying amount of our Shipyard Division's long-lived assets may not be recoverable. These changes in circumstances were primarily attributable to a reassessment of our asset groups within our Shipyard Division as well as revisions to our probability assessment of net future cash flows of the applicable asset group based on the likelihood, that existed as of March 31, 2021, of the Shipyard Transaction occurring. Based on these assessments, we determined that an impairment of our Shipyard Division's property, plant and equipment had occurred during the first quarter 2021. We measured the impairment by comparing the carrying amount of the applicable asset group at March 31, 2021 to an estimate of its fair value (which represents a Level 3 fair value measurement), resulting in an impairment charge of $22.8 million during the three months ended March 31, 2021. We based our fair value estimate on the Transaction Price inclusive of the Closing Adjustment and an estimate of the Closing Adjustment True-Up, associated with the Shipyard Transaction.

**Discontinued Operations**

The Shipyard Transaction (which included, among other things, our owned Shipyard Facility, Divested Shipyard Contracts and drydocks), and the fourth quarter 2020 closures of our leased Lake Charles Facility and Jennings Facility, represented the disposal and closure of a substantial portion of our Shipyard Division operations and the culmination of a strategic shift that will have a major effect on our ongoing operations and financial results. Therefore, we determined the assets, liabilities and operations associated with the Shipyard Transaction, and associated with the previously closed facilities, to be discontinued operations in the second quarter 2021. Accordingly, such assets and liabilities at September 30, 2021, and operating results for the three and nine months ended September 30, 2021, have been classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such assets and liabilities at December 31, 2020, and operating results for the three and nine months ended September 30, 2020, have been recast and classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. We are completing construction of the Retained Shipyard Contracts within our F&S Facility and are winding down our Shipyard Division operations, which is anticipated to occur by the third quarter 2022. The assets, liabilities and operating results attributable to the Retained Shipyard Contracts and remaining assets and liabilities of our Shipyard Division operations that were excluded from the Shipyard Transaction, and are not associated with the previously closed facilities, represent our Shipyard Segment and are classified as continuing operations on our Balance Sheet and Statement of Operations. Discontinued operations are presented separately from continuing operations on our Balance Sheet and Statement of Operations; however, they are not presented separately on our Statement of Cash Flows.

*Statement of Operations* – A summary of the operating results constituting the loss from discontinued operations for the three and nine months ended September 30, 2021 and 2020, is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | $ — | $ 29,563 | $ 41,637 | $ 98,425 |
| Cost of revenue | — | 36,745 | 33,912 | 106,368 |
| Gross profit (loss) | — | (7,182) | 7,725 | (7,943) |
| General and administrative expense | — | 324 | 413 | 1,109 |
| Impairments and (gain) loss on assets held for sale, net | — | — | 25,331 | — |
| Other (income) expense, net | — | 529 | (647) | 629 |
| Operating loss | — | (8,035) | (17,372) | (9,681) |
| Income tax (expense) benefit(1) | — | — | — | — |
| Loss from discontinued operations, net of taxes | $ — | $ (8,035) | $ (17,372) | $ (9,681) |

(1) Income taxes attributable to discontinued operations were not material for all periods presented.

As a result of the Shipyard Transaction and classification of certain Shipyard Division operations as discontinued operations, certain allocations that were previously reflected within our Shipyard Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and nine months ended September 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyard Division for the three and nine months ended September 30, 2020. See Note 8 for a summary of the reclassifications to our previously reported segment results and Note 6 for further discussion of our MPSV dispute.

*Assets and Liabilities* – A summary of the carrying values of the major classes of assets and liabilities of discontinued operations at September 30, 2021 and December 31, 2020, is as follows (in thousands):

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Current assets of discontinued operations: | | | | |
| Contract receivables and retainage, net | $ | — | $ | 1,304 |
| Contract assets | | — | | 62,423 |
| Prepaid expenses and other assets | | — | | 270 |
| Inventory | | — | | 105 |
| Assets held for sale | | — | | 2,014 |
| Total current assets of discontinued operations | $ | — | $ | 66,116 |
| Noncurrent assets of discontinued operations: | | | | |
| Property, plant and equipment, net | $ | — | $ | 36,280 |
| Other noncurrent assets | | — | | 2,889 |
| Total noncurrent assets of discontinued operations | $ | — | $ | 39,169 |

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Current liabilities of discontinued operations: | | | | |
| Accounts payable | $ | 27 | $ | 57,752 |
| Contract liabilities | | — | | 4,867 |
| Accrued expenses and other liabilities | | 149 | | 988 |
| Total current liabilities of discontinued operations | $ | 176 | $ | 63,607 |

*Cash Flows* – A summary of the cash flows of discontinued operations for the nine months ended September 30, 2021 and 2020, is as follows (in thousands):

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Operating cash flows from discontinued operations | $ | (9,067) | $ | (5,677) |
| Investing cash flows from discontinued operations | $ | 31,424 | $ | (6,144) |

*Changes in Project Estimates* – For the nine months ended September 30, 2021, significant changes in estimated margins on projects positively impacted operating results of our discontinued operations by $8.4 million. The impacts were associated with our towing, salvage and rescue ship projects, resulting from increased contract price primarily associated with an approved change order ($9.2 million impact), offset partially by increased forecast costs primarily associated with increased craft labor costs ($0.8 million impact).

For the three and nine months ended September 30, 2020, significant changes in estimated margins on projects negatively impacted operating results of our discontinued operations by $6.7 million and $7.4 million, respectively. The impacts were associated with our towing, salvage and rescue ship projects and final two harbor tug projects, resulting from increased forecast costs primarily associated with increased craft labor and subcontracted services costs and extensions of schedule.

*Other* – Other (income) expense, net includes a gain of $0.6 million for the nine months ended September 30, 2021, resulting from insurance recoveries in the second quarter 2021 associated with damage previously caused by Hurricane Laura to a drydock that was sold in connection with the Shipyard Transaction.

## 4. IMPAIRMENTS AND (GAIN) LOSS ON ASSETS HELD FOR SALE

At September 30, 2021, our assets held for sale consisted of one crawler crane within our Fabrication & Services Division. A summary of our assets held for sale at September 30, 2021 and December 31, 2020, is as follows (in thousands):

| Assets Held for Sale | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Machinery and equipment | $ 4,587 | $ 11,877 |
| Accumulated depreciation | (2,787) | (5,677) |
| Total | $ 1,800 | $ 6,200 |

During the nine months ended September 30, 2021, we received proceeds of $4.5 million ($4.4 million, net of transaction and other costs) from the sale of two crawler cranes that were held for sale by our Fabrication & Services Division at December 31, 2020. During the nine months ended September 30, 2020, we received proceeds of $1.7 million from the sale of other assets held for sale. No significant gain or loss was recognized on the assets sold as the net proceeds received approximated the carrying values of the assets. See Note 2 for discussion of impairments associated with Hurricane Ida and Note 3 for discussion of impairments associated with our discontinued operations.

## 5. CREDIT FACILITIES AND DEBT

### LC Facility

We have a letter of credit facility with Whitney Bank that provides for up to $20.0 million of letters of credit ("LC Facility"), subject to our cash securitization of the letters of credit, with a maturity date of June 30, 2023. 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, 2021, we had $2.1 million of letters of credit outstanding under the LC Facility.

### Loan Agreement

On April 17, 2020, we entered into an unsecured loan in the aggregate amount of $10.0 million ("PPP Loan") with Whitney Bank pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act, as amended ("CARES Act"). The PPP Loan, and accrued interest, were eligible to be forgiven partially or in full, if certain conditions were met. On September 29, 2020, we submitted our application to Whitney Bank requesting PPP Loan forgiveness of $8.9 million plus any accrued interest. Whitney Bank approved our application for forgiveness on December 14, 2020, and our application was forwarded to the Small Business Administration ("SBA") for review. Following the SBA's approval of our application for forgiveness, on July 28, 2021, Whitney Bank received $9.1 million from the SBA, which was the amount of loan forgiveness requested, plus accrued interest. The forgiveness of the PPP Loan and accrued interest resulted in a gain of $9.1 million for both the three and nine months ended September 30, 2021, and is reflected within gain on extinguishment of debt on our Statement of Operations. On July 29, 2021, we repaid Whitney Bank the remaining balance of the PPP Loan, together with accrued interest.

Because the amount borrowed exceeded $2.0 million, we are required by the SBA to retain all records relating to the PPP Loan for six years from the date the loan was forgiven and permit authorized representatives of the SBA to access such records upon request. While we believe we are a qualifying business and have met the eligibility requirements for the PPP Loan, and believe we have used the loan proceeds only for expenses which may be paid using proceeds from the PPP Loan, we can provide no assurances that any potential SBA review or audit will verify the amount forgiven, in whole or in part, and we could be required to repay all or part of the forgiven amount.

### Surety Bonds

We issue surety bonds in the ordinary course of business to support our projects. At September 30, 2021, we had $110.8 million of outstanding surety bonds, of which $50.0 million relates to our MPSV projects that are subject to dispute. See Note 6 for further discussion of our MPSV dispute.

**Mortgage Agreement and Restrictive Covenant Agreement**

On April 19, 2021, and in connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties, we entered into a multiple indebtedness mortgage (the "Mortgage Agreement") and a restrictive covenant arrangement (the "Restrictive Covenant Agreement") with such Surety to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bond obligations for our MPSV projects and two forty-vehicle ferry projects. The Mortgage Agreement encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. Further, the Restrictive Covenant Agreement precludes us from paying dividends or repurchasing shares of our common stock. The Mortgage Agreement and Restrictive Covenant Agreement will terminate when the obligations and liabilities of the Surety associated with the outstanding surety bonds are discharged, or any judgment against us or the Surety arising out of litigation related to such contracts is satisfied by us.

## 6. COMMITMENTS AND CONTINGENCIES

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 lawsuits, legal proceedings and claims 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 cash flows.

**MPSV Dispute**

During the first quarter 2018, we received notices of termination from our customer of the contracts for the construction of two MPSVs within our Shipyard Division. We dispute the purported terminations and disagree with the customer's reasons for such terminations. We have ceased all work and the partially completed vessels and associated equipment and materials remain in our possession in Houma, Louisiana. The customer also made claims under the performance bonds issued by the Surety in connection with the construction of the vessels, which total $50.0 million.

On October 2, 2018, we filed a lawsuit against our customer to enforce our 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 is styled *Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC*. The customer responded to our lawsuit denying many of the allegations in the lawsuit and asserting a counterclaim against us. We filed a response to the counterclaim denying all of the customer's claims. The customer subsequently filed an amendment to its counterclaim to add claims by the customer against the Surety. The customer also filed a motion for partial summary judgment with the trial court seeking, among other things, to obtain possession of the vessels, which was denied by the trial court. The customer subsequently filed a second motion for partial summary judgment re-urging its previously denied request to obtain possession of the vessels, which was again denied by the trial court. Thereafter, the customer requested that the appellate court exercise its discretion and review and reverse the trial court's denial of the customer's second motion, which was denied.

On May 19, 2020, the customer filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The customer's prepackaged Chapter 11 plan of reorganization was subsequently confirmed by the bankruptcy court and that plan of reorganization is effective. In connection with its bankruptcy case, on June 3, 2020, the customer filed a separate bankruptcy adversary proceeding against us, in which it again sought to obtain possession of the vessels; however, the bankruptcy court's decision was ultimately delayed to allow the parties an opportunity to mediate the dispute. The parties engaged in mediation until January 26, 2021, when the customer unilaterally and voluntarily dismissed its adversary proceeding seeking possession of the vessels. The mediation between the parties was not successful.

The lawsuit was temporarily stayed during the pendency of the customer's Chapter 11 bankruptcy case; however, the lawsuit is no longer stayed and will proceed in the ordinary course. Discovery in connection with the lawsuit is ongoing, and the trial of the case is tentatively scheduled to begin on March 6, 2023. Other trial related deadlines have been tentatively established as well. We are conferring with the Surety regarding the lawsuit.

We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contracts and defend against the customer's claims. At September 30, 2021 and December 31, 2020, other noncurrent assets on our Balance Sheet included a net contract asset of $12.5 million, which consisted of our contract asset, accrued contract losses, and deferred revenue balances at the time of the customer's purported terminations of the contracts. We continue to hold first priority security interests and liens against the vessels that secure the obligations owed to us by the customer. See Note 2 for discussion of damage to the MPSVs resulting from Hurricane Ida.

**Insurance**

We may be exposed to future losses through our use of deductibles and self-insured retentions for our exposures related to third party liability and workers' compensation. We expect liabilities in excess of any deductibles and self-insured retentions to be covered by insurance. 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.

**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 property of Whitney Bank. With respect to a surety bond, any payment in the event of non-performance is subject to indemnification of the Surety by us. When a contract is complete, the contingent obligation terminates, and letters of credit or surety bonds are returned. See Note 5 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 that 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.

## 7. 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, 2021 and 2020 (in thousands, except per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Income (loss) from continuing operations | $ 5,312 | $ (4,302) | $ 1,092 | $ (2,288) |
| Loss from discontinued operations, net of taxes | — | (8,035) | (17,372) | (9,681) |
| Net income (loss) | $ 5,312 | $ (12,337) | $ (16,280) | $ (11,969) |
| Weighted-average shares(1) | 15,539 | 15,312 | 15,490 | 15,296 |
| Basic and diluted income (loss) from continuing operations | $ 0.34 | $ (0.28) | $ 0.07 | $ (0.15) |
| Basic and diluted loss from discontinued operations | — | (0.52) | (1.12) | (0.63) |
| Basic and diluted income (loss) per share | $ 0.34 | $ (0.81) | $ (1.05) | $ (0.78) |

(1) We have no dilutive securities.

## 8. OPERATING SEGMENTS

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

*Fabrication & Services Division* – Our Fabrication & Services (“F&S”) 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; fabricates other complex steel structures and components; provides services on offshore platforms, including welding, interconnect piping and other services required to connect production equipment and service modules and equipment; provides on-site construction and maintenance services on inland platforms and structures and industrial facilities; and performs municipal and drainage projects, including pump stations, levee reinforcement, bulkheads and other public works. These activities are performed at our F&S Facility.

*Shipyard Division* – Prior to the Shipyard Transaction, our Shipyard Division fabricated newbuild marine vessels and provided marine repair and maintenance services. These activities were performed at our Shipyard Facility. As discussed in Note 3, on April 19, 2021, we completed the Shipyard Transaction, which resulted in the sale of our Shipyard Facility and the Divested Shipyard Contracts. We determined the assets, liabilities and operations associated with the Shipyard Transaction and certain previously closed facilities to be discontinued operations in the second quarter 2021. The assets, liabilities and operating results attributable to the Retained Shipyard Contracts and remaining assets and liabilities of our Shipyard Division operations that were excluded from the Shipyard Transaction, and are not associated with the previously closed facilities, represent our Shipyard Segment and are classified as continuing operations on our Balance Sheet and Statement of Operations. The Retained Shipyard Contracts are being completed at our F&S Facility. See Note 3 for further discussion of the Shipyard Transaction and our discontinued operations.

*Corporate Division* – Our Corporate Division includes costs that do not directly relate to our two 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 being a publicly traded company. Costs incurred by our Corporate Division on behalf of our operating divisions are allocated to the operating divisions. Such costs include, but are not limited to, human resources, insurance, information technology and accounting.

*Other* – As a result of the Shipyard Transaction and classification of certain Shipyard Division operations as discontinued operations, certain allocations that were previously reflected within our Shipyard Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and nine months ended September 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyard Division for the three and nine months ended September 30, 2020. See Note 3 for further discussion of the Shipyard Transaction and our discontinued operations and Note 6 for further discussion of our MPSV dispute. A summary of the reclassifications to our previously reported segment results for the three and nine months ended September 30, 2020, is as follows (in thousands):

| | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| | F&S | Shipyard | Corporate | Consolidated |
| Gross loss, as previously reported | $ (313) | $ (7,504) | $ — | $ (7,817) |
| Discontinued operations(1) | — | 7,182 | — | 7,182 |
| Changes in expense allocations | (28) | 89 | (61) | — |
| Gross loss from continuing operations | $ (341) | $ (233) | $ (61) | $ (635) |
| Operating loss, as previously reported | $ (1,127) | $ (9,244) | $ (1,868) | $ (12,239) |
| Discontinued operations(1) | — | 8,035 | — | 8,035 |
| Changes in expense allocations | (99) | 227 | (128) | — |
| Reclassification of legal expenses | — | (161) | 161 | — |
| Operating loss from continuing operations | $ (1,226) | $ (1,143) | $ (1,835) | $ (4,204) |

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | F&S | Shipyard | Corporate | Consolidated |
| Gross profit (loss), as previously reported | $ 185 | $ (9,959) | $ — | $ (9,774) |
| Discontinued operations(1) | — | 7,943 | — | 7,943 |
| Changes in expense allocations | (80) | 259 | (179) | — |
| Gross profit (loss) from continuing operations | $ 105 | $ (1,757) | $ (179) | $ (1,831) |
| Operating income (loss), as previously reported | $ 7,644 | $ (12,867) | $ (6,506) | $ (11,729) |
| Discontinued operations(1) | — | 9,681 | — | 9,681 |
| Changes in expense allocations | (291) | 679 | (388) | — |
| Reclassification of legal expenses | — | (725) | 725 | — |
| Operating income (loss) from continuing operations | $ 7,353 | $ (3,232) | $ (6,169) | $ (2,048) |

(1) See Note 3 for as summary of the operating results constituting the loss from discontinued operations for the three and nine months ended September 30, 2021 and 2020.

*Segment Results* – We generally evaluate the performance of, and allocate resources to, our divisions based upon gross profit (loss) and operating income (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 and for the three and nine months ended September 30, 2021 and 2020, are as follows (in thousands):

| | Three Months Ended September 30, 2021 | | | |
|---|---|---|---|---|
| | **F&S** | **Shipyard** | **Corporate** | **Consolidated** |
| Revenue | $ 17,285 | $ 2,302 | $ — | $ 19,587 |
| Gross profit (loss) | 1,112 | (1,252) | (58) | (198) |
| Operating income (loss) | 379 | (1,896) | (2,165) | (3,682) |
| Depreciation and amortization expense | 985 | — | 82 | 1,067 |
| Capital expenditures | 159 | — | — | 159 |
| Total assets(1) | 42,621 | 16,769 | 76,486 | 135,876 |

| | Nine months ended September 30, 2021 | | | |
|---|---|---|---|---|
| | **F&S** | **Shipyard** | **Corporate** | **Consolidated** |
| Revenue | $ 57,572 | $ 10,561 | $ (493) | $ 67,640 |
| Gross profit (loss) | 4,340 | (3,289) | (224) | 827 |
| Operating income (loss) | 2,896 | (4,266) | (6,258) | (7,628) |
| Depreciation and amortization expense | 2,974 | — | 242 | 3,216 |
| Capital expenditures | 738 | — | — | 738 |
| Total assets(1) | 42,621 | 16,769 | 76,486 | 135,876 |

| | Three Months Ended September 30, 2020 | | | |
|---|---|---|---|---|
| | **F&S** | **Shipyard** | **Corporate** | **Consolidated** |
| Revenue | $ 18,237 | $ 7,515 | $ (446) | $ 25,306 |
| Gross loss | (341) | (233) | (61) | (635) |
| Operating loss | (1,226) | (1,143) | (1,835) | (4,204) |
| Depreciation and amortization expense | 1,246 | — | 77 | 1,323 |
| Capital expenditures | 2,033 | — | 11 | 2,044 |
| Total assets(1) | 67,381 | 19,894 | 67,297 | 154,572 |

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | **F&S** | **Shipyard** | **Corporate** | **Consolidated** |
| Revenue | $ 78,286 | $ 18,100 | $ (1,413) | $ 94,973 |
| Gross profit (loss) | 105 | (1,757) | (179) | (1,831) |
| Operating income (loss) | 7,353 | (3,232) | (6,169) | (2,048) |
| Depreciation and amortization expense | 3,726 | — | 229 | 3,955 |
| Capital expenditures | 3,857 | — | 190 | 4,047 |
| Total assets(1) | 67,381 | 19,894 | 67,297 | 154,572 |

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

**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. 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. 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 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, operating cash flows, capital expenditures, liquidity and tax rates. 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: the final assessment of damage at our Houma facilities and infrastructure challenges in the Houma area following Hurricane Ida and the related recovery of any insurance proceeds; the duration and scope of, and uncertainties associated with, the ongoing global pandemic caused by COVID-19 (including new and emerging strains and variants) and the corresponding volatility in oil prices and the impact thereof on our business; our ability to secure new project awards, including fabrication projects for refining, petrochemical, LNG, industrial and sustainable energy end markets; our ability to improve project execution; our inability to realize the expected financial benefits of the Shipyard Transaction; the cyclical nature of the oil and gas industry; competition; consolidation of our customers; timing and award of new contracts; reliance on significant customers; financial ability and credit worthiness of our customers; nature of our contract terms; competitive pricing and cost overruns on our projects; adjustments to previously reported profits or losses under the percentage-of-completion method; weather conditions; changes in contract estimates; suspension or termination of projects; 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 sell certain assets; any future asset impairments; utilization of facilities or closure or consolidation of facilities; customer or subcontractor disputes; our ability to resolve the dispute with a customer relating to the purported terminations of contracts to build two MPSVs and the dispute with a customer related to contracts to build two forty-vehicle ferries; operating dangers and limits on insurance coverage; barriers to entry into new lines of business; our ability to employ skilled workers; loss of key personnel; performance of subcontractors and dependence on suppliers; 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 2020 Annual Report as updated under *"Risk Factors"* in Part II, Item 1A of our quarterly report on Form 10-Q for the quarter ended March 31, 2021, 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 project management, hookup, commissioning, repair, maintenance and civil construction services. 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 two operating divisions ("Fabrication & Services" and "Shipyard") and one non-operating division (""Corporate"), which represent our reportable segments. Our corporate headquarters is located in Houston, Texas and our operating facilities are located in Houma, Louisiana. 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 third quarter 2022.

We determined the Shipyard operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021. Accordingly, such operations for the three and nine months ended September 30, 2021, have been classified as discontinued operations. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such operating results for the three and nine months ended September 30, 2020, have been recast and classified as discontinued operations within the financial information presented below. In addition, certain allocations that were previously reflected within our Shipyard Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and nine months ended September 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyard Division for the three and nine months ended September 30, 2020. The operating results attributable to the Retained Shipyard Contracts and remaining Shipyard Division operations that were excluded from the Shipyard Transaction, and are not associated with the previously closed facilities, are classified as continuing operations within the financial information presented below. Unless otherwise noted, the amounts presented below, and the associated discussion and analysis, relate to our continuing operations. See Note 8 of our Financial Statements in Item 1 for further discussion of our operating divisions and a summary of the reclassifications to our previously reported segment results and Note 3 for further discussion of the Shipyard Transaction and our discontinued operations.

Significant projects in backlog for our Fabrication & Services Division include the fabrication of marine docking structures and significant projects in backlog for our Shipyard Division include construction of three vehicle ferries. Notable projects completed in recent years by our Fabrication & Services Division include the expansion of a paddlewheel riverboat; material supply for an offshore jacket and deck; and fabrication of modules for an offshore facility and an offshore jacket and deck. Other significant completed projects for our Fabrication & Services Division include the fabrication of modules for a petrochemical facility, a meteorological tower and platform for an offshore wind project, and wind turbine foundations for the first offshore wind project in the U.S.; and construction of two of the largest liftboats servicing the Gulf of Mexico ("GOM"), one of the deepest production jackets in the Gulf of Mexico, and the first single point anchor reservoir hull fabricated in the U.S.

**Impacts to Operations from Oil Price Volatility and COVID-19**

For the last several years, the price of oil has experienced significant volatility, 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 have been negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing, under-utilization of our operating facilities and resources, and losses on certain projects. The ongoing global coronavirus pandemic ("COVID-19") added another layer of pressure and uncertainty on oil prices and our end markets, which further impacted our operations during 2020 and 2021. In addition, our operations (as well as the operations of our customers, subcontractors and other counterparties) were negatively impacted by the physical distancing, quarantine and isolation measures recommended by national, state and local authorities on large portions of the population, and mandatory business closures that were enacted in an attempt to control COVID-19. We continue to monitor the impact of COVID-19 on our operations and recognize that it could continue to negatively impact our business and results of operations during the remainder of 2021 and beyond.

The ultimate business and financial impacts of oil price volatility and COVID-19 on our business and results of operations continues to be uncertain, but the impacts have included, or may include, among other things, reduced bidding activity, suspension or termination of backlog, deterioration of customer financial condition, potential supply interruptions, and unanticipated project costs due to project disruptions and schedule delays, material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, lack of performance by subcontractors and suppliers, and contract disputes. Our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report for the impacts of oil price volatility and COVID-19.

See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of the aforementioned on our projects and Note 1 for further discussion of the impacts of oil price volatility and COVID-19. See also *"Risk Factors"* in Part I, Item 1A of our 2020 Annual Report.

**Hurricane Ida**

On August 29, 2021, Hurricane Ida made landfall near Houma, Louisiana as a high-end Category 4 hurricane, with high winds, heavy rains and storm surge causing significant damage and power outages throughout the region. Our F&S Facility did not experience significant flood damage; however, the high winds and heavy rain damaged multiple buildings and equipment and resulted in significant debris throughout the facility. Due to the power outages, damage to buildings and debris, the operations at our F&S Facility were temporarily suspended and we immediately commenced cleanup and restoration efforts. While cleanup and restoration efforts are ongoing, we recommenced our operations before the end of the third quarter 2021. As a result of the temporary suspension of operations, our operating results for the third quarter 2021 were negatively impacted due to reduced utilization of our facilities and resources. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricane Ida.

**Initiatives to Improve Operating Results and Generate Stable, Profitable Growth**

We are addressing these operational, market and economic challenges and positioning the Company for stable, profitable growth through a strategy focused on the following initiatives to:

- Mitigate the impacts of COVID-19 on our operations, employees and contractors;
- Reduce our risk profile through the completion of the Shipyard Transaction and anticipated wind down of the Shipyard Division operations;
- Preserve and improve our liquidity through cost reduction efforts, the completion of the Shipyard Transaction, and the sale of under-utilized assets;
- Improve our resource utilization and centralize key project resources through the rationalization and integration of our facilities and operations;
- Improve our competitiveness and project execution by enhancing our proposal, estimating and operations resources, processes and procedures;
- Expand our skilled workforce by focusing on ways to improve retention and enhance and add to our craft personnel; and
- Pursue new growth end markets and grow and diversify our services business by:
  - Fabricating modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities;
  - Fabricating structures in support of our customers as they make energy transitions away from fossil fuels;
  - Fabricating foundations, secondary steel components and support structures for offshore wind developments; and
  - Diversifying our offshore services customer base, increasing our offshore services offerings and expanding our services business to include onshore facilities along the Gulf Coast.

The progress and status of these initiatives is summarized further below.

*Efforts to mitigate the impacts of COVID-19 on our operations, employees and contractors* – We are continuing to take actions to mitigate the impacts of COVID-19 on our operations while ensuring the safety and well-being of our employees and contractors.

- *COVID-19 measures* – We have ongoing communications with our leadership team to anticipate and proactively address COVID-19 impacts, work-place distancing of employees (including allowing some employees to work remotely) and regular monitoring of office and yard personnel for compliance. We are also monitoring employee and visitor temperatures prior to entering our facilities, implemented employee and visitor wellness questionnaires, increased monitoring of employee absenteeism and the reasons for such absences, and have established protocols for employees returning from absences, including employees that have tested positive for COVID-19, or have come in contact with individuals that tested positive for COVID-19. In addition, we have installed hand sanitizing stations and taken additional actions to more frequently sanitize our facilities.
- *Pursuit of force majeure* – We have given appropriate notices to our customers and have made the appropriate claims for extensions of schedule for our projects that were impacted by COVID-19.
- *Loan agreement* – On April 17, 2020, we entered into an unsecured loan in the aggregate amount of $10.0 million ("PPP Loan") with Whitney Bank pursuant to the Paycheck Protection Program ("PPP") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The proceeds were used for payroll costs, rent and utilities, of which approximately 93% was used for payroll costs. In July 2021, the SBA approved our application for forgiveness of $8.9 million of the PPP Loan, plus accrued interest, and we repaid the remaining balance of the PPP Loan. See "*Liquidity and Capital Resources*" below and Note 5 our Financial Statements in Item 1 for further discussion of the PPP Loan.

*Efforts to reduce our risk profile* – The completion of the Shipyard Transaction improves our risk profile by removing potential future risks associated with the Divested Shipyard Contracts that represented approximately 90% of our backlog and extended through 2024. Further, the wind down of the Shipyard Division operations after completion of the Retained Shipyard Contracts will further reduce our risk profile as it will position us for profitable growth in existing and new higher-margin markets associated with our Fabrication & Services Division. See *"Operating Segments"* below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*Efforts to preserve and improve our liquidity* – We continue to take actions to preserve and improve our liquidity, and at September 30, 2021 our cash, current restricted cash and short-term investments totaled $73.4 million. To preserve our liquidity position, we have undertaken cost reduction initiatives (including reducing the compensation of our executive officers and directors and reducing the size of our board in 2020), monetized under-utilized assets and facilities (including the sale of assets held for sale for net proceeds of $4.4 million in the second quarter 2021) and are maintaining an ongoing focus on project cash flow management. Further, as discussed above, we received the PPP Loan in the second quarter 2020, which provided funding necessary to offset the immediate and anticipated impacts of COVID-19. It also provided us additional liquidity, which is important because a strong balance sheet is required to execute our backlog and compete for new project awards, and we experience significant monthly fluctuations in our working capital. In addition, as a result of the Shipyard Transaction and anticipated wind down of the Shipyard Division operations, our bonding, letters of credit and working capital requirements related to the Divested Shipyard Contracts and ongoing Shipyard Division operations have been significantly reduced.

*Efforts to improve our resource utilization and centralize key project resources* – We are improving our resource utilization and centralizing key project resources through the rationalization and integration of our facilities and operations.

- *Combination of our Fabrication Division and Services Division* – During the first quarter 2020, we combined our Fabrication Division and Services Division to form an integrated division called Fabrication & Services. The integration is enabling us to capitalize on the best practices and execution experience of the former divisions, conform processes and procedures, maximize the utilization of our resources (including reducing overhead costs) and improve project execution.
- *Closure of Jennings Facility and Lake Charles Facility* – During the fourth quarter 2020, we closed our Jennings Facility and Lake Charles Facility, reducing overhead costs, improving utilization and accelerating the wind down of our Shipyard Division operations discussed further below.
- *Completion of Shipyard Transaction and wind down of Shipyard Division operations* – During the second quarter 2021, we completed the Shipyard Transaction and intend to wind down the Shipyard Division operations upon completion of the Retained Shipyard Contracts, which is anticipated to occur by the third quarter 2022. The Shipyard Transaction and wind down of the 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 Fabrication & Services Division.

*Efforts to improve our competitiveness and project execution* – 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 on projects into the bidding and execution of future projects.

*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 pursing new project awards given the scarcity of available skilled labor.

*Efforts to pursue new growth end markets and grow and diversify our services business* – We are pursuing several initiatives to grow and diversify our business.

- *Fabrication of 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 have experienced success with several smaller project opportunities, and our volume of bidding activity for onshore modules, piping systems and structures is increasing; however, our pursuit of large project opportunities has been impacted by the timing and delay of certain opportunities due in part to COVID-19, volatile oil prices and an ongoing competitive market environment. We also 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. However, we do not expect large project opportunities to be awarded by customers until late 2021 or 2022. This timing may be impacted by ongoing uncertainty created by oil price volatility and COVID-19. In the interim, we continue to strengthen our relationships with key customers and strategic partners and enhance our resources as discussed above.
- *Fabricate structures in support of our customers as they make energy transitions away from fossil fuels* – 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 and customers looking to embrace the growing hydrogen economy.

- *Fabrication of 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.
- *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. We will also partner with original equipment manufacturers to provide critical services to our customers along the Gulf Coast.

**Operating Outlook**

Our focus remains on securing profitable new project awards and backlog in the near-term and generating operating income and cash flows in the longer-term, while ensuring the safety and well-being of our employees and contractors, which has been further challenged due to COVID-19. Our success, including achieving the aforementioned initiatives, will be determined by, among other things:

- Oil and gas prices and the level of volatility in such prices, including the impact of environmental regulations that restrict the oil and gas industry under the new administration and Congress;
- COVID-19, for which the ultimate business and financial impacts cannot be reasonably estimated at this time;
- 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 (especially in light of the new administration and Congress);
- 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 Retained Shipyard Contracts);
- Our ability to hire, develop, motivate and retain key personnel and craft labor to execute our projects;
- The successful integration of our Fabrication Division and Services Division and the wind down of our Shipyard Division operations; and
- Our ability to resolve our dispute with a customer related to the construction of two MPSVs (see Note 6 of our Financial Statements in Item 1 and *"Legal Proceedings"* in Part II, Item 1 for further discussion of the dispute).

In addition, the near-term utilization of our Fabrication & Services Division will be impacted by the delay in timing of new project awards and will be impacted by continued inefficiencies and disruptions associated with COVID-19 related health and safety mitigation measures, employee absenteeism and turnover, craft labor hiring challenges, engineering delays, and supplier and subcontractor disruptions. Our near-term results may also be adversely affected by costs associated with (i) the retention of certain personnel that previously supported both our operating divisions but may be temporarily under-utilized due to the Shipyard Transaction as we evaluate our resource requirements to support our future operations, and (ii) investments in key personnel and process improvement efforts to support our aforementioned initiatives. See Note 1 of our Financial Statements in Item 1 for further discussion of the impacts of oil price volatility and COVID-19 and Note 2 and *"Results of Operations"* below for discussion of our project impacts.

**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 2020 Annual Report. There have been no changes to our critical accounting policies since December 31, 2020.

**New Awards and Backlog**

New project awards represent expected revenue values of commitments received during a given period, including scope growth on existing contract 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, 2021, was consistent with the value of remaining performance obligations for our contracts required to be disclosed under Topic 606 and presented in Note 2 of our Financial Statements in Item 1. 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 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. Backlog may differ from our remaining performance obligations, which are determined in accordance with GAAP.

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 reduction 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, 2021 and 2020, are as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Division | 2021 | 2020 | 2021 | 2020 |
| Fabrication & Services | $ 15,200 | $ 13,404 | $ 44,939 | $ 53,046 |
| Shipyard | — | 154 | — | 306 |
| Total New Awards | $ 15,200 | $ 13,558 | $ 44,939 | $ 53,352 |

Backlog by Division at September 30, 2021 and December 31, 2020, is as follows (in thousands):

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Division | Amount | Labor Hours | Amount | Labor Hours |
| Fabrication & Services | $ 7,241 | 64 | $ 19,381 | 236 |
| Shipyard | 12,220 | 140 | 23,187 | 263 |
| Total Backlog(1),(2) | $ 19,461 | 204 | $ 42,568 | 499 |

(1) In connection with the Shipyard Transaction, backlog associated with the Divested Shipyard Contracts totaling $303.1 million was sold. We expect to recognize revenue of approximately $10.7 million and $8.8 million for the remainder of 2021 and thereafter, respectively, associated with our backlog at September 30, 2021. The timing of recognition of the revenue presented in our backlog is based on our current estimates to complete the projects. Certain factors and circumstances could cause changes in the amounts ultimately recognized and the timing of recognition of revenue from our backlog. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

(2) At September 30, 2021, our significant projects in backlog included the following:

(i) Construction of two forty-vehicle ferries within our Shipyard Division. We estimate completion of the second vessel in the fourth quarter 2021 and the first vessel in 2022;

(ii) Construction of a seventy-vehicle ferry within our Shipyard Division. We estimate completion of the vessel in 2022; and

(iii) Fabrication of marine docking structures within our Fabrication & Services Division. We estimate completion of the project in the fourth quarter 2021.

## Results of Operations

We determined the Shipyard Division operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021 and have recast historical financial information accordingly. See *"Overview"* above and Note 3 of our Financial Statements within Item 1 for further discussion of the Shipyard Transaction and our discontinued operations.

***Comparison of the Three Months Ended September 30, 2021 and 2020*** (in thousands in each table, except for percentages)

| ***Consolidated*** | **Three Months Ended September 30,** | | **Favorable (Unfavorable)** |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| New project awards | $ 15,200 | $ 13,558 | $ 1,642 |
| | | | |
| Revenue | $ 19,587 | $ 25,306 | $ (5,719) |
| Cost of revenue | 19,785 | 25,941 | 6,156 |
| Gross loss | (198) | (635) | 437 |
| *Gross loss percentage* | *(1.0)%* | *(2.5)%* | |
| General and administrative expense | 3,224 | 2,748 | (476) |
| Impairments and (gain) loss on assets held for sale, net | — | 72 | 72 |
| Other (income) expense, net | 260 | 749 | 489 |
| Operating loss | (3,682) | (4,204) | 522 |
| Gain on extinguishment of debt | 9,061 | — | 9,061 |
| Interest (expense) income, net | (58) | (118) | 60 |
| Income (loss) before income taxes | 5,321 | (4,322) | 9,643 |
| Income (loss) tax (expense) benefit | (9) | 20 | (29) |
| Income (loss) from continuing operations | 5,312 | (4,302) | 9,614 |
| Loss from discontinued operations, net of taxes | — | (8,035) | 8,035 |
| Net income (loss) | $ 5,312 | $ (12,337) | $ 17,649 |

References below to 2021 and 2020 refer to the three months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were $15.2 million and $13.6 million, respectively. Significant new project awards for 2021 and 2020 include small-scale fabrication and offshore services work within our Fabrication & Services Division.

*Revenue* – Revenue for 2021 and 2020 was $19.6 million and $25.3 million, respectively, representing a decrease of 22.6%. The decrease was primarily due to:

Lower revenue for our Fabrication & Services Division of $1.0 million, primarily attributable to:

- No revenue for our offshore jacket and deck project and offshore modules project that were completed in the third quarter 2020 and second quarter 2021, respectively, and
- Lower revenue for our marine docking structures project, offset partially by,
- Increased offshore services and small-scale fabrication project activity.

Lower revenue for our Shipyard Division of $5.2 million, primarily attributable to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement and construction activities.

Revenue volume for both our divisions was also impacted by Hurricane Ida and the temporary closure of our F&S Facility. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricane Ida.

*Gross loss* – Gross loss for 2021 and 2020 was $0.2 million (1.0% of revenue) and $0.6 million (2.5% of revenue), respectively. The gross loss for 2021 was primarily due to:

- Project charges of $1.3 million, net, for our Shipyard Division,
- Holding costs of $0.2 million for our Shipyard Division related to the two MPSVs that remain in our possession and are subject to dispute,
- Low revenue volume for our Fabrication & Services Division, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, due in part to the impact of Hurricane Ida and the temporary closure of our F&S Facility, offset partially by,
- Project improvements of $1.1 million for our Fabrication & Services Division.

The decrease in gross loss for 2021 relative to 2020 was primarily due to:

- The aforementioned project improvements of $1.1 million for 2021 for our Fabrication & Services Division, and
- A higher margin mix relative to 2020 for our Fabrication & Services Division, offset partially by,
- Project improvements of $0.6 million for 2020 for our Fabrication & Services Division, and
- Lower revenue volume for our Fabrication & Services Division.

See *"Operating Segments"* below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $3.2 million (16.5% of revenue) and $2.7 million (10.9% of revenue), respectively, representing an increase of 17.3%. The increase was primarily due to:

- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business, offset partially by,
- Lower external audit and legal and advisory fees.

General and administrative expense included legal and advisory fees of $0.2 million and $0.2 million for 2021 and 2020, respectively, associated with our MPSV contract dispute, which are reflected within our Shipyard Division. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Impairments and (gain) loss on assets held for sale, net* – Impairments and (gain) loss on assets held for sale, net for 2020 was a loss of $0.1 million and was primarily related to the sale of a barge that was held for sale.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was expense of $0.3 million and $0.7 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. Other expense for 2021 was primarily related to:

- Charges associated with damage caused by Hurricane Ida to our second forty-vehicle ferry project and to the MPSVs which are in our possession and subject to dispute for our Shipyard Division, offset partially by,
- Gains on the sales of equipment and scrap materials for our Fabrication & Services Division.

Other expense for 2020 was primarily related to charges associated with damage caused by Hurricane Laura to warehouses and bulkheads at our Lake Charles Facility for our Shipyard Division. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricanes Ida and Laura and Note 6 for further discussion of our MPSV dispute.

*Gain from extinguishment of debt* – Gain from extinguishment of debt for 2021 was $9.1 million and was related to the SBA's forgiveness of $8.9 million of our PPP Loan, plus accrued interest. See Note 5 of our Financial Statement in Item 1 and *"Liquidity and Capital Resources"* below for further discussion of our PPP Loan forgiveness.

*Interest (expense) income, net* – Interest (expense) income, net for 2021 and 2020 was expense of $0.1 million and $0.1 million, respectively. Interest (expense) income, net consists of interest earned on our cash and short-term investment balances, interest incurred on our PPP Loan and the unused portion of our LC Facility, and amortization of deferred financing costs on our LC Facility.

*Income tax (expense) benefit* – Income tax (expense) benefit for 2021 and 2020 represents state income taxes. No federal income tax benefit was recorded for either period as a full valuation allowance was recorded against our net deferred tax assets generated during the periods (excluding the nontaxable benefit of the extinguishment of debt for the 2021 period).

***Operating Segments***

| ***Fabrication & Services Division*** | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Favorable (Unfavorable) Change |
|---|---|---|---|
| New project awards | $ 15,200 | $ 13,404 | $ 1,796 |
| | | | |
| Revenue | $ 17,285 | $ 18,237 | $ (952) |
| Gross profit (loss) | 1,112 | (341) | 1,453 |
| *Gross profit (loss) percentage* | *6.4%* | *(1.9)%* | |
| General and administrative expense | 885 | 814 | (71) |
| Impairments and (gain) loss on assets held for sale, net | — | 72 | 72 |
| Other (income) expense, net | (152) | (1) | 151 |
| Operating income (loss) | 379 | (1,226) | 1,605 |

References below to 2021 and 2020 refer to the three months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were $15.2 million and $13.4 million, respectively. Significant new project awards for 2021 and 2020 include small-scale fabrication and offshore services work.

*Revenue* – Revenue for 2021 and 2020 was $17.3 million and $18.2 million, respectively, representing a decrease of 5.2%. The decrease was primarily due to:

- No revenue for our offshore jacket and deck project and offshore modules project that were completed in the third quarter 2020 and second quarter 2021, respectively, and
- Lower revenue for our marine docking structures project, offset partially by,
- Increased offshore services and small-scale fabrication project activity.

Revenue volume for the division was also impacted by Hurricane Ida and the temporary closure of our F&S Facility. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricane Ida.

*Gross profit (loss)* – Gross profit for 2021 was $1.1 million (6.4% of revenue) compared to a gross loss of $0.3 million (1.9% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- Project improvements of $1.1 million related to cost decreases on our marine docking structures project and material supply project, offset partially by,
- Low revenue volume due to low backlog levels, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources due to low work hours and the impact of Hurricane Ida and the temporary closure of our F&S Facility.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of $1.1 million for 2021, and
- A higher margin mix relative to 2020, offset partially by,
- Lower revenue volume, and
- Project improvements of $0.6 million for 2020 on our offshore jacket and deck project.

The Fabrication & Services Division utilization for 2021 and 2020 benefited by $0.2 million and $0.4 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry project and two forty-vehicle ferry projects. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $0.9 million (5.1% of revenue) and $0.8 million (4.5% of revenue), respectively, representing an increase of 8.7%. The increase was primarily due to higher incentive plan costs.

*Impairments and (gain) loss on assets held for sale, net* – Impairments and (gain) loss on assets held for sale, net for 2020 was a loss of $0.1 million and was primarily related to the sale of a barge that was held for sale.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of $0.2 million and was primarily related to gains on the sales of equipment and scrap materials.

***Shipyard Division***

| | Three Months Ended September 30, 2021 | Three Months Ended September 30, 2020 | Favorable (Unfavorable) Change |
|---|---|---|---|
| New project awards | $ — | $ 154 | $ (154) |
| | | | |
| Revenue | $ 2,302 | $ 7,515 | $ (5,213) |
| Gross loss | (1,252) | (233) | (1,019) |
| *Gross loss percentage* | *(54.4)%* | *(3.1)%* | |
| General and administrative expense | 232 | 160 | (72) |
| Other (income) expense, net | 412 | 750 | 338 |
| Operating loss | (1,896) | (1,143) | (753) |

References below to 2021 and 2020 refer to the three months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2020 were $0.2 million.

*Revenue* – Revenue for 2021 and 2020 was $2.3 million and $7.5 million, respectively, representing a decrease of 69.4%. The decrease was primarily due to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement and construction activities.

Revenue volume for the division was also impacted by Hurricane Ida and the temporary closure of our F&S Facility (where the vessels are being constructed). See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricane Ida.

*Gross loss* – Gross loss for 2021 and 2020 was $1.3 million (54.4% of revenue) and $0.2 million (3.1% of revenue), respectively. The gross loss for 2021 was primarily due to:

- Project charges of $1.7 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project, and
- Holding costs of $0.2 million related to the two MPSVs that remain in our possession and are subject to dispute, offset partially by,
- Project improvements of $0.4 million related to forecast cost decreases on our two forty-vehicle ferry projects.

The increase in gross loss for 2021 relative to 2020 was primarily due to the aforementioned net project charges of $1.3 million for 2021. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $0.2 million (10.1% of revenue) and $0.2 million (2.1% of revenue), respectively, representing an increase of 44.9%. General and administrative expense relates to legal and advisory fees associated with our MPSV contract dispute. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was expense of $0.4 million and $0.8 million, respectively. Other expense for 2021 was primarily related to:

- Charges associated with damage caused by Hurricane Ida to our second forty-vehicle ferry project and to the MPSVs which are in our possession and subject to dispute, and
- Carry costs associated with our leased Jennings Facility and Lake Charles Facility (which were closed in the fourth quarter 2020).

Other expense for 2020 was primarily related to charges associated with damage caused by Hurricane Laura to warehouses and bulkheads at our Lake Charles Facility. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricanes Ida and Laura and Note 6 for further discussion of our MPSV dispute.

| ***Corporate Division*** | Three Months Ended September 30, | | Favorable (Unfavorable) |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Revenue (eliminations) | $ — | $ (446) | $ 446 |
| Gross loss | (58) | (61) | 3 |
| *Gross loss percentage* | *n/a* | *n/a* | |
| General and administrative expense | 2,107 | 1,774 | (333) |
| Operating loss | (2,165) | (1,835) | (330) |

References below to 2021 and 2020 refer to the three months ended September 30, 2021 and 2020, respectively.

*Gross loss* – Gross loss for 2021 and 2020 was $0.1 million and $0.1 million, respectively.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $2.1 million (10.8% of consolidated revenue) and $1.8 million (7.0% of consolidated revenue), respectively, representing an increase of 18.8%. The increase was primarily due to:

- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business, offset partially by,
- Lower external audit and legal and advisory fees.

***Discontinued Operations***

A summary of the operating results constituting the loss from discontinued operations for the three months ended September 30, 2021 and 2020, is as follows:

| | Three Months Ended September 30, | | Favorable (Unfavorable) |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Revenue | $ — | $ 29,563 | $ (29,563) |
| Gross loss | — | (7,182) | 7,182 |
| *Gross loss percentage* | — | *(24.3)%* | |
| General and administrative expense | — | 324 | 324 |
| Other (income) expense, net | — | 529 | 529 |
| Operating loss | — | (8,035) | 8,035 |

References below to 2020 refer to the three months ended September 30, 2020. We had no operating results from discontinued operations for the three months ended September 30, 2021.

*Revenue* – Revenue for 2020 was $29.6 million and related to our harbor tug projects, research vessel projects and towing, salvage and rescue ship projects.

*Gross loss* – Gross loss for 2020 was $7.2 million and was primarily due to:

- Project charges of $6.7 million related to our towing, salvage and rescue ship projects,
- A backlog for our discontinued operations that was generally at, or near, break-even or in a loss position, and accordingly, resulted in revenue with low or no gross profit, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources.

See Note 3 of our Financial Statements in Item 1 for further discussion of our project impacts attributable to discontinued operations.

*General and administrative expense* – General and administrative expense for 2020 was $0.3 million (1.1% of revenue).

*Other (income) expense, net* – Other (income) expense, net for 2020 was expense of $0.5 million and was primarily related to charges associated with damage caused by Hurricane Laura to our drydocks sold in connection with the Shipyard Transaction and our ninth harbor tug project.

***Comparison of the Nine Months Ended September 30, 2021 and 2020*** (in thousands in each table, except for percentages)

| ***Consolidated*** | **Nine Months Ended September 30,** | | **Favorable (Unfavorable)** |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| New project awards | $ 44,939 | $ 53,352 | $ (8,413) |
| | | | |
| Revenue | $ 67,640 | $ 94,973 | $ (27,333) |
| Cost of revenue | 66,813 | 96,804 | 29,991 |
| Gross profit (loss) | 827 | (1,831) | 2,658 |
| *Gross profit (loss) percentage* | *1.2%* | *(1.9)%* | |
| General and administrative expense | 9,104 | 9,429 | 325 |
| Impairments and (gain) loss on assets held for sale, net | — | 72 | 72 |
| Other (income) expense, net | (649) | (9,284) | (8,635) |
| Operating loss | (7,628) | (2,048) | (5,580) |
| Gain on extinguishment of debt | 9,061 | — | 9,061 |
| Interest (expense) income, net | (347) | (154) | (193) |
| Income (loss) before income taxes | 1,086 | (2,202) | 3,288 |
| Income tax (expense) benefit | 6 | (86) | 92 |
| Income (loss) from continuing operations | 1,092 | (2,288) | 3,380 |
| Loss from discontinued operations, net of taxes | (17,372) | (9,681) | (7,691) |
| Net loss | $ (16,280) | $ (11,969) | $ (4,311) |

References below to 2021 and 2020 refer to the nine months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were $44.9 million and $53.4 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work within our Fabrication & Services Division. Significant new project awards for 2020 include:

- A marine docking structures project in the second quarter 2020 within our Fabrication & Services Division,
- Additional scopes of work for our offshore jacket and deck project in the second quarter 2020 within our Fabrication & Services Division, and
- Small-scale fabrication and offshore services work within our Fabrication & Services Division.

*Revenue* – Revenue for 2021 and 2020 was $67.6 million and $95.0 million, respectively, representing a decrease of 28.8%. The decrease was primarily due to:

Lower revenue for our Fabrication & Services Division of $20.7 million, primarily attributable to:

- No revenue for our paddlewheel river boat project and offshore jacket and deck project that were completed in the first quarter 2020 and third quarter 2020, respectively,
- Lower revenue for our material supply project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project, offshore modules project and a subsea structures project, and
- Increased offshore services and small-scale fabrication project activity.

Lower revenue for our Shipyard Division of $7.5 million, primarily attributable to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement activities, partially offset by increased construction activities.

*Gross profit (loss)* – Gross profit for 2021 was $0.8 million (1.2% of revenue) compared to a gross loss of $1.8 million (1.9% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- Project improvements of $3.7 million for our Fabrication & Services Division, offset partially
- Project charges of $3.0 million for our Shipyard Division,
- Low revenue volume for our Fabrication & Services Division,
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, and
- Holding costs of $0.6 million for our Shipyard Division related to the two MPSVs that remain in our possession and are subject to dispute.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of $3.7 million for 2021 for our Fabrication & Services Division,
- Project charges of $1.3 million for 2020 for our Shipyard Division,
- A higher margin mix relative to 2020 for our Fabrication & Services Division, and
- A decrease in the under-recovery of overhead costs for our Fabrication & Services Division, offset partially by,
- The aforementioned project charges of $3.0 million for 2021 for our Shipyard Division,
- Project improvements of $2.6 million for 2020 for our Fabrication & Services Division, and
- Lower revenue volume for our Fabrication & Services Division.

See *"Operating Segments"* below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $9.1 million (13.5% of revenue) and $9.4 million (9.9% of revenue), respectively, representing a decrease of 3.4%. The decrease was primarily due to:

- Lower external audit and legal and advisory fees,
- Cost reduction initiatives including combining our former Fabrication Division and Services Division in the first quarter 2020, and
- Other cost savings including reductions in board size and the salaries of our executive officers in the second quarter 2020, offset partially by,
- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business.

General and administrative expense included legal and advisory fees of $0.7 million and $0.7 million for 2021 and 2020, respectively, associated with our MPSV contract dispute, which are reflected within our Shipyard Division. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Impairments and (gain) loss on assets held for sale, net* – Impairments and (gain) loss on assets held for sale, net for 2020 was a loss of $0.1 million and was primarily related to the sale of a barge that was held for sale.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of $0.6 million and $9.3 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. Other income for 2021 was primarily related to:

- A gain associated with the settlement of a property tax dispute and gains on the sales of equipment and scrap materials for our Fabrication & Services Division, offset partially by,
- Charges associated with damage caused by Hurricane Ida to our second forty-vehicle ferry project and to the MPSVs which are in our possession and subject to dispute for our Shipyard Division.

Other income for 2020 was primarily related to:

- A gain of $10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015 for our Fabrication & Services Division, offset partially by,
- Charges associated with damage caused by Hurricane Laura to warehouses and bulkheads at our Lake Charles Facility for our Shipyard Division.

See Note 1 of our Financial Statements in Item 1 for further discussion of our settlement of the completed project dispute, Note 2 for further discussion of the impacts of Hurricanes Ida and Laura and Note 6 for further discussion of our MPSV dispute.

*Gain from extinguishment of debt* – Gain from extinguishment of debt for 2021 was $9.1 million and was related to the SBA's forgiveness of $8.9 million of our PPP Loan, plus accrued interest. See Note 5 of our Financial Statement in Item 1 and *"Liquidity and Capital Resources"* below for further discussion of our PPP Loan forgiveness.

*Interest (expense) income, net* – Interest (expense) income, net for 2021 and 2020 was expense of $0.3 million and $0.2 million, respectively. Interest (expense) income, net consists of interest earned on our cash and short-term investment balances, interest incurred on the PPP Loan and the unused portion of our LC Facility, and amortization of deferred financing costs on our LC Facility. The increase in expense for 2021 relative to 2020 was primarily due to the write-off of deferred financing costs in connection with the amendment of our LC Facility, interest on the PPP Loan, and lower interest rates for the 2021 period.

*Income tax (expense) benefit* – Income tax (expense) benefit for 2021 and 2020 represents state income taxes. No federal income tax benefit was recorded for either period as a full valuation allowance was recorded against our net deferred tax assets generated during the periods (excluding the nontaxable benefit of the extinguishment of debt for the 2021 period).

***Operating Segments***

| ***Fabrication & Services Division*** | **Nine Months Ended September 30,** | | **Favorable (Unfavorable)** |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| New project awards | $ 44,939 | $ 53,046 | $ (8,107) |
| | | | |
| Revenue | $ 57,572 | $ 78,286 | $ (20,714) |
| Gross profit | 4,340 | 105 | 4,235 |
| *Gross profit percentage* | *7.5%* | *0.1%* | |
| General and administrative expense | 2,378 | 2,714 | 336 |
| Impairments and (gain) loss on assets held for sale, net | — | 72 | 72 |
| Other (income) expense, net | (934) | (10,034) | (9,100) |
| Operating income | 2,896 | 7,353 | (4,457) |

References below to 2021 and 2020 refer to the nine months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were $44.9 million and $53.0 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work. Significant new project awards for 2020 include:

- A marine docking structures project in the second quarter 2020,
- Additional scopes of work for our offshore jacket and deck project in the second quarter 2020, and
- Small-scale fabrication and offshore services work.

*Revenue* – Revenue for 2021 and 2020 was $57.6 million and $78.3 million, respectively, representing a decrease of 26.5%. The decrease was primarily due to:

- No revenue for our paddlewheel river boat and offshore jacket and deck project that were completed in the first quarter 2020 and third quarter 2020, respectively,
- Lower revenue for our material supply project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project and a subsea structures project, and
- Increased offshore services and small-scale fabrication project activity.

*Gross profit* – Gross profit for 2021 and 2020 was $4.3 million (7.5% of revenue) and $0.1 million (0.1% of revenue), respectively. Gross profit for 2021 was primarily impacted by:

- Project improvements of $3.7 million related to cost decreases and favorable resolution of change orders for our offshore modules project, material supply project, marine docking structures project and a subsea structures project, offset partially by,
- Low revenue volume due to low backlog levels, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources due to low work hours.

The increase in gross profit for 2021 relative to 2020 was primarily due to:

- The aforementioned project improvements of $3.7 million for 2021, and
- A higher margin mix relative to 2020, and
- A decrease in the under-recovery of overhead costs due to cost reductions, offset partially by,
- Lower revenue volume, and
- Project improvements of $2.6 million for 2020 on our paddlewheel riverboat project, offshore jacket and deck project and subsea components project.

The Fabrication & Services Division utilization for 2021 and 2020 benefited by $0.8 million and $0.9 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry project and two forty-vehicle ferry projects. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $2.4 million (13.8% of revenue) and $2.7 million (14.9% of revenue), respectively, representing a decrease of 12.4%. The decrease was primarily due to our cost reduction initiatives including combining our former Fabrication Division and Services Division during the first quarter 2020.

*Impairments and (gain) loss on assets held for sale, net* – Impairments and (gain) loss on assets held for sale, net for 2020 was a loss of $0.1 million and was primarily related to the sale of a barge that was held for sale.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of $0.9 million and $10.0 million, respectively. Other income for 2021 was primarily related to a gain of $0.4 million associated with the settlement of a property tax dispute and gains on the sales of equipment and scrap materials. Other income for 2020 was primarily related to a gain of $10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015. See Note 1 of our Financial Statements in Item 1 for further discussion of our settlement of the completed project dispute.

| ***Shipyard Division*** | Nine Months Ended September 30, 2021 | Nine Months Ended September 30, 2020 | Favorable (Unfavorable) Change |
|---|---|---|---|
| New project awards | $ — | $ 306 | $ (306) |
| | | | |
| Revenue | $ 10,561 | $ 18,100 | $ (7,539) |
| Gross loss | (3,289) | (1,757) | (1,532) |
| *Gross loss percentage* | *(31.1)%* | *(9.7)%* | |
| General and administrative expense | 692 | 725 | 33 |
| Other (income) expense, net | 285 | 750 | 465 |
| Operating loss | (4,266) | (3,232) | (1,034) |

References below to 2021 and 2020 refer to the nine months ended September 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2020 were $0.3 million.

*Revenue* – Revenue for 2021 and 2020 was $10.6 million and $18.1 million, respectively, representing a decrease of 41.7%. The decrease was primarily due to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement activities, partially offset by increased construction activities.

*Gross loss* – Gross loss for 2021 and 2020 was $3.3 million (31.1% of revenue) and $1.8 million (9.7% of revenue), respectively. The gross loss for 2021 was primarily due to:

- Project charges of $3.3 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project, and
- Holding costs of $0.6 million related to the two MPSVs that remain in our possession and are subject to dispute, offset partially by,
- Project improvements of $0.3 million related to forecast cost decreases on our two forty-vehicle ferry projects.

The increase in gross loss for 2021 relative to 2020 was primarily due to:

- The aforementioned net project charges of $3.0 million for 2021, offset partially by,
- Project charges of $1.3 million for 2020 on our two forty-vehicle ferry projects.

See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $0.7 million (6.6% of revenue) and $0.7 million (4.0% of revenue), respectively, representing a decrease of 4.6%. General and administrative expense relates to legal and advisory fees associated with our MPSV contract dispute. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 was expense of $0.3 million and $0.8 million, respectively. Other expense for 2021 primarily related to:

- Charges associated with damage caused by Hurricane Ida to our second forty-vehicle ferry project and to the MPSVs which are in our possession and subject to dispute, and
- Carry costs associated with our leased Jennings Facility and Lake Charles Facility (which were closed in the fourth quarter 2020), offset partially by,
- Insurance recoveries associated with property damage to our Lake Charles Facility previously caused by Hurricane Laura.

Other expense for 2020 was primarily related to charges associated with damage caused by Hurricane Laura to warehouses and bulkheads at our Lake Charles Facility. See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of Hurricanes Ida and Laura and Note 6 for further discussion of our MPSV dispute.

| ***Corporate Division*** | **Nine Months Ended September 30,** | | **Favorable (Unfavorable)** |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Revenue (eliminations) | $ (493) | $ (1,413) | $ 920 |
| Gross loss | (224) | (179) | (45) |
| *Gross loss percentage* | *n/a* | *n/a* | |
| General and administrative expense | 6,034 | 5,990 | (44) |
| Operating loss | (6,258) | (6,169) | (89) |

References below to 2021 and 2020 refer to the nine months ended September 30, 2021 and 2020, respectively.

*Gross loss* – Gross loss for 2021 and 2020 was $0.2 million and $0.2 million, respectively.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $6.0 million (8.9% of consolidated revenue) and $6.0 million (6.3% of consolidated revenue), respectively, representing a decrease of 0.7%. The comparable expense was primarily due to:

- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business, offset partially by,
- Lower external audit and legal and advisory fees, and
- Cost savings including reductions in board size and the salaries of our executive officers in the second quarter 2020.

***Discontinued Operations***

A summary of the operating results constituting the loss from discontinued operations for the nine months ended September 30, 2021 and 2020, is as follows:

| | Nine Months Ended September 30, | | Favorable (Unfavorable) |
|---|---|---|---|
| | **2021** | **2020** | **Change** |
| Revenue | $ 41,637 | $ 98,425 | $ (56,788) |
| Gross profit (loss) | 7,725 | (7,943) | 15,668 |
| *Gross profit (loss) percentage* | *18.6%* | *(8.1)%* | |
| General and administrative expense | 413 | 1,109 | 696 |
| Impairments and (gain) loss on assets held for sale | 25,331 | — | (25,331) |
| Other (income) expense, net | (647) | 629 | 1,276 |
| Operating loss | (17,372) | (9,681) | (7,691) |

Operating results from discontinued operations for the nine months ended September 30, 2021 include results through April 19, 2021, the Closing Date of the Shipyard Transaction. References below to 2021 and 2020 refer to the nine months ended September 30, 2021 and 2020, respectively.

*Revenue* – Revenue for 2021 and 2020 was $41.6 million and $98.4 million, respectively, representing a decrease of 57.7%. The decrease was primarily due to:

- Lower revenue for our harbor tug projects as the last vessel was completed in the first quarter 2021, and
- Lower revenue for our research vessel projects and towing, salvage and rescue ship projects that were sold in connection with the Shipyard Transaction in April 2021.

*Gross profit (loss)* – Gross profit for 2021 was $7.7 million (18.6% of revenue) compared to a gross loss of $7.9 million (8.1% of revenue) for 2020. The gross profit for 2021 was primarily impacted by:

- Project improvements of $8.4 million related to the cumulative effect of a change order (offset partially by forecast cost increases) on our towing, salvage and rescue ship projects, offset partially by,
- A backlog for our discontinued operations that was generally at, or near, break-even or in a loss position, and accordingly, resulted in revenue with low or no gross profit, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of $8.4 million for 2021,
- Project charges of $7.4 million for 2020 on our harbor tug projects and towing, salvage and rescue ship projects, and
- A decrease in the under-recovery of overhead costs.

See Note 3 of our Financial Statements in Item 1 for further discussion of our project impacts attributable to discontinued operations.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was $0.4 million (18.6% of revenue) and $1.1 million (1.1% of revenue), respectively, representing a decrease of 62.7%. The decrease was primarily due to the Shipyard Transaction in April 2021.

*Impairments and (gain) loss on assets held for sale* – Impairments and (gain) loss on assets held for sale for 2021 was a loss of $25.3 million, of which $22.8 million related to the impairment of our Shipyard Division's long-lived assets and $2.6 million related to transaction and other costs associated with the Shipyard Transaction. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of $0.6 million and expense of $0.6 million, respectively. Other income for 2021 was primarily due to a gain of $0.6 million resulting from insurance recoveries associated with damage previously caused by Hurricane Laura to a drydock that was sold in connection with the Shipyard Transaction. Other expense for 2020 was primarily related to charges associated with damage caused by Hurricane Laura to our drydocks sold in connection with the Shipyard Transaction and our ninth harbor tug project.

## Liquidity and Capital Resources

### Available Liquidity

Our primary sources of liquidity are our cash, cash equivalents, restricted cash and scheduled maturities of short-term investments. At September 30, 2021, our cash, cash equivalents and restricted cash totaled $73.8 million as follows (in thousands):

| | | September 30, 2021 |
|---|---|---|
| Cash and cash equivalents | $ | 71,667 |
| Restricted cash, current(1) | | 1,736 |
| Total cash, cash equivalents and current restricted cash | | 73,403 |
| Restricted cash, noncurrent | | 406 |
| Total cash, cash equivalents and restricted cash | $ | 73,809 |

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, 2021, our working capital was $70.6 million and included $73.4 million of cash, cash equivalents and current restricted cash and $1.8 million of assets held for sale. Excluding cash, cash equivalents, current restricted cash, assets held for sale and liabilities of discontinued operations, our working capital at September 30, 2021 was negative $4.4 million and consisted of: net contract assets and contract liabilities of negative $4.9 million; contract receivables and retainage of $8.2 million; inventory, prepaid expenses and other current assets of $8.0 million; and accounts payable, accrued expenses and other current liabilities of $15.8 million.

The components of our working capital (excluding cash, cash equivalents, current restricted cash, assets held for sale and current maturities of long-term debt) at September 30, 2021 and December 31, 2020, and changes in such amounts during the nine months ended September 30, 2021, was as follows (in thousands):

| | | September 30, 2021 | | December 31, 2020 | | Change | | Change from Discontinued Operations(3) | | Consolidated Change(4) |
|---|---|---|---|---|---|---|---|---|---|---|
| Contract assets | $ | 2,246 | $ | 5,098 | $ | 2,852 | $ | (7,288) | $ | (4,436) |
| Contract liabilities(1) | | (7,188) | | (10,262) | | (3,074) | | (3,268) | | (6,342) |
| Contracts in progress, net(2) | | (4,942) | | (5,164) | | (222) | | (10,556) | | (10,778) |
| Contract receivables and retainage, net | | 8,229 | | 14,089 | | 5,860 | | 1,304 | | 7,164 |
| Prepaid expenses, inventory and other current assets | | 8,034 | | 4,702 | | (3,332) | | 158 | | (3,174) |
| Accounts payable, accrued expenses and other current liabilities | | (15,768) | | (19,044) | | (3,276) | | (8,990) | | (12,266) |
| Total | $ | (4,447) | $ | (5,417) | $ | (970) | $ | (18,084) | $ | (19,054) |

(1) Contract liabilities at September 30, 2021 and December 31, 2020, include accrued contract losses of $4.4 million and $5.4 million, respectively.

(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) Our Statement of Cash Flows reflects changes in the above balance sheet accounts for both our continuing and discontinued operations; however, our Balance Sheet reflects the above balance sheet accounts separately for only our continuing operations. Accordingly, the *"Change from Discontinued Operations"* column in the table above reflects the impacts of discontinued operations to reconcile between the changes in such amounts between our Balance Sheet and our Statement of Cash Flows.

(4) 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 bad debt expense, gains and losses on sales of fixed assets and other assets, and accruals for capital expenditures.

**Cash Flow Activity**

| | Nine months ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Net cash used in operating activities | $ (11,228) | $ (7,277) |
| Net cash provided by (used in) investing activities | $ 43,036 | $ (8,504) |
| Net cash provided by (used in) financing activities | $ (1,158) | $ 9,856 |

*Operating Activities* – Cash used in operating activities for the nine months ended September 30, 2021 and 2020 was $11.2 million and $7.3 million, respectively, and was primarily due to the net impacts of the following:

*2021 Activity*

- Operating loss, excluding depreciation and amortization of $4.3 million, asset impairments of $22.8 million, loss on the Shipyard Transaction of $2.6 million, gain on extinguishment of debt of $9.1 million, and stock-based compensation expense of $1.2 million;
- Increase in contract assets of $4.4 million related to the timing of billings on projects, primarily due increased unbilled positions on our Divested Shipyard Contracts, offset partially by decreased unbilled positions on our seventy-vehicle ferry project within our Shipyard Division;
- Decrease in contract liabilities of $6.3 million, primarily due to the unwind of advance payments on our Divested Shipyard Contracts and our two forty-vehicle ferry projects within our Shipyard Division;
- Decrease in contract receivables and retainage of $7.2 million related to the timing of billings and collections on projects, primarily due to collections on our Divested Shipyard Contracts and various projects within our Fabrication & Services Division;
- Increase in prepaid expenses, inventory and other assets of $0.5 million, primarily due to prepaid expenses and the associated timing of certain prepayments, insurance receivables related to Hurricane Ida and the Deferred Transaction Price associated with the Shipyard Transaction. Prepaid expenses and other assets at September 30, 2021, includes $2.2 million associated with the Deferred Transaction Price;
- Decrease in accounts payable, accrued expenses and other current liabilities of $12.1 million, primarily due to the timing of payments and decreased accounts payable positions on our Divested Shipyard Contracts, our seventy-vehicle ferry project within our Shipyard Division, and various projects within our Fabrication & Services Division; and
- Change in noncurrent assets and liabilities, net of $0.6 million.

Cash used in operating activities for the nine months ended September 30, 2021, included approximately $7.8 million associated with changes in contracts in progress, net for the Divested Shipyard Contracts through the Closing Date, which was separately recovered through the Closing Adjustment and Closing Adjustment True-Up in connection with the Shipyard Transaction. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

*2020 Activity*

- Operating loss, excluding depreciation and amortization of $6.5 million and stock-based compensation expense of $0.8 million;
- Increase in contract assets of $20.2 million related to the timing of billings on projects, primarily due to increased unbilled positions on certain Divested Shipyard Contracts, our seventy-vehicle ferry project within our Shipyard Division and our jacket and deck project within our Fabrication & Services Division;
- Decrease in contract liabilities of $6.1 million, primarily due to the unwind of advance payments on our offshore jacket and deck project and material supply project within our Fabrication & Services Division and certain Divested Shipyard Contracts, offset partially by the unwind of advance payments on certain Divested Shipyard Contracts;
- Decrease in contract receivables and retainage of $1.7 million related to the timing of billings and collections on projects, primarily due to collections on our two forty-vehicle ferry projects within our Shipyard Division, and our material supply project and various other projects within our Fabrication & Services Division, offset partially by increased receivable positions on certain Divested Shipyard Contracts;
- Decrease in prepaid expenses, inventory and other assets of $1.7 million, primarily due to prepaid expenses and the associated timing of certain prepayments;
- Increase in accounts payable, accrued expenses and other current liabilities of $18.2 million, primarily due to increased procurement activity and progress accruals for engineered equipment manufactured by vendors for our seventy-vehicle ferry project within our Shipyard Division and certain Divested Shipyard Contracts; and
- Change in noncurrent assets and liabilities, net of $2.0 million, primarily due to the collection of long-term retention that was billed and collected during the second quarter 2020.

*Investing Activities* – Cash provided by investing activities for the nine months ended September 30, 2021 was $43.0 million, and cash used in investing activities for the nine months ended September 30, 2020 was $8.5 million. Cash provided by investing activities during 2021 was primarily due to net proceeds from the Shipyard Transaction of $31.7 million, proceeds from the sale of assets held for sale of $4.4 million, and net maturities of short-term investments of $8.0 million, offset partially by capital expenditures of $1.1 million. Cash used in investing activities during 2020 was primarily due to capital expenditures of $10.2 million (primarily associated with the Shipyard Division operations sold in connection with the Shipyard Transaction), offset partially by proceeds from the sale of assets held for sale of $1.7 million.

*Financing Activities* – Cash used in financing activities for the nine months ended September 30, 2021 was $1.2 million, and cash provided by financing activities for the nine months ended September 30, 2020 was $9.9 million. Cash used in financing activities during 2021 was primarily due to repayment of $1.1 million of the PPP Loan. Cash provided by financing activities during 2020 was primarily due to proceeds from the PPP Loan. See Note 5 of our Financial Statements in Item 1 for further discussion of the PPP Loan.

**Credit Facilities and Debt**

*LC Facility* – We have a letter of credit facility with Hancock Whitney Bank (“Whitney Bank”) that provides for up to $20.0 million of letters of credit (“LC Facility”), subject to our cash securitization of the letters of credit, with a maturity date of June 30, 2023. 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, 2021, we had $2.1 million of letters of credit outstanding under the LC Facility.

*Loan Agreement* – On April 17, 2020, we entered into an unsecured loan in the aggregate amount of $10.0 million (“PPP Loan”) with Whitney Bank pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act, as amended (“CARES Act”). The PPP Loan, and accrued interest, were eligible to be forgiven partially or in full, if certain conditions were met. On September 29, 2020, we submitted our application to Whitney Bank requesting PPP Loan forgiveness of $8.9 million plus any accrued interest. Whitney Bank approved our application for forgiveness on December 14, 2020, and our application was forwarded to the Small Business Administration (“SBA”) for review. Following the SBA’s approval of our application for forgiveness, on July 28, 2021, Whitney Bank received $9.1 million from the SBA, which was the amount of loan forgiveness requested, plus accrued interest. The forgiveness of the PPP Loan and accrued interest resulted in a gain of $9.1 million for both the three and nine months ended September 30, 2021, and is reflected within gain on extinguishment of debt on our Statement of Operations. On July 29, 2021, we repaid Whitney Bank the remaining balance of the PPP Loan, together with accrued interest.

Because the amount borrowed exceeded $2.0 million, we are required by the SBA to retain all records relating to the PPP Loan for six years from the date the loan was forgiven and permit authorized representatives of the SBA to access such records upon request. While we believe we are a qualifying business and have met the eligibility requirements for the PPP Loan, and believe we have used the loan proceeds only for expenses which may be paid using proceeds from the PPP Loan, we can provide no assurances that any potential SBA review or audit will verify the amount forgiven, in whole or in part, and we could be required to repay all or part of the forgiven amount.

*Surety Bonds* – We issue surety bonds in the ordinary course of business to support our projects. At September 30, 2021, we had $110.8 million of outstanding surety bonds, of which $50.0 million relates to our MPSV projects that are subject to dispute and $55.8 million relates to our Retained Shipyard Contracts. It has been increasingly difficult to obtain additional bonding capacity and identify potential financing sources, due to, among other things, losses from our operations in recent years, including recent project charges attributable primarily to our Shipyard Division operations. We can provide no assurances that necessary bonding capacity will be available to support our future bonding requirements. See Note 6 of our Financial Statements in Item 1 for further discussion of our surety bonds and MPSV dispute and Note 5 and *"Mortgage Agreement and Restrictive Covenant Agreement"* below for discussion of our entry into agreements with one of our Sureties relating to the Retained Shipyard Contracts.

*Mortgage Agreement and Restrictive Covenant Agreement* – On April 19, 2021, and in connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties, we entered into a multiple indebtedness mortgage (the "Mortgage Agreement") and a restrictive covenant arrangement (the "Restrictive Covenant Agreement") with such Surety to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bond obligations for our MPSV projects and two forty-vehicle ferry projects. The Mortgage Agreement encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. Further, the Restrictive Covenant Agreement precludes us from paying dividends or repurchasing shares of our common stock. The Mortgage Agreement and Restrictive Covenant Agreement will terminate when the obligations and liabilities of the Surety associated with the outstanding surety bonds are discharged, or any judgment against us or the Surety arising out of litigation related to such contracts is satisfied by us. See Note 5 of our Financial Statements in Item 1 for further discussion of our Mortgage Agreement and Restrictive Covenant Agreement.

**Liquidity Outlook**

As discussed in our Overview, we continue to focus on securing profitable new project awards and backlog in the near-term and generating operating income and cash flows in the longer-term. We have made significant progress in our efforts to preserve and improve our liquidity, including cost reductions (including reducing the size of our board and reducing the compensation of our directors and executive officers in 2020), the sale of under-utilized assets and facilities (including the sale of assets held for sale for net proceeds of $4.4 million in the second quarter 2021), and an improved overall cash flow position on our projects in backlog and the completion of the Shipyard Transaction. In addition, at September 30, 2021, we continue to have $1.8 million of assets held for sale; however, we can provide no assurances that we will successfully sell the assets or that we will recover their carrying value. Further, as discussed above, we received the PPP Loan in the second quarter 2020, which provided funding necessary to offset the immediate and anticipated impacts of COVID-19. It also provided us additional liquidity, which is important because a strong balance sheet is required to execute our backlog and compete for new project awards, and as we experience significant monthly fluctuations in our working capital. The primary uses of our liquidity for the remainder of 2021 and the foreseeable future are to fund:

- Overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, until we secure sufficient backlog to fully recover our overhead costs;
- Capital expenditures;
- Accrued contract losses (including accrued contract losses for the Retained Shipyard Contracts);
- Working capital requirements for our projects, including the unwind of advance payments on projects (including advance payments for the Retained Shipyard Contracts);
- Remaining liabilities of the Shipyard Division operations that were excluded from the Shipyard Transaction;
- Legal and other costs associated with our MPSV dispute;
- Corporate administrative expenses (including the temporary under-utilization of personnel as we evaluate our resource requirements to support our future operations in light of the Shipyard Transaction);
- Initiatives to diversify and enhance our business; and
- Insurance deductibles and uninsured losses, if any, associated with the impacts of Hurricane Ida.

We anticipate capital expenditures of $0.5 million to $1.0 million for the remainder of 2021, 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, 2021, 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 2021 and 2022, 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 price volatility and COVID-19. 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 other 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.

**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 2021, 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.**

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 lawsuits, legal proceedings and claims 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 cash flows. See Note 6 of our Financial Statements in Item 1 for further discussion of our material legal proceedings, including the MPSV dispute, which is incorporated herein by reference.

**Item 1A. Risk Factors.**

There have been no material changes from the information included under *"Risk Factors"* in Part I, Item 1A of our 2020 Annual Report, except as disclosed in Part II, Item 1A. "Risk Factors" of our quarterly report on Form 10-Q for the quarter ended March 31, 2021.

**Item 6. Exhibits.**

| Exhibit Number | Description of Exhibit |
|---|---|
| 2.1 | Asset Purchase Agreement by and among Bollinger Houma Shipyards, L.L.C. and Bollinger Shipyards Lockport, L.L.C., as purchasers, and Gulf Island Fabrication, Inc., Gulf Island Shipyards, LLC and Gulf Island, L.L.C., as sellers, dated April 19, 2021, incorporated by reference to Exhibit 2.1 of the Company's Form 8-K filed with the SEC on April 19, 2021. |
| 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 10, 2020 (SEC File No. 001-34279). |
| 10.1 | Eighth Amendment to Credit Agreement dated October 12, 2021. * |
| 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, 2021, 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, Secretary and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

Date: November 9, 2021

**Exhibit 10.1**

**EIGHTH AMENDMENT TO CREDIT AGREEMENT**

**THIS EIGHTH AMENDMENT TO CREDIT AGREEMENT** (this "***Amendment***") is entered into on October 12, 2021 but effective as of July 1, 2021 (the "***Eighth Amendment Effective Date***"), by and among **GULF ISLAND FABRICATION, INC.**, a Louisiana corporation, as borrower ("***Borrower***"), **HANCOCK WHITNEY BANK**, a Mississippi state chartered bank, as administrative agent for the Lenders (in such capacity, "***Administrative Agent***"), and the Lenders. Capitalized terms used but not defined in this Amendment have the meanings given such terms in the Credit Agreement (defined below).

**RECITALS**

A. Borrower, Administrative Agent, and Lenders entered into that certain Credit Agreement dated as of June 9, 2017 (as amended, restated or supplemented, the "***Credit Agreement***").

B. Borrower and Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned hereby agree as follows:

1. Amendment to Credit Agreement. ***Section 1.1*** of the Credit Agreement is hereby amended by amending and restating the defined term "***Applicable Margin***" in its entirety to read as follows:

"***Applicable Margin*** means (a) for LIBOR Loans, 1.50%, and (b) for Base Rate Loans, 0.00%."

2. Conditions. This Amendment shall be effective as of the Eighth Amendment Effective Date once each of the following have been delivered to Administrative Agent:

(a) this Amendment executed by Borrower, Administrative Agent, and the Lenders;

(b) the Guarantors' Consent and Agreement attached to this Amendment executed by Guarantors;

(c) such other documents as Administrative Agent may reasonably request; and

(d) payment by Borrower of all agreed fees and expenses of Administrative Agent and the Lenders in connection with this Amendment and the transactions contemplated hereby.

3. Representations and Warranties. Borrower represents and warrants to Administrative Agent and Lenders that (a) it possesses all requisite power and authority to execute, deliver and comply with the terms of this Amendment, (b) this Amendment has been duly authorized and approved by all requisite corporate action on the part of Borrower, (c) no other consent of any Person is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate its organizational documents, (e) no changes have been made to Borrower's Organizational Documents since the date of the certificate delivered in connection with the closing of the Credit Agreement (f) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date), (g) it is in full compliance with all covenants and agreements contained in each Loan Document to which it is a party,

and (h) no Default or Potential Default has occurred and is continuing. The representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment. No investigation by Administrative Agent or any Lender is required for Administrative Agent and Lenders to rely on the representations and warranties in this Amendment.

4. Scope of Amendment; Reaffirmation; **RELEASE**. All references to the Credit Agreement shall refer to the Credit Agreement as affected by this Amendment. Except as affected by this Amendment, the Loan Documents remain unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as affected by this Amendment) and any other Loan Document, the terms of the Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement. Borrower hereby reaffirms its obligations under the Loan Documents to which it is a party and agrees that all Loan Documents to which it is a party remain in full force and effect and continue to be legal, valid, and binding obligations enforceable in accordance with their terms (as the same are affected by this Amendment). **BORROWER HEREBY RELEASES ADMINISTRATIVE AGENT AND LENDERS FROM ANY LIABILITY FOR ACTIONS OR OMISSIONS IN CONNECTION WITH THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS PRIOR TO THE DATE OF THIS AMENDMENT**.

5. Miscellaneous.

(a) No Waiver of Defaults. This Amendment does not constitute (i) a waiver of, or a consent to, (A) any provision of the Credit Agreement or any other Loan Document not expressly referred to in this Amendment, or (B) any present or future violation of, or default under, any provision of the Loan Documents, or (ii) a waiver of Administrative Agent's and Lenders' right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(b) Form. Each agreement, document, instrument or other writing to be furnished Lender under any provision of this Amendment must be in Proper Form.

(c) Headings. The headings and captions used in this Amendment are included for convenience of reference only and shall not affect the interpretation of this Amendment, the Credit Agreement, or any other Loan Document.

(d) Costs, Expenses and Attorneys' Fees. Borrower agrees to pay or reimburse Administrative Agent on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of Administrative Agent's counsel.

(e) Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of each of the undersigned and their respective successors and permitted assigns.

(f) Multiple Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

(g) Governing Law. This Amendment and the other Loan Documents must be construed, and their performance enforced, under Louisiana law.

(h) Entirety. **THE LOAN DOCUMENTS (AS AMENDED HEREBY) REPRESENT THE FINAL AGREEMENT AMONG BORROWER, ADMINISTRATIVE AGENT, AND LENDERS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

***[Signatures appear on the immediately following pages.]***

This Amendment is executed as of the date set out in the preamble to this Amendment but effective as of the Eighth Amendment Effective Date.

**BORROWER:**

GULF ISLAND FABRICATION, INC., a Louisiana corporation

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

**ADMINISTRATIVE AGENT:**

HANCOCK WHITNEY BANK,
a Mississippi state chartered bank, as Administrative Agent

By: /s/ Tommy D. Pitre
Name: Tommy D. Pitre
Title: Senior Vice President

**LENDERS:**

HANCOCK WHITNEY BANK,
a Mississippi state chartered bank, as sole Lender

By: /s/ Tommy D. Pitre
Name: Tommy D. Pitre
Title: Senior Vice President

**GUARANTORS' CONSENT AND AGREEMENT**
**TO**
**<u>EIGHTH AMENDMENT TO CREDIT AGREEMENT</u>**

As an inducement to the Administrative Agent and each Lender to execute, and in consideration of the Administrative Agent and each Lender's execution of, the Amendment, each of the undersigned hereby consents to this Amendment and agrees that this Amendment shall in no way release, diminish, impair, reduce or otherwise adversely affect the obligations and liabilities of such undersigned under the Guaranty executed by such undersigned in connection with the Credit Agreement, or under any other Loan Documents executed by the undersigned to secure any of the Obligations (as defined in the Credit Agreement), all of which are in full force and effect. Each of the undersigned further represents and warrants to the Administrative Agent and the Lenders that (a) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of the Amendment, (b) it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (c) no Default or Potential Default has occurred and is continuing. **THE UNDERSIGNED HEREBY RELEASES, DISCHARGES AND ACQUITS ADMINISTRATIVE AGENT AND EACH LENDER FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES OF EVERY KIND OR NATURE (INCLUDING WITHOUT LIMITATION, OFFSETS, REDUCTIONS, REBATES, AND LENDER LIABILITY) ARISING OUT OF ANY ACT, OCCURRENCE, TRANSACTION OR OMISSION OCCURRING IN CONNECTION WITH THE GUARANTY PRIOR TO THE DATE OF THE AMENDMENT. THIS GUARANTORS' CONSENT AND AGREEMENT SHALL BE BINDING UPON THE UNDERSIGNED, AND ITS PERMITTED ASSIGNS, IF ANY, AND SHALL INURE TO THE BENEFIT OF THE ADMINISTRATIVE AGENT, EACH LENDER AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.**

**[*Signature Page Follows*]**

**GUARANTORS:**

**GULF ISLAND WORKS, LLC**, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo

Name: Richard W. Heo

Title: President & CEO

**GULF ISLAND EPC, LLC**, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo

Name: Richard W. Heo

Title: President & CEO

**GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C.**, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo

Name: Richard W. Heo

Title: President & CEO

**GULF MARINE FABRICATORS GENERAL PARTNER, L.L.C.**, a Louisiana limited liability company

By: GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C., a Louisiana limited liability company, its sole member

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

**GULF MARINE FABRICATORS, L.P.**, a Texas limited partnership

By: GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C., a Louisiana limited liability company, its general partner

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

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

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

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

By: GULF ISLAND, L.L.C., a Louisiana limited liability company, its sole member

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

**GULF ISLAND SHIPYARDS, LLC**, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

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

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

**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 9, 2021

/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 9, 2021

/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, 2021, 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 9, 2021

By: /s/ Westley S. Stockton
Westley S. Stockton
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
November 9, 2021

*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.*