

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

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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 0-22303

GULF ISLAND FABRICATION, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

LOUISIANA  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

72-1147390  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

583 THOMPSON ROAD, HOUMA, LOUISIANA  
(ADDRESS OF PRINCIPAL EXECUTIVE  
OFFICES)

70363  
(ZIP CODE)

(504) 872-2100  
(REGISTRANT'S TELEPHONE NUMBER,  
INCLUDING AREA CODE)

Securities registered pursuant to Section 12(g) of the Act: Common Stock, no  
par value per share.

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 if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to  
the best of registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the  
Registrant at March 6, 1998 was approximately \$165,816,200.

The number of shares of the Registrant's common stock, no par value per  
share, outstanding at March 6, 1998 was 11,623,400.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement prepared for use in  
connection with the registrant's 1998 Annual Meeting of Shareholders to be  
held April 30, 1998 have been incorporated by reference into Part III of this  
Form 10-K.

GULF ISLAND FABRICATION, INC.  
ANNUAL REPORT ON FORM 10-K FOR  
THE FISCAL YEAR ENDED DECEMBER 31, 1997

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

	PAGE
	----
<C>	<S>
PART I	
Items 1 and 2. Business and Properties.....	1
Item 3. Legal Proceedings.....	10
Item 4. Submission of Matters to a Vote of Security Holders...	11

Item 4A.	Executive Officers of the Registrant.....	11
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	12
Item 6.	Selected Financial Data.....	13
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14
Item 7A.	Quantitative and Qualitative Disclosure About Market Risk.....	18
Item 8.	Financial Statements and Supplementary Data.....	18
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	19
PART III		
Item 10.	Directors and Executive Officers of the Registrant....	19
Item 11.	Executive Compensation.....	19
Item 12.	Security Ownership of Certain Beneficial Owners and Management.....	19
Item 13.	Certain Relationships and Related Transactions.....	19
PART IV		
Item 14.	Exhibits, Financial Statements Schedules, and Reports on Form 8-K.....	19
GLOSSARY OF CERTAIN TECHNICAL TERMS.....		G1
FINANCIAL STATEMENTS.....		F1
SIGNATURES.....		S1
EXHIBIT INDEX.....		E1

</TABLE>

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

Certain technical terms are defined in the "Glossary of Certain Technical Terms" appearing at the end of this Report.

GENERAL

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

Demand for the Company's products and services is primarily a function of the level of offshore oil and gas activity in the Gulf of Mexico and, to a lesser extent, offshore areas in West Africa and Latin America. The Company believes that the number of acreage blocks leased by oil and gas companies in the Gulf of Mexico and the number of active drilling rigs in the Gulf of Mexico are leading indicators of demand for the Company's products, with fabricating activity trailing leasing and drilling activity by one to three years. Over the past five years, improvements in seismic and drilling technology, production techniques and oil and gas prices have resulted in an increased number of acreage blocks leased, more intensive drilling activity in shallow water areas, and increased exploration of deepwater areas of the Gulf of Mexico. As a result, demand for the Company's products improved.

The Company was founded in 1985 by a group of investors, including Alden J. "Doc" Laborde and Huey J. Wilson, and began operations at its fabrication yard on the Houma Navigation Canal in Southern Louisiana, approximately 30 miles from the Gulf of Mexico. On January 2, 1997, Gulf Island Fabrication, Inc. acquired Dolphin Services, Inc. and two related companies (collectively, "Dolphin Services"), which perform offshore and inshore fabrication and construction services (the "Dolphin Acquisition"), and in April 1997, completed the initial public offering (the "Initial Public Offering") of its common stock, no par value per share (the "Common Stock"). The Company's primary facilities are located on 597 acres, of which 250 are currently developed for fabrication activities with 347 acres available for future expansion. These facilities allow the Company to build jackets for installation in water depth of up to 800 feet and deck sections for fixed or floating production platforms for use in unlimited water depth. In addition, the Company is able to build certain hull sections of tension leg platforms, typically for use in water depth greater than 1,000 feet.

Effective January 1, 1998, the Company acquired all of the outstanding stock of Southport, Inc. and its wholly owned subsidiary Southport International, Inc. (collectively, "Southport"). Southport specializes in the fabrication of

living quarters for offshore platforms. The purchase price was \$6.0 million cash, plus contingent payments of up to an additional \$5.0 million based on Southport's net income over a four-year period ending December 31, 2001.

#### DESCRIPTION OF OPERATIONS

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

1

industry, refurbish existing platforms and fabricate various other types of steel structures. With its acquisition of Southport, the Company has also increased its presence in the market for the fabrication of living quarters for installation on such platforms.

The Company uses the latest welding and fabrication technology available, and all of the Company's products are manufactured in accordance with industry standards and specifications, including those published by the American Petroleum Institute, the American Welding Society and the American Society of Mechanical Engineers. The Company has also been certified as an ISO 9002 fabricator for its quality assurance programs. See "-- Safety and Quality Assurance."

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

The most common type of fixed platform consists of a jacket (a tubular steel, braced structure extending from the mudline on the seabed to a point above the water surface) which is supported on tubular pilings driven deep into the seabed and supports the deck structure located above the level of storm waves. The deck structure, extending above the surface of the water and attached to the top end of the jacket, is designed to accommodate multiple functions, including drilling, production, separating, gathering, piping, compression, well support and crew quartering. Platforms can be joined by bridges to form complexes of platforms for very large developments or to improve safety by dividing functions among specialized platforms. Jacket-type platforms are generally the most viable solution for water depths of 1,000 feet or less. Although there is no height limit to the size of the jackets that can be fabricated at the Company's facilities, the dimensions of the Houma Navigation Canal prevent the transportation to the Gulf of Mexico of most jackets designed for water depths exceeding 800 feet. The Company can, however, build decks, piping and equipment modules, living quarters, piles and other components of platforms for installation in any water depth. Often, customers split projects among fabricators, contracting with different companies for the fabrication of the jacket, deck sections, living quarters and piles for the same platform. Therefore, the Company is able, through the construction of decks, living quarters and piles, to participate in the construction of platforms requiring jackets that are larger than those the Company can transport through the Houma Navigation Canal.

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

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

structure as more of it moves aboard the barge. Using ocean-going tugs, the barge and jacket are transported to the offshore installation site.

2

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

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

The size of a TLP depends on a number of factors, including the intended scope of production of the platform, the length of the production risers connected to the platform, the size of the deck to be installed on the platform and the water depth for which the platform is designed. The Company can fabricate deck sections for use with TLPs of any size. The constraints of the Houma Navigation Canal, however, limit the Company's ability to deliver certain hulls for use with TLPs, depending on the size and weight of the hull sections. For example, the hulls that are used to support the TLPs currently operating in the Gulf of Mexico were too large to transport through the Houma Navigation Canal. All of these hull sections were fabricated by overseas shipbuilding companies. The Company, however, is currently constructing the deck section and floating hull of a TLP designed for installation in 1,700-1,800 feet of water. The Company has also entered into a letter of intent to construct a similar hull to be installed in 3,200 feet of water. To the Company's knowledge, these are the first two TLPs of this size to be constructed entirely in the United States. The Company should be able to compete for further TLP projects of this size, including the fabrication of hull sections.

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

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

Through Dolphin Services, the Company also provides interconnect piping services on offshore platforms, inshore steel and wood structure construction, and steel warehousing and sales. Interconnect piping services involve sending employee crews to offshore platforms that have been installed in the Gulf of Mexico in order to perform welding and other activities required to connect production equipment, service modules and other equipment to a platform prior to its becoming operational. Dolphin Services also contracts with oil and gas companies that have platforms and other structures located in the inland lakes and bays throughout the Southeast

3

for various on-site construction and maintenance activities. At its existing facility, a quarter of a mile from the Company's main yard, Dolphin Services can fabricate jackets up to 100 feet tall along with decks and other steel

structures. Dolphin Services has also been active in the refurbishment of existing platforms. Platform operators occasionally remove platforms previously installed in the Gulf of Mexico and return the platforms to a fabricator for refurbishment, which usually consists of general repairs, maintenance work and modification.

#### FACILITIES AND EQUIPMENT

Facilities. The Company's corporate headquarters and main fabrication yard are located on the east bank of the Houma Navigation Canal at Houma, Louisiana, approximately 30 miles from the Gulf of Mexico. That facility includes approximately 140 acres with approximately 100 acres developed for fabrication, one 13,200 square foot building that houses administrative staff, approximately 180,000 square feet of covered fabrication area, and over 17,000 square feet of warehouse storage area and 8,000 square feet of training and medical facilities. The main yard also has approximately 2,800 linear feet of water frontage, of which 1,500 feet is steel bulkhead which permits outloading of heavy structures.

The Company's west yard is located across the Houma Navigation Canal from the main yard and includes 437 acres, with 130 acres developed for fabrication and over 300 acres of unimproved land, which could be used for expansion. The west yard, which has approximately 72,000 square feet of covered fabrication area and 3,500 square feet of warehouse storage area, spans 6,750 linear feet of the Houma Navigation Canal, of which 2,350 feet is steel bulkhead.

Dolphin Services operates from a 20-acre site located approximately a quarter of a mile from the Company's main yard on a channel adjacent to the Houma Navigation Canal. The facility includes a 7,000-square foot building that houses administrative staff, approximately 14,000 square feet of covered fabrication area, 1,500 square feet of warehouse storage area, a 10,000-square foot blasting and coating facility and 600 linear feet of steel bulkhead.

Southport is located on a 13-acre site located in Harvey, Louisiana, a suburb of New Orleans, on the Harvey Canal, which has access to the Gulf of Mexico through the Intracoastal Canal. The facility includes 7,550 square feet of administrative offices, 22,300 square feet of covered fabrication area and 1,450 linear feet of steel bulkhead.

The Company owns all of the foregoing properties except the property where the Southport facility is located, which is held subject to a three-year lease. The Company has an option to purchase this property that is exercisable prior to May 14, 1999 at a purchase price of \$1,150,000.

Equipment. The Company's main yard houses its Bertsch Model 34 and Model 20 plate bending rolls, a Frye Wheelabrator grit blast system, a hydraulic plate shear, a hydraulic press brake and various other equipment needed to build offshore structures and fabricate steel components. The Company's west yard has a Bertsch Model 38 plate bending roll, a computerized Vernon brace coping machine used for cutting steel in complex geometric sections and various other equipment used in the Company's fabrication business. The Company also currently uses 19 crawler cranes, which range in tonnage capacity from 150 to 300 tons and service both of the Company's yards. The Company owns nine of these cranes and rents the remaining 10 cranes on a monthly basis. The Company recently purchased and installed a plasma-arc cutting system that cuts steel up to one inch thick at a rate of two hundred inches per minute. The Company performs routine repairs and maintenance on all of its equipment.

The Company's plate bending rolls allow it to roll and weld into tubular pipe sections approximately 50,000 tons of plate per year. By having such capacity at its fabrication facility, the Company is able to coordinate all aspects of platform construction, which can reduce the risk of cost overruns, delays in project completion and labor costs. In addition, these facilities often allow the Company to participate as subcontractors on projects awarded to other contractors. The Company's grit blast system can blast steel at a rate approximately ten times

4

faster than conventional sandblasting. This greatly reduces labor costs and also decreases the Company's use of conventional sandblasting, which is considered to be a more hazardous and slower method of preparing steel for painting.

For use in connection with its inshore construction activities, Dolphin Services owns two spud barges. Dolphin Services also leases five barges for use with inshore construction activities. Each barge is equipped with a crane with a lifting capacity of 60 to 100 tons. Dolphin Services also owns two Manitowoc 4100 cranes with lifting capacities of 200 to 230 tons and five smaller cranes ranging from 60 to 100 tons lifting capacity. Southport rents two crawler cranes with lifting capacities of 100 and 150 tons, respectively.

#### MATERIALS AND SUPPLIES

The principal materials and supplies used by the Company in its fabrication

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

#### SAFETY AND QUALITY ASSURANCE

Management is concerned with the safety and health of the Company's employees and maintains a stringent safety assurance program to reduce the possibility of costly accidents. The Company's safety department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education through orientations for new employees and subcontractors, weekly crew safety meetings and first aid and CPR training. The Company also employs two in-house medical personnel. The Company has a comprehensive drug program and conducts periodic employee health screenings. A safety committee, whose members consist of management representatives and peer-elected field representatives, meet monthly to discuss safety concerns and suggestions that could prevent accidents. Through 1997 the Company rewarded its supervisory employees with safety bonuses based on the amount that the Company saves under its self-insured workers' compensation program compared to the existing rates of the Louisiana Worker's Compensation Corporation.

The Company fabricates to the standards of the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers and specific customer specifications. The Company uses welding and fabrication procedures in accordance with the latest technology and industry requirements. Training programs have been instituted to upgrade skilled personnel and maintain high quality standards. In addition, the Company maintains on-site facilities for the non-destructive testing of all welds, which process is performed by an independent contractor.

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

#### CUSTOMERS AND CONTRACTING

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

A large portion of the Company's revenue has historically been generated by a few customers, although not necessarily the same customers from year-to-year. For example, the Company's largest customers (those which individually accounted for more than 10% of revenue in a given year) collectively accounted for 67% (Texaco, Inc., British Petroleum Company and Atlantia Corporation), 35% (Shell Offshore, Inc., Global Industries

5

Offshore, Inc., Coastal Corporation) and 40% (Texaco, Inc., British Gas Ltd.) of revenue for fiscal 1997, 1996 and 1995, respectively. In addition, at December 31, 1997, 54% of the Company's backlog was attributable to three projects, two of which were for the same customer. Because the level of fabrication that the Company may provide to any particular customer depends, among other things, on the size of that customer's capital expenditure budget devoted to platform construction plans in a particular year and the Company's ability to meet the customer's delivery schedule, customers that account for a significant portion of revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years.

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

Under fixed price contracts, the Company receives the price fixed in the contract, subject to adjustment only for change orders approved by the customer. As a result, the Company retains all cost savings but is also responsible for all cost overruns. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price

that includes specified levels of labor and material costs and profit margins. If the project is completed at less cost than those targeted in the contract, the contract price is reduced by a portion of the savings. If the cost of completion is greater than those targeted in the contract, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor costs. Accordingly, under alliance/partnering arrangements, the Company has some protection from cost overruns but also shares a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and material cost and so is protected against cost overruns but does not benefit directly from cost savings. Because the Company generally prices materials as pass-through items on its contracts, the cost and productivity of the Company's labor force are the primary factors affecting the Company's operating costs. Consequently, it is essential that the Company control the cost and productivity of the direct labor hours worked on the Company's projects. As an aid to achieving this control, the Company places a single project manager in charge of the production operations related to each project and gives significant discretion to the project manager, with oversight by the Company's Vice President of Operations. As an incentive to control man-hours through 1997 the Company paid production bonuses to its supervisory and salary employees if the actual hours worked on a contract are less than the estimated hours used to formulate a bid for the project.

#### SEASONALITY

Although high activity levels in the oil and gas industry and capacity limitations have somewhat diminished the seasonality of the Company's operations in recent years, the Company's operations have historically been subject to seasonal variations in weather conditions and daylight hours. Since most of the Company's construction activities take place outdoors, the number of direct labor hours worked generally declines during the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate portion of the Company's income has historically been earned during the second and third quarters of the year, and the Company has occasionally incurred losses during the first and fourth quarters of its fiscal year. For example, the portion of net income earned during the second and third quarters amounted to 57%, 61%, and 81% of the Company's total net income for fiscal 1997, 1996 and 1995, respectively. Because of this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

6

#### COMPETITION

The offshore platform fabrication industry is highly competitive and influenced by events largely outside of the control of offshore platform fabrication companies. Platform fabrication companies compete intensely for available projects, which are generally awarded on a competitive bid basis with customers usually requesting bids on projects one to three months prior to commencement. The Company's marketing staff contacts oil and gas companies believed to have fabrication projects scheduled to allow the Company an opportunity to bid for the projects. Although price and the contractor's ability to meet a customer's delivery schedule are the principal factors in determining which qualified fabricator is awarded a contract for a project, customers also consider, among other things, the availability of technically capable personnel and facility space, a fabricator's efficiency, condition of equipment, reputation, safety record and customer relations.

The Company currently has two primary competitors, Aker Gulf Marine and J. Ray McDermott, S.A., for the fabrication of platform jackets to be installed in the Gulf of Mexico in water depths greater than 300 feet. In addition to these two companies, the Company primarily competes with five other fabricators for platform jackets for intermediate water depths from 150 feet to 300 feet. A number of other companies compete for projects designed for shallower waters as well as for the projects typically performed by Southport. Certain of the Company's competitors have greater financial and other resources than the Company.

Management believes that, while new competitors can enter the market for smaller structures relatively easily, it is more difficult for several reasons to enter the market for jackets designed for use in water depths greater than 300 feet, including the substantial investment required to establish an adequate facility, the difficulty of locating a facility adjacent to an adequate waterway due to environmental and wetland regulations, and the limited availability of experienced supervisory and management personnel.

Management believes that the Company's competitive pricing, expertise in fabricating offshore structures and its certification as an ISO 9002 fabricator will enable it to continue to compete effectively for projects destined for international waters. The Company recognizes, however, that foreign governments often use subsidies and incentives to create jobs where

oil and gas production is being developed. In addition, the additional transportation costs that are incurred when exporting structures from the U.S. to foreign locations may hinder the Company's ability to successfully bid for projects against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators and lower wage rates in foreign countries along with fluctuations in the value of the U.S. dollar and other factors, the Company may not be able to remain competitive with foreign contractors for projects designed for use in international waters as well as those designed for use in the Gulf of Mexico.

#### BACKLOG

As of December 31, 1997 the Company's backlog was \$86.3 million, \$79.7 million of which management expects to be performed during 1998. Of the \$86.3 million backlog at December 31, 1997, approximately 54% was attributable to three projects, two of which were for the same customer.

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

7

#### GOVERNMENT AND ENVIRONMENTAL REGULATION

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

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

The Company's operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances



and the health and safety of employees. These laws may provide for "strict liability" for damages to natural resources and threats to public health and safety, rendering a party liable for the environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, the Company may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company that were in compliance with all applicable laws at the time such acts were performed.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar foreign, state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances.

8

Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. The Company believes that its facilities are in substantial compliance with current regulatory standards.

The Company's operations are also governed by laws and regulations relating to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require the Company to obtain certain permits, licenses and certificates with respect to its operations. The kind of permits, licenses and certificates required in the Company's operations depend upon a number of factors. The Company believes that it has all material permits, licenses and certificates necessary to the conduct of its existing business.

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

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

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

#### INSURANCE

The Company maintains insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to the Company's facilities. All policies are subject to deductibles and other coverage limitations. The Company also maintains a builder's risk policy for its construction projects and general liability insurance. Gulf Island Fabrication, Inc. is self-insured for workers' compensation liability except for losses in excess of \$300,000 per occurrence for Louisiana workers' compensation and for U.S. longshoreman and harbor workers' coverage. Dolphin Services is conventionally insured for workers' compensation liability with a \$100,000 deductible. The Company also maintains

maritime employer's liability insurance. Although management believes that the Company's insurance is adequate, there can be no assurance that the Company will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

#### EMPLOYEES

The Company's workforce varies based on the level of ongoing fabrication activity at any particular time. During 1997, the number of Company employees ranged from approximately 525 to more than 1,000, approximately 335 of which were added through the acquisition of Dolphin Services. As of March 1, 1998, the

9

Company had approximately 1,250 employees, approximately 200 of which were added through the acquisition of Southport. Although the seasonality of the Company's operations may cause a decline in Company output during the winter months, the Company generally does not lay off employees during those months but reduces the number of hours worked per day by many employees to coincide with the reduction in daylight hours during that period. None of the Company's employees is employed pursuant to a collective bargaining agreement, and the Company believes that its relationship with its employees is good.

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

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

#### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

Certain statements included in this report and in oral statements made from time to time by management of the Company that are not statements of historical fact are forward-looking statements. In this report, forward-looking statements are included primarily in the sections entitled "Business and Properties," "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The words "expect," "believe," "anticipate," "project," "plan," "estimate," "predict" and similar expressions often identify forward-looking statements. All such statements are subject to factors that could cause actual results and outcomes to differ materially from the results and outcomes predicted in the statements and investors are cautioned not to place undue reliance upon them.

#### ITEM 3. LEGAL PROCEEDINGS

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

Plaintiff's principal causes of action; however, the Plaintiff could appeal these rulings in the future. The Company believes that it has meritorious defenses to the remaining

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

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below is the name, age and offices held by each of the executive officers of the Company as of March 1, 1998. All officers of the Company serve at the pleasure of the Company's Board of Directors.

<TABLE>

<CAPTION>

NAME	AGE	POSITION
----	---	-----
<C>	<C> <S>	
Kerry J. Chauvin.....	50	President, Chief Executive Officer and Director
William A. Downey.....	51	Vice President--Operations
Murphy A. Bourke.....	53	Vice President--Marketing
Joseph P. Gallagher, III.....	47	Vice President--Finance, Chief Financial Officer, Treasurer and Secretary

</TABLE>

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

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

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

Joseph P. "Duke" Gallagher, III was elected Vice President--Finance and Chief Financial Officer of the Company in January 1997 and in that capacity he also serves as chief accounting officer of the Company. Mr. Gallagher served as the Company's Controller from 1985 until 1997. He has been the Company's Treasurer since

1986 and Secretary since January 1993. Mr. Gallagher also served as Secretary from 1986 to 1990. From 1981 to 1985, he was employed as the Controller of TBW Industries, Incorporated, a manufacturer of machinery and pressure vessels, and from 1979 to 1981 as the Assistant Controller of Brock Exploration Corporation, a publicly traded oil and gas exploration company. Mr. Gallagher, a Certified Public Accountant, also worked as a Senior Auditor for the accounting firm A.A. Harmon & Co., CPA's Inc. He received a B.S. degree in Production Management in 1973 from the University of Southwestern Louisiana.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock, no par value per share (the "Common Stock"), is traded on the Nasdaq National Market under the symbol "GIFI." At March 13, 1998, the Company had approximately 5,200 holders of its Common Stock of record and individual participants including securities position listings.

The following table sets forth the high and low bid prices per share of the Common Stock, as reported by the Nasdaq National Market, for each fiscal quarter since trading in the Common Stock began on April 4, 1997 (adjusted to give retroactive effect for a two-for-one stock split of the Common Stock effected in the form of a stock dividend paid on October 28, 1997).

<TABLE>  
<CAPTION>

	HIGH	LOW
	-----	-----
<S>	<C>	<C>
Fiscal Year 1997		
Second Quarter (commencing April 4, 1997).....	\$13.31	\$7.88
Third Quarter.....	25.50	12.50
Fourth Quarter.....	39.50	15.00

</TABLE>

The Company currently intends to retain earnings, if any, to meet its working capital requirements and to finance the future operation and growth of its business and, therefore, does not plan to pay cash dividends to holders of its Common Stock in the foreseeable future. Prior to the Initial Public Offering, the Company made cash distributions to its shareholders in order to provide a cash return to them as well as to fund their federal and state income tax liability that resulted from the Company's prior status as an S Corporation. These distributions totaled \$2.7 million in the year ended December 31, 1996, and \$16.6 million through the termination of the Company's S Corporation Status on April 4, 1997.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical financial data as of the dates and for the periods indicated. The historical financial data for each year in the five-year period ended December 31, 1997 are derived from the audited financial statements of the Company. The table also sets forth pro forma financial information as of and for the years ended December 31, 1997, 1996 and 1995 that gives effect to the termination of the Company's S Corporation status, as further explained in the notes to the Company's audited financial statements included elsewhere in this report. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's financial statements and notes thereto included elsewhere in this report.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1997(1)	1996	1995	1994	1993
	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
INCOME STATEMENT DATA:					
Revenue.....	\$ 136,355	\$ 79,004	\$ 63,779	\$ 60,984	\$ 65,435
Cost of revenue.....	112,033	68,673	60,034	57,519	60,599
Gross profit.....	24,322	10,331	3,745	3,465	4,836
General and administrative expenses.....	4,670	2,161	1,730	1,567	1,585
Non-recurring compensation charge(2).....	--	500	--	--	--
Operating income.....	19,652	7,670	2,015	1,898	3,251
Net interest expense.....	109	384	430	328	70
Income before income taxes.....	19,543	7,286	1,585	1,570	3,181
Income taxes.....	5,973	--	--	--	--

Cumulative deferred tax provision.....	1,144	--	--	--	--
Net income.....	\$ 12,426	\$ 7,286	\$ 1,585	\$ 1,570	\$ 3,181
=====					
PRO FORMA DATA:					
Income before provision for income taxes.....	\$ 19,543	\$ 7,286	\$ 1,585		
Provision for income taxes.....	5,973	--	--		
Pro forma provision for income taxes(3).....	1,379	2,934	602		
Pro forma net income.....	\$ 12,191	\$ 4,352	\$ 983		
=====					
Pro forma basic earnings per share.....	\$ 1.15	\$ 0.55	\$ 0.13		
=====					
Pro forma diluted earnings per share.....	\$ 1.14	\$ 0.55	\$ 0.13		
=====					
Pro forma weighted-average common shares.....	10,633	7,854	7,854		
=====					
Pro forma adjusted weighted-average common shares.....	10,700	7,854	7,854		
=====					

</TABLE>

<TABLE>  
<CAPTION>

AS OF DECEMBER 31,				
1997	1996	1995	1994	1993
-----				
(IN THOUSANDS)				
<C>	<C>	<C>	<C>	<C>

<S>					
BALANCE SHEET DATA:					
Working capital.....	\$17,555	\$11,001	\$10,048	\$ 7,437	\$ 8,217
Property, plant and equipment, net...	34,505	17,735	13,483	13,873	14,567
Total assets.....	67,678	35,909	30,414	25,665	29,225
Debt, including current maturities(4).....	--	6,187	5,545	4,477	2,424

</TABLE>

<TABLE>  
<CAPTION>

YEAR ENDED DECEMBER 31,				
1997	1996	1995	1994	1993
-----				
(IN THOUSANDS)				
<C>	<C>	<C>	<C>	<C>

<S>					
OPERATING DATA:					
Direct labor hours worked(5).....	2,150	1,073	920	1,037	981
Backlog(6)					
Direct labor hours.....	1,341	1,038	427	400	404
Dollars.....	\$86,312	\$87,093	\$22,003	\$20,740	\$20,832

</TABLE>

- 
- (1) Includes results of operations of Dolphin Services from January 2, 1997.
  - (2) In December 1996, the Company's principal shareholders sold an aggregate of 98,000 shares of Common Stock to the Company's executive officers at a total purchase price of \$350,000. As a result, the Company was required to recognize a non-cash expense equal to the difference between the aggregate purchase price for such shares (adjusted for certain distributions with respect to such shares that were paid in 1997 before completion of the Initial Public Offering) and the estimated value of such shares at the time of the Initial Public Offering.
  - (3) Includes pro forma effect for the application of federal and state income taxes to the Company as if it were a C Corporation for tax purposes. Prior to the Initial Public Offering, the Company elected to terminate its S Corporation status. As a result, the Company became subject to corporate level income taxation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Tax Adjustments," and Notes 1 and 2 to the Company's financial statements included elsewhere in this Report.
  - (4) Information for 1997, 1996, 1995, 1994 and 1993 includes \$0, \$530,000, \$434,000, \$477,000 and \$324,000, respectively, of current maturities of debt.
  - (5) Direct labor hours are hours worked by employees directly involved in the production of the Company's products.
  - (6) The Company's backlog is based on management's estimate of the number of

direct labor hours required to complete, and the remaining revenues to be recognized with respect to, those projects on which a customer has authorized the Company to begin work or purchase materials. Backlog at December 31, 1997 included approximately 125,000 direct labor hours and \$6.6 million attributable to portions of orders expected to be completed after December 31, 1998.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### GENERAL

The Company's results of operations are affected primarily by (i) the level of oil and gas exploration and development activity maintained by oil and gas companies in the Gulf of Mexico, and to a lesser extent, West Africa and Latin America; (ii) the Company's ability to win contracts through competitive bidding or alliance/partnering arrangements and (iii) the Company's ability to manage those contracts to successful completion. The level of exploration and development activity is related to several factors, including trends of oil and gas prices, exploration and production companies' expectations of future oil and gas prices, and changes in technology which reduce costs and improve expected returns on investment. Over the past five years, generally favorable trends in these factors have led to increased activity levels in the Gulf of Mexico.

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

14

Demand for the Company's products and services is primarily a function of the level of offshore oil and gas activity in the Gulf of Mexico and, to a lesser extent, offshore areas in West Africa and Latin America. The Company believes the number of blocks leased by oil and gas companies in the Gulf of Mexico and the number of active drilling rigs in the Gulf of Mexico are leading indicators of demand for the Company's products, with fabricating activity trailing leasing and drilling activity by one to three years. Over the past five years, improvements in seismic and drilling technology, production techniques and oil and gas prices have resulted in an increased number of acreage blocks leased, more intensive drilling activity in shallow water areas, and increased exploration of deepwater areas of the Gulf of Mexico. As a result, demand for the Company's products improved. Revenue in 1997 was \$136.4 million, a 72.7% increase over 1996 revenue, and pro forma net income was \$12.2 million, a 180% increase over 1996 pro forma net income. The Company's backlog at December 31, 1997 was \$86.3 million as compared to \$87.1 million at the end of 1996.

Most of the Company's contracts are awarded on a fixed-price or alliance/partnering basis although some contracts are bid on a cost-plus basis. Under fixed-price contracts, the Company receives the price fixed in the contract, subject to adjustment only for change orders placed by the customer. As a result, the Company retains all cost savings but is also responsible for all cost over-runs. Under typical alliance/partnering arrangements, the Company and the customer agree in advance to a target price that includes specified levels of labor and materials costs and profit margins. If the project is completed at a lower cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost to completion is greater than target costs, the contract price is increased, but generally to the target price plus the actual cost of incremental materials and direct labor. Accordingly, under alliance/partnering arrangements, the Company has some protection from cost overruns but also must share a portion of any cost savings with the customer. Under cost-plus arrangements, the Company receives a specified fee in excess of its direct labor and materials cost and so is protected against cost overruns but does

not benefit directly from cost savings. Because the Company generally prices materials as pass-through items on its contracts, the cost and productivity of the Company's labor force are key factors affecting the Company's operating profits. Consequently, it is essential that the Company control the cost and productivity of the direct labor hours worked on the Company's projects.

The ability of the Company to operate profitably and to expand its operations depends substantially on its ability to attract skilled production workers, primarily welders, fitters and equipment operators. As part of an effort to increase and improve its workforce, the Company employs a full-time recruiter responsible for coordinating all aspects of the Company's recruiting efforts, has instituted and enhanced several recruitment incentive programs for its current employees and expanded its training facility. While the supply of production workers is limited, the demand for their services has increased as oil and gas development and production activity has increased. As a result, the Company has increased the average hourly wages of its employees and, in some circumstances, has subcontracted work to others on a fixed-price basis and, in 1994 and 1995, engaged contract labor. During 1997, the Company increased its work force to approximately 1,000 employees, including approximately 335 employees added through the acquisition of Dolphin Services. The Company also added approximately 200 employees in January 1998 as a result of its acquisition of Southport. Because the Company has succeeded in increasing its production workforce through the acquisitions of Southport and Dolphin Services and its own recruiting efforts, the Company does not anticipate the need to engage a material amount of contract labor in the foreseeable future.

Although recent high activity levels in the oil and gas industry and capacity limitations have somewhat diminished the seasonality of the Company's operations in recent years, the Company's operations have traditionally been subject to seasonal variations in weather conditions and daylight hours. Because most of the Company's construction activities take place outdoors, the number of direct labor hours worked generally declines during the winter months due to an increase in rainy and cold conditions and a decrease in daylight hours. In addition, the Company's customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. As a result, a disproportionate amount of the Company's net income and, to a lesser extent, revenue and gross profit, has historically been earned during the second and third quarters of the year, and the Company

15

has occasionally incurred losses during the first and fourth quarters of its fiscal year. Because of this seasonality, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters. The table below indicates for each quarter of the Company's last three fiscal years the percentage of the annual revenue, gross profit and net income, and the number of direct labor hours worked.

<TABLE>

<CAPTION>

	1997				1996				1995			
	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.	1ST QTR.	2ND QTR.	3RD QTR.	4TH QTR.
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue.....	21%	26%	27%	26%	25%	27%	24%	24%	22%	26%	30%	22%
Gross profit.....	20%	26%	29%	25%	13%	26%	30%	31%	7%	25%	40%	28%
Net income (loss).....	19%	27%	30%	24%	11%	27%	34%	28%	(12%)	26%	55%	31%
Direct labor hours (in 000's).....	497	542	588	523	249	304	264	256	219	256	245	200

</TABLE>

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

The Company has developed a plan to modify its information technology to recognize the year 2000. The Company has committed to purchase software and upgrade its hardware to address the year 2000. The project is to be substantially complete and operational by mid to late 1998 and is expected to cost approximately \$77,000. Management does not expect this project to have a significant effect on the Company's operations. The Company is currently evaluating its position with significant suppliers and large customers to ensure that those parties have appropriate plans to address year 2000 issues where they may otherwise impact the operations of the Company. The Company does not have any significant suppliers or large customers that directly

interface with the Company's information technology systems. There is no guarantee that the systems of the Company's suppliers and customers will be year 2000 compliant and that such non-compliance will not have an adverse effect on the Company.

#### RESULTS OF OPERATIONS

##### Comparison of the Years Ended December 31, 1997 and 1996

The Company's revenue for the year ended December 31, 1997 was \$136.4 million, an increase of 72.7%, compared to \$79.0 million in revenue for the year ended December 31, 1996. Revenue increased as a result of the acquisition of Dolphin Services and high activity levels in the oil and gas industry during 1997 which created increased demand and, thus, upward pressure on the pricing of the Company's goods and services. In addition, the on-going labor recruiting and retention efforts at the Company generated an increase in the volume of direct labor hours applied to contracts for the year ended December 31, 1997, compared to 1996 (2.1 million in 1997 versus 1.1 million in 1996). The combination of increased volume and strong pricing enabled the Company to increase gross profit by 135% to \$24.3 million (17.8% of revenue) for the year ended December 31, 1997, compared to the \$10.3 million (13.1% of revenue) of gross profit for the year ended December 31, 1996.

Cost of revenue was \$112.0 million in 1997 compared to \$68.7 million in 1996. Cost of revenue consists of costs associated with the fabrication process, including direct costs (such as direct labor hours and raw materials) allocated to specific projects and indirect costs (such as supervisory labor, utilities, welding supplies and equipment costs) that are associated with production but are not directly related to a specific project. As a percentage of revenue, these costs decreased to 82.2% compared to 86.9% in 1996.

The Company's general and administrative expenses were \$4.7 million for the year ended December 31, 1997, compared to \$2.7 million for the year ended December 31, 1996. Although the absolute dollar cost of the Company's general and administrative expenses increased by \$2.0 million for 1997, as a percentage of revenue,

16

it remained constant at 3.4%. The increase of \$2.0 million for the year was caused by (i) additional general and administrative costs associated with Dolphin Services, (ii) greater accrual of performance-based employee incentives which resulted from increased profits for the year ended December 31, 1997, and (iii) additional costs associated with increased production levels and the reporting requirements of a public company for 1997.

The Company's net interest expense decreased to \$100,000 for 1997 compared to \$400,000 for 1996. As a result of the use of the net proceeds from the Company's Initial Public Offering to repay all of the Company's outstanding debt and net cash provided by operations of \$18.3 million in 1997, as compared to \$7.2 million in 1996, the weighted average borrowings for 1997 were lower in comparison to 1996.

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

##### Comparison of the Years Ended December 31, 1996 and 1995

During the year ended December 31, 1996, the Company generated revenue of \$79.0 million, an increase of 23.8% compared to the \$63.8 million generated in 1995. This increase was caused by a 16.6% increase in production volume (1.1 million direct labor hours worked in 1996 versus 0.9 million in 1995) and an increase of 6.2% in the Company's average selling rate. The Company's average selling rate is computed by dividing revenue for any period by the number of direct labor hours worked in such period. As a result of stronger demand for fabricated structures in the oil and gas industry, the Company was able to increase the number of direct labor hours worked by hiring additional employees and increase its average selling rate by raising the prices charged to its customers. The 6.2% increase in average selling rate is not fully indicative of the prices charged by the Company on all of its projects since it includes work performed and projects completed in the early part of 1996 for contracts awarded during 1995 as well as work performed and projects completed in late 1996 for projects awarded during the improving market conditions of early 1996.

Cost of revenue was \$68.7 million in 1996 compared to \$60.0 million in 1995. These costs decreased to 89.9% of revenue in 1996 from 94.1% of revenue in 1995, primarily as a result of the increase in pricing discussed above and a decrease in the cost of revenue that resulted primarily from (i) productivity increases caused by labor saving equipment and production incentives, (ii) a



reduction in equipment rental costs which was partially offset by increased depreciation expense which resulted from equipment purchases and (iii) an increase in the amount of scrap steel sold.

Excluding a \$500,000 non-recurring compensation expense in 1996, general and administrative expenses were \$2.2 million in 1996 compared to \$1.7 million in 1995, remaining a constant 2.7% of revenue for each period.

Interest expense decreased to \$384,000 in 1996 from \$430,000 in 1995 as the weighted average of the Company's borrowings decreased during 1996.

#### PRO FORMA TAX ADJUSTMENTS

From April 1989 until April 4, 1997, the Company operated as an S Corporation for federal and state income tax purposes. As a result, the Company paid no federal or state income tax, and the entire earnings of the Company were subject to tax directly at the shareholder level. Immediately prior to the Initial Public Offering, the Company's shareholders elected to terminate the Company's S Corporation status. As a result, the Company recorded a one-time deferred tax liability in the amount of approximately \$1.1 million in the second quarter of 1997. Pro forma income taxes related to operations as an S Corporation for 1997 and 1996 would have been \$1.4 million and \$2.9 million, respectively.

17

#### LIQUIDITY AND CAPITAL RESOURCES

The Company completed the Initial Public Offering on April 9, 1997 in which it sold 4.6 million shares of Common Stock and received net proceeds of \$31.3 million after underwriting discounts and other costs of \$3.2 million. Of the net proceeds, the Company used \$31.1 million to repay all of the indebtedness outstanding under the Company's Bank Credit Facility (as defined herein). The balance of the proceeds was used by the Company as additional working capital. Working capital increased 60% from the prior year end to \$17.6 million at December 31, 1997.

Historically the Company has funded its business activities through funds generated from operations and borrowings under its Bank Credit Facility. Net cash provided by operations increased by 156% to \$18.3 million for the year ended December 31, 1997, primarily attributable to cash received from customers related to increased sales. Net cash used in investing activities for the year ended December 31, 1997 was \$20.7 million, related to the \$5.8 million purchase of Dolphin Services, \$15.2 million of capital expenditures and \$300,000 of other miscellaneous items. The Company's capital expenditures were for improvements to its production facilities and for equipment designed to increase the capacity of its facilities and the productivity of its labor force. During 1997 the Company purchased five new Manitowoc cranes and a used American Model 5300 crane, constructed a pressure vessel fabrication facility, expanded its fabrication shop and pipe mill, installed construction skidways, and acquired various other fabrication equipment and facilities.

Net cash provided by financing activities of \$7.9 million during 1997 represented the net proceeds of \$31.3 million from the Initial Public Offering offset by \$16.6 million of dividends paid to shareholders in connection with the termination of the Company's S Corporation status prior to the Initial Public Offering and \$6.8 million net payments of notes payable under the Bank Credit Facility.

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

Effective January 1, 1998, the Company acquired all the outstanding stock of Southport. The purchase price was \$6.0 million in cash, plus contingent payments of up to \$5.0 million based on Southport's net income over a four year period ending December 31, 2001. The initial payment of \$6.0 million was funded through working capital generated from operations.

The Company's Board of Directors has approved a capital budget of \$14.6 million for 1998, including the purchase of five Manitowoc 888 crawler cranes, an additional skidway system for large jackets, automated painting, welding and steel cutting systems and another barge, equipped with an 80-ton crane, for use in inland construction operations. Management believes that its available funds, cash generated by operating activities and funds available under the Bank Credit Facility will be sufficient to fund these capital expenditures and its working capital needs. However, the Company may expand its operations through acquisitions in the future, which may require additional equity or debt financing.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

In this report the consolidated financial statements and supplementary data of the Company appear on pages F-1 through F-14 and are incorporated herein by reference. See Index to Consolidated Financial Statements on page 19.

18

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

A change in the Company's independent accountants and the information required by this item has been previously reported by the Company in a Current Report on Form 8-K dated August 25, 1997.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the Company's directors and officers called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 1998 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning the compensation of the Company's executives called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 1998 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 1998 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions called for by this item will be included in the Company's definitive Proxy Statement prepared in connection with the 1998 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following financial statements schedules and exhibits are filed as part of this Report:

(i) Financial Statements Page

<TABLE>

<CAPTION>

	PAGE
	----
<S>	<C>
Report of Independent Auditors.....	F-1
Consolidated Balance Sheets at December 31, 1997 and December 31, 1996.....	F-2
Consolidated Statements of Income for the Years Ended December 31, 1997, 1996 and 1995.....	F-3
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 1997, 1996 and 1995.....	F-4
Consolidated Statements of Cash Flows for the Years Ended December 31, 1997, 1996 and 1995.....	F-5
Notes to Consolidated Financial Statements.....	F-6

</TABLE>

(ii) Schedules

Other schedules have not been included because they are not required, not applicable, immaterial or the information required has been included elsewhere herein.

(iii) Exhibits

See Exhibit Index on page E-1. The Company will furnish to any eligible stockholder, upon written request, a copy of any exhibit listed upon

payment of a reasonable fee equal to the Company's expenses in furnishing such exhibit. Such requests should be addressed to Ms. Valarae Bates, Investor Relations, Gulf Island Fabrication, Inc., P.O. Box 310, Houma, LA 70361-0310.

GLOSSARY OF CERTAIN TECHNICAL TERMS

blasting and coating facility:	Building and equipment used to clean steel products and prepare them for coating with marine paints and other coatings.
coping machine:	A computerized machine that cuts ends of tubular pipe sections to allow for changes in weld bevel angles and fits onto other tubular pipe sections.
deck:	The component of a platform on which development drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
direct labor hours:	Direct labor hours are hours worked by employees directly involved in the production of the Company's products. These hours do not include contractor labor hours and support personnel hours such as maintenance, warehousing and drafting.
fixed platform:	A platform consisting of a rigid jacket which rests on tubular steel pilings driven into the seabed and which supports a deck structure above water surface.
floating production platform:	Floating structure that supports offshore oil and gas production equipment (TLP, semi-submersible, SPAR).
grit blast system:	System of preparing steel for coating by using steel grit rather than sand as a blasting medium.
hydraulic plate shear:	Machine that cuts steel by a mechanical system similar to scissors.
inshore:	Inside coastlines, typically in bays, lakes and marshy areas.
ISO 9002:	International Standards of Operations 9002-- Defines quality management system of procedures and goals for certified companies.
jacket:	A component of a fixed platform consisting of a tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is supported on tubular steel pilings driven into the seabed and supports the deck structure located above the level of storm waves.
modules:	Packaged equipment usually consisting of major production, utility or compression equipment with associated piping and control system.
offshore:	In unprotected waters outside coastlines.
piles:	Rigid tubular pipes that are driven into the seabed to support platforms.
plasma-arc cutting system:	Steel cutting system that uses a ionized gas cutting rather than oxy-fuel system.
platform:	A structure from which offshore oil and gas development drilling and production are conducted.
pressure vessel:	A metal container generally cylindrical or spheroid, capable of withstanding various internal pressure loadings.

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

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

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

G-2

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
Gulf Island Fabrication, Inc.

We have audited the accompanying consolidated balance sheet of Gulf Island Fabrication, Inc. as of December 31, 1997 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Gulf Island Fabrication, Inc. as of December 31, 1996, and for each of the two years in the period ended December 31, 1996, were audited by other auditors whose report dated January 23, 1997, except for the third paragraph of Note 1 which is as of February 13, 1997, the second paragraph of Note 4 which is as of February 14, 1997, and the third paragraph of Note 4 which is as of October 28, 1997, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1997 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Island Fabrication, Inc. at December 31, 1997, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP  
-----  
Ernst & Young LLP

New Orleans, Louisiana  
January 26, 1998

F-1

GULF ISLAND FABRICATION, INC.

CONSOLIDATED BALANCE SHEET

(IN THOUSANDS)

<TABLE>  
<CAPTION>

	DECEMBER 31,	
ASSETS	1997	1996
-----	-----	-----
<S>	<C>	<C>
Current assets:		
Cash.....	\$ 6,879	\$ 1,357
Contracts receivable, net.....	22,760	13,480
Costs and estimated earnings in excess of billings on uncompleted contracts.....	903	1,306
Prepaid expenses.....	914	500
Inventory.....	968	1,113
Recoverable income taxes.....	321	--
	-----	-----
Total current assets.....	32,745	17,756
Property, plant and equipment, net.....	34,505	17,735

Other assets.....	428	418
Total assets.....	\$67,678	\$35,909
	=====	=====

<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY

<S>	<C>	<C>
Current liabilities:		
Accounts payable.....	\$ 3,368	\$ 1,081
Billings in excess of costs and estimated earnings on uncompleted contracts.....	5,925	2,205
Accrued employee costs.....	3,068	1,903
Accrued expenses.....	2,829	1,036
Current portion of notes payable.....	--	530
Total current liabilities.....	15,190	6,755
Deferred income taxes.....	1,878	--
Notes payable, less current portion.....	--	5,657
Total liabilities.....	17,068	12,412
Shareholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized, no shares issued and outstanding.....	--	--
Common stock, no par value, 20,000,000 shares authorized, 11,600,000 and 7,000,000 shares issued and outstanding at December 31, 1997 and 1996, respectively.....	4,133	1,000
Additional paid-in capital.....	34,865	6,670
Retained earnings.....	11,612	15,827
Total shareholders' equity.....	50,610	23,497
	\$67,678	\$35,909
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

F-2

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue.....	\$136,355	\$79,004	\$63,779
Cost of revenue.....	112,033	68,673	60,034
Gross profit.....	24,322	10,331	3,745
General and administrative expenses.....	4,670	2,661	1,730
Operating income.....	19,652	7,670	2,015
Other expense (income):			
Interest expense.....	348	415	447
Interest income.....	(230)	(31)	(17)
Other--net.....	(9)	--	--
	109	384	430
Income before income taxes.....	19,543	7,286	1,585
Income taxes.....	5,973	--	--
Cumulative deferred tax provision.....	1,144	--	--
Net income.....	\$ 12,426	\$ 7,286	\$ 1,585
	=====	=====	=====
Pro forma data:			
Income before income taxes.....	\$ 19,543	\$ 7,286	\$ 1,585
Income taxes.....	5,973	--	--
Pro forma income taxes related to operations as S Corporation.....	1,379	2,934	602
Pro forma net income.....	\$ 12,191	\$ 4,352	\$ 983
	=====	=====	=====
Pro forma per share data:			
Pro forma basic earnings per share.....	\$ 1.15	\$ 0.55	\$ 0.13
	=====	=====	=====
Pro forma diluted earnings per share.....	\$ 1.14	\$ 0.55	\$ 0.13

</TABLE>

The accompanying notes are an integral part of these statements.

F-3

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN THOUSANDS)

<TABLE>

<CAPTION>

	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS	SHAREHOLDERS' EQUITY
Balance at January 1, 1995.....	7,000	\$1,000	\$ 6,170	\$10,081	\$17,251
Dividends.....	--	--	--	(434)	(434)
Net income.....	--	--	--	1,585	1,585
Balance at December 31, 1995...	7,000	1,000	6,170	11,232	18,402
Dividends.....	--	--	--	(2,691)	(2,691)
Non-recurring compensation charge.....	--	--	500	--	500
Net income.....	--	--	--	7,286	7,286
Balance at December 31, 1996...	7,000	1,000	6,670	15,827	23,497
Issuance of common stock.....	4,600	3,133	28,195	--	31,328
Dividends.....	--	--	--	(16,641)	(16,641)
Net income.....	--	--	--	12,426	12,426
Balance at December 31, 1997...	11,600	\$4,133	\$34,865	\$11,612	\$50,610

</TABLE>

The accompanying notes are an integral part of these statements.

F-4

GULF ISLAND FABRICATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(IN THOUSANDS)

<TABLE>

<CAPTION>

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income.....	\$ 12,426	\$ 7,286	\$ 1,585
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation.....	2,932	1,586	1,382
Non-recurring non-cash compensation charge.....	--	500	--
Deferred income taxes.....	1,878	--	--
Changes in operating assets and liabilities:			
Contracts receivable.....	(4,291)	(538)	(4,818)
Costs and estimated earnings in excess of billings on uncompleted contracts.....	458	(801)	1,573
Other assets.....	109	(630)	74
Accounts payable and accrued expenses.....	1,578	64	1,356
Billings in excess of costs and estimated earnings on uncompleted contracts.....	3,233	(306)	1,172
Net cash provided by operating activities....	18,323	7,161	2,324
Cash flows from investing activities:			
Capital expenditures, net.....	(15,179)	(5,838)	(992)
Payment for purchase of Dolphin Services, net of cash acquired.....	(5,803)	--	--
Other.....	253	--	--
Net cash used in investing activities.....	(20,729)	(5,838)	(992)
Cash flows from financing activities:			
Proceeds from initial public offering.....	31,328	--	--

Proceeds from issuance of notes payable.....	41,900	24,353	21,595
Principal payments on notes payable.....	(48,659)	(23,712)	(20,526)
Dividends.....	(16,641)	(2,691)	(434)
	-----	-----	-----
Net cash provided by (used in) financing activities.....	7,928	(2,050)	635
	-----	-----	-----
Net increase (decrease) in cash.....	5,522	(727)	1,967
Cash at beginning of period.....	1,357	2,084	117
	-----	-----	-----
Cash at end of period.....	\$ 6,879	\$ 1,357	\$ 2,084
	=====	=====	=====
Supplemental cash flow information:			
Interest paid.....	\$ 408	\$ 415	\$ 447
	=====	=====	=====
Income taxes paid.....	\$ 5,861	\$ --	\$ --
	=====	=====	=====
Property, plant and equipment acquired through accrued expenses.....	\$ 1,408	\$ --	\$ --
	=====	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

F-5

GULF ISLAND FABRICATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE YEARS ENDED DECEMBER 31, 1997

NOTE 1--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Gulf Island Fabrication, Inc. ("Gulf Island"), located in Houma, Louisiana, is engaged in the fabrication and refurbishment of offshore oil and gas platforms for oil and gas industry companies. Gulf Islands principal markets are concentrated in the offshore regions of the coast of the Gulf of Mexico. The consolidated financial statements include the accounts of Gulf Island and its wholly owned subsidiary (collectively "the Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

On January 2, 1997, Gulf Island acquired all outstanding shares of Dolphin Services, Inc., Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals Inc. for \$5.9 million (the "Dolphin Acquisition"). The acquired corporations perform fabrication, sandblasting, painting and construction services for offshore oil and gas platforms in inland and offshore regions of the coast of the Gulf of Mexico. On April 30, 1997, Dolphin Steel Sales, Inc. and Dolphin Sales and Rentals, Inc. merged into Dolphin Services, Inc. The three corporations are referred to hereinafter collectively as "Dolphin Services." The Dolphin Acquisition was financed by borrowings under Gulf Island's line of credit. Gulf Island acquired assets with a fair value of \$9.7 million and assumed liabilities of \$3.8 million. The acquisition was accounted for under the purchase method of accounting. Accordingly, the operations of Dolphin Services are included in the Company's operations from January 2, 1997.

On February 13, 1997, the Board of Directors approved the filing of an initial registration statement on Form S-1 with the Securities and Exchange Commission to register and sell 4.6 million shares of common stock. Shortly before closing of the offering on April 9, 1997, the Company's current shareholders elected to terminate its status as an S Corporation, and the Company became subject to federal and state income taxes. (See Note 2.)

On April 3, 1997, the Securities and Exchange Commission declared the Company's Registration Statement on Form S-1 (Registration No. 333-21863) effective. On April 9, 1997, the Company sold 4.6 million common shares pursuant to the registration statement, increasing the total shares outstanding to 11.6 million (the "Initial Public Offering"). The Company received \$34.5 million from the sale of the shares and paid \$3.2 million for underwriting and other fees related to the Initial Public Offering resulting in net proceeds from the sale of \$31.3 million.

Use of Estimates

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

Concentration of Credit Risk

The principal customers of the Company are the major and large independent oil and gas companies. These concentrations of customers may impact the Company's overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economic or other conditions. However, the Company's management believes that the portfolio of receivables is diversified and that such diversification minimizes any potential credit risk. Receivables are generally not collateralized.

The Company believes that its provision for possible losses on uncollectible accounts receivable is adequate for its credit loss exposure.

F-6

GULF ISLAND FABRICATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Inventory

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

Property, Plant and Equipment

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

Revenue Recognition

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

Contract costs include all direct material, labor and subcontract costs and those indirect costs related to contract performance, such as indirect labor, supplies and tools. Also included in contract costs are a portion of those indirect contract costs related to plant capacity, such as depreciation, insurance and repairs and maintenance. These indirect costs are allocated to jobs based on actual direct labor hours incurred. Profit incentives are included in revenue when their realization is reasonably assured. Claims for extra work or changes in scope of work are included in revenue when collection is probable. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined

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

Income Taxes

Income taxes have been provided using the liability method in accordance with the Financial Accounting Standards Board's Statement No. 109, "Accounting for Income Taxes." Prior to April 4, 1997, the Company's shareholders had elected to have the Company taxed as an S Corporation for federal and state income tax purposes whereby shareholders were liable for individual federal and state income taxes on their allocated portions of the Company's taxable income. Accordingly, the historical financial statements do not include any provision for income taxes during the period the Company was an S Corporation (see Note 2).

Reclassifications

Certain items included in the financial statements for the years ended December 31, 1996 and 1995 have been reclassified to conform to the December 31, 1997 financial statement presentation.

NOTE 2--TERMINATION OF S CORPORATION STATUS

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

F-7



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

total distribution. The balance sheet of the Company as of December 31, 1997 reflects a deferred income tax liability of \$1.9 million, which includes \$1.1 million of deferred income tax liability resulting from the termination of the S Corporation status. The amount of the Company's retained earnings represents primarily the C Corporation earnings prior to the Company's election of S Corporation status in 1989 and earnings after April 4, 1997.

The pro forma income statement presentation reflects an additional provision for income taxes as if the Company had been subject to federal and state income taxes since January 1, 1995 using an assumed effective tax rate of approximately 38%.

NOTE 3--ACQUISITION OF DOLPHIN SERVICES

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

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996 (IN THOUSANDS, EXCEPT PER SHARE DATA)
	-----
<S>	<C>
Revenue.....	\$103,007
Pro forma net income.....	8,333
Pro forma basic and diluted net income per share...	1.19

</TABLE>

NOTE 4--SHAREHOLDERS' EQUITY

On December 1, 1996, Gulf Island's principal shareholders sold 98,000 (1.4%) of their existing shares to officers and management employees at \$3.57 per share (number of shares and per share prices adjusted for effect of stock splits described in following paragraphs). The per share price on that date was based on an independent appraisal that valued Gulf Island as a privately held business. As a result of the Initial Public Offering, the Company determined that it should record a non-recurring, non-cash compensation charge of \$500,000 for the year ended December 31, 1996 related to the 98,000 shares. This charge was based on the difference between the net offering price the Company expected to receive in the public offering and the net cash price recipients of the 98,000 shares expected to pay. The net cash price to recipients of \$1.78 per share represented the \$3.57 per share price charged by the shareholders, less \$1.88 per share of tax-free dividends that the recipients expected to receive as a result of the shareholder distributions described in Note 2, increased by the recipient's share of taxable income for the year of \$.09 per share (in each case adjusted for the effect of the stock splits described in the following paragraphs). The compensation charge resulted in a corresponding increase to additional paid-in capital.

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

(a) Authorized the issuance of 2.5 shares of no par value common stock for each of the then outstanding 2,000,000 shares, which resulted in 7,000,000 total outstanding shares. This recapitalization is reflected retroactively in the accompanying financial statements and per share calculations.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

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

NOTE 5-- PRO FORMA PER SHARE DATA

Pro forma per share data as shown in the statement of income consists of the Company's historical income, adjusted to reflect income taxes as if the Company had operated as a C Corporation during all periods presented. This calculation for the year ended December 31, 1997 excludes the charge of \$1.1 million related to cumulative deferred income taxes resulting from conversion to a C Corporation on April 4, 1997. Further, the weighted average share calculations for 1997 include the assumed issuance of additional shares sufficient to pay the distributions made to shareholders in connection with the Company's Initial Public Offering, to the extent such distributions exceeded net income for the year ended December 31, 1996.

NOTE 6--NEW ACCOUNTING STANDARD

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share." Statement No. 128 replaced APB Opinion No. 15 for the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the Statement No. 128 requirements.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

<TABLE>  
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Numerator for basic and diluted earnings per share..	\$12,191	\$4,352	\$ 983
	=====	=====	=====
Denominator:			
Denominator for basic earnings per share--			
weighted-average shares.....	10,633	7,854	7,854
Effect of dilutive securities:			
Employee stock options.....	67	--	--
Dilutive potential common shares:			
Denominator for diluted earnings per share--			
adjusted weighted-average shares.....	10,700	7,854	7,854
	=====	=====	=====
Pro forma basic earnings per share.....	\$ 1.15	\$ 0.55	\$ 0.13
	=====	=====	=====
Pro forma diluted earnings per share.....	\$ 1.14	\$ 0.55	\$ 0.13
	=====	=====	=====

</TABLE>

NOTE 7--ACQUISITION OF SOUTHPORT, INC.

Effective January 1, 1998, the Company acquired all of the outstanding shares of Southport, Inc. and its wholly owned subsidiary Southport International, Inc. (collectively "Southport"). Southport specializes in the fabrication of living quarters for offshore platforms. The purchase price was \$6.0 million cash, plus contingent payments of up to an additional \$5.0 million based on Southport's net income over a four-year period ending December 31, 2001. The purchase price plus \$101,000 of direct expenses exceeded the fair value of assets acquired and liabilities assumed by \$4.4 million.

F-9

GULF ISLAND FABRICATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

NOTE 8--CONTRACTS RECEIVABLE

Amounts due on contracts as of December 31 were as follows (in thousands):

<TABLE>  
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Completed contracts.....	\$ 725	\$ 2,993
Contracts in progress:		
Current.....	20,549	8,685
Retainage due within one year.....	1,556	1,806
Less: Allowance for doubtful accounts.....	70	4
	-----	-----
	\$22,760	\$13,480

</TABLE>

NOTE 9--COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Information with respect to uncompleted contracts as of December 31 is as follows (in thousands):

<TABLE>  
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Costs incurred on uncompleted contracts.....	\$77,613	\$23,419
Estimated profit earned to date.....	13,382	2,296
	-----	-----
Less: Billings to date.....	90,995	25,715
	96,017	26,614
	-----	-----
	\$ (5,022)	\$ (899)
	=====	=====

</TABLE>

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

<TABLE>  
<S>

	<C>	<C>
Costs and estimated earnings in excess of billings on uncompleted contracts.....	\$ 903	\$1,306
Billings in excess of costs and estimated earnings on uncompleted contracts.....	(5,925)	(2,205)
	-----	-----
	\$ (5,022)	\$ (899)
	=====	=====

</TABLE>

NOTE 10--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31 (in thousands):

<TABLE>  
<CAPTION>

	1997	1996
	-----	-----
<S>	<C>	<C>
Land.....	\$ 2,457	\$ 2,123
Buildings.....	8,723	5,160
Machinery and equipment.....	25,765	10,814
Furniture and fixtures.....	673	426
Transportation equipment.....	1,053	404
Improvements.....	11,450	9,385
Construction in progress.....	1,594	128
	-----	-----
	51,715	28,440
Less: Accumulated depreciation.....	17,210	10,705
	-----	-----
	\$34,505	\$17,735
	=====	=====

</TABLE>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Company leases certain equipment used in the normal course of its operations under month-to-month lease agreements cancelable only by the Company. During 1997, 1996, and 1995, the Company expensed \$3,203,000, \$2,801,000, and \$3,000,000, respectively, related to these leases.

NOTE 11--INCOME TAXES

On April 4, 1997, the Company's shareholders elected to terminate the Company's status as an S Corporation, and the Company became subject to federal and state income taxes (see Note 2). In conjunction with the Company's change in tax status, the Company recorded a \$1.1 million deferred tax liability.

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. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1997

are as follows (in thousands):

<TABLE>	
<S>	<C>
Deferred tax liabilities:	
Depreciation.....	\$2,314
Deferred tax assets:	
Employee benefits.....	419
Other benefits.....	17
	-----
Total deferred assets.....	\$ 436
	-----
Net deferred tax liabilities.....	\$1,878
	=====

</TABLE>

Significant components of income taxes for the year ended December 31, 1997 were as follows:

<TABLE>	
<S>	<C>
Current:	
Federal.....	\$4,451
State.....	788
	-----
Total current.....	5,239
Deferred:	
Federal.....	1,731
State.....	147
	-----
Total deferred.....	1,878
	-----
Income taxes.....	\$7,117
	=====

</TABLE>

The primary difference between income taxes computed at the U.S. federal statutory rate of 34% and the Company's effective pro forma tax rate of 38% is state income taxes.

#### NOTE 12--LINE OF CREDIT AND NOTES PAYABLE

The Company's bank credit facility provides for a revolving line of credit (the "Revolver") of up to \$20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by Citibank, N.A. or LIBOR plus 1.5%. The Revolver matures December 31, 1999 and is secured by a mortgage on the Company's real estate, equipment and fixtures, and the stock of Dolphin Services. At December 31, 1997, there were no borrowings outstanding under the credit facility. The Company is required to maintain certain balance sheet and cash flow ratios. The Company pays a fee quarterly of three-eighths of one percent per annum on the average unused portion of the line of credit.

F-11

GULF ISLAND FABRICATION, INC.

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

During 1997, the Company used a portion of the net proceeds received from the Initial Public Offering (see Note 1) to repay all of its indebtedness.

#### NOTE 13--LONG-TERM INCENTIVE PLAN

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, "Accounting For Stock-Based Compensation" (Statement 123), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equal the market price of the underlying stock on the date of grant, no compensation expense is recognized.

On February 13, 1997, the Board of Directors adopted the Long-Term Incentive Plan (the "Plan"). The Plan has authorized the grant of options to purchase an aggregate of 1,000,000 shares of the Company's common stock to certain officers and key employees of the Company chosen by a committee appointed by the Board of Directors (the "Compensation Committee") to administer such plan. Under the Plan, all options granted have 10-year terms, and conditions relating to the vesting and exercise of options are determined by the Compensation Committee for each option. Options granted under the Plan are "non-statutory options" (options which do not afford income tax benefits to recipients, but the exercise of which may provide tax deductions for the Company). Each option will have an exercise price per share not less than the

fair market value of a share of common stock on the date of grant and no individual employee may be granted options to purchase more than an aggregate of 400,000 shares of common stock. These options vest over a five-year period.

Pro forma information regarding net income and earnings per share is required by Statement 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 1997: a risk-free interest rate of 6.36%; dividend yield of zero; volatility factor of the expected market price of the Company's common stock of .745; and a weighted average expected life of the options of eight years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of trade options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimated, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

F-12

GULF ISLAND FABRICATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the options (net of expected tax benefits) is amortized to expense over the options' vested period. Since the Company's options generally vest over a five-year period, the pro forma disclosures are not indicative of future amounts until Statement 123 is applied to all outstanding non-vested options. The Company's pro forma information for 1997 is as follows (in thousands, except for per share data):

<S>	<C>
Net income:	
Pro forma as reported.....	\$12,191
Pro forma including the effect of options.....	\$11,927
Basic earnings per share:	
Pro forma as reported.....	\$ 1.15
Pro forma including the effect of options.....	\$ 1.12
Diluted earnings per share:	
Pro forma as reported.....	\$ 1.14
Pro forma including the effect of options.....	\$ 1.11

A summary of the Company's stock options activity and related information for the year ended December 31, 1997 is as follows (in thousands, except for per share data):

<S>	OPTIONS (000)	WEIGHTED AVERAGE EXERCISE PRICE
<C>	<C>	<C>
Outstanding--beginning of year.....	--	--
Granted.....	413	\$12.040
Exercised.....	--	--
Expired.....	--	--
Forfeited.....	(20)	16.875
	-----	
Options outstanding at the end of the year.....	393	11.790
	=====	
Options exercisable at the end of the year.....	--	--
	=====	=====
Weighted-average fair value of options granted during the year.....	\$9.13	
	=====	

Exercise prices for options outstanding as of December 31, 1997 ranged from \$7.50 to \$16.875. The weighted average remaining contractual life of those options is nine years.

NOTE 14--RETIREMENT PLAN

The Company has a defined contribution plan (the Plan) for all employees that are qualified under Section 401(k) of the Internal Revenue Code.

Contributions to the Plan by the Company are based on the participants' contributions, with an additional year-end discretionary contribution determined by the Board of Directors. For the years ended December 31, 1997, 1996, and 1995, the Company contributed \$723,000, \$542,000, and \$239,200, respectively.

NOTE 15--CONTINGENT LIABILITIES

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its own insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for punitive damages and for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these

F-13

GULF ISLAND FABRICATION, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

events. Management is vigorously defending this case and, after consultation with legal counsel, does not expect that the ultimate resolution of this matter will have a material adverse effect on the financial position or results of operations of the Company.

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

NOTE 16--SALES TO MAJOR CUSTOMERS

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

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Customer A.....	\$13,383	\$ --	\$ --
Customer B.....	21,603	--	--
Customer C.....	40,491	--	12,036
Customer D.....	--	--	13,230
Customer E.....	--	8,196	--
Customer F.....	--	9,379	--
Customer G.....	--	10,119	--

</TABLE>

Contracts receivable from customers A, B, and C totaled \$10.0 million as of December 31, 1997.

NOTE 17--QUARTERLY OPERATING RESULTS (UNAUDITED)

A summary of quarterly results of operations for the years ended December 31, 1997 and 1996 were as follows (in thousands, except per share data):

<TABLE>

<CAPTION>

	MARCH 31, 1997	JUNE 30, 1997	SEPTEMBER 30, 1997	DECEMBER 31, 1997
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$30,224	\$35,023	\$36,311	\$34,797
Gross profit.....	4,865	6,424	6,986	6,047
Pro forma net income.....	2,248	3,265	3,698	2,980
Pro forma basic earnings per share.....	0.29	0.28	0.32	0.26
Pro forma diluted earnings per share.....	0.29	0.28	0.32	0.25

<CAPTION>

	MARCH 31, 1996	JUNE 30, 1996	SEPTEMBER 30, 1996	DECEMBER 31, 1996
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue.....	\$19,504	\$21,704	\$19,168	\$18,628
Gross profit.....	1,346	2,626	3,129	3,230
Pro forma net income.....	485	1,238	1,524	1,105
Pro forma basic earnings per share.....	0.06	0.16	0.19	0.14

Pro forma diluted earnings per share.....	0.06	0.16	0.19	0.14
---	------	------	------	------

</TABLE>

The 1996 and first three quarters of 1997 earnings per share amounts have been restated to comply with Statement No.128.

F-14

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 23, 1998.

Gulf Island Fabrication, Inc.  
(Registrant)

By: /s/ Kerry J. Chauvin  
-----

KERRY J. CHAUVIN  
PRESIDENT AND CHIEF EXECUTIVE  
OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>  
<S> <C>  
</TABLE>

SIGNATURE	TITLE
/s/ Alden J. Laborde ----- ALDEN J. LABORDE	Chairman of the Board
/s/ Kerry J. Chauvin ----- KERRY J. CHAUVIN	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Joseph P. Gallagher, III ----- JOSEPH P. GALLAGHER, III	Vice President--Finance, Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)
/s/ Gregory J. Cotter ----- GREGORY J. COTTER	Director
/s/ Thomas E. Fairley ----- THOMAS E. FAIRLEY	Director
/s/ Hugh J. Kelly ----- HUGH J. KELLY	Director
/s/ John P. Laborde ----- JOHN P. LABORDE	Director
/s/ Huey J. Wilson ----- HUEY J. WILSON	Director
/s/ Stephen G. Benton, Jr. ----- STEPHEN G. BENTON, JR.	Director

S-1

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

EXHIBIT  
NUMBER

- 
- 2.1 Stock Purchase Agreement with respect to Dolphin Services, Inc. dated November 27, 1996.\*
  - 2.2 Stock Purchase Agreement with respect to Dolphin Steel Sales, Inc. dated as of November 7, 1996.\*

- 2.3 Stock Purchase Agreement with respect to Dolphin Sales & Rentals, Inc. dated as of November 27, 1996.\*
- 2.4 Stock Purchase Agreement, dated as of November 12, 1997, between the Company and the shareholders of Southport, Inc. \*\*
- 3.1 Amended and Restated Articles of Incorporation of the Company.\*
- 3.2 Bylaws of the Company.
- 4.1 Specimen Common Stock Certificate.\*
- 10.1 Form of Indemnity Agreement by and between the Company and each of its directors and executive officers.\*
- 10.2 Registration Rights Agreement between the Company and Alden J. Laborde.\*
- 10.3 Registration Rights Agreement between the Company and Huey J. Wilson.\*
- 10.4 Sixth Amended and Restated Revolving Credit and Term Loan Agreement among the Company and First National Bank of Commerce and Whitney National Bank, dated as of May 1, 1997 (the "Bank Credit Facility").
- 10.5 The Company's Long-Term Incentive Plan.\*\*
- 10.6 Form of Stock Option Agreement under the Company's Long-Term Incentive Plan, as amended.+
- 10.7 Form of Reimbursement Agreement.\*+
- 10.8 Employment Agreement dated as of January 1, 1998 between Southport, Inc. and Stephen G. Benton, Jr. \*\*\*
- 16.1 Letter from Price Waterhouse LLP regarding change in independent accountants.\*\*\*
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Ernst & Young LLP.
- 23.2 Consent of Price Waterhouse LLP.
- 23.3 Report of Price Waterhouse LLP.
- 27.1 Financial Data Schedule.

- -----  
+ Management Contract or Compensatory Plan.

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

\*\* Incorporated by reference to the Company's Current Report on Form 8-K dated January 1, 1998.

\*\*\* Incorporated by reference to the Company's Current Report on Form 8-K dated August 25, 1997.



BY-LAWS  
OF  
GULF ISLAND FABRICATION, INC.  
(AS AMENDED ON FEBRUARY 4, 1998)

SECTION 1

OFFICES

1.1 PRINCIPAL OFFICE. The principal office of the Corporation shall be located at 583 Thompson Road, Houma, Louisiana 70363.

1.2 ADDITIONAL OFFICES. The Corporation may have such offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 2

SHAREHOLDER MEETINGS

2.1 PLACE OF MEETINGS. Unless otherwise required by law or these By-laws, all meetings of the shareholders shall be held at the principal office of the Corporation or at such other place, within or without the State of Louisiana, as may be designated by the board of Directors.

2.2 ANNUAL MEETINGS; NOTICE THEREOF. An annual meeting of the shareholders shall be held each year on the date and at the time as the Board of Directors shall designate, for the purpose of electing directors and of the transaction of such other business as may be properly brought before the meeting. If no annual shareholders' meeting is held for a period of eighteen months, any shareholder may call such meeting to be held at the registered office of the Corporation as shown on the records of the Secretary of State of the State of Louisiana.

2.3 SPECIAL MEETINGS. Special meetings of the shareholders, for any purpose or purposes, may be called by or at the direction of the Board of Directors. Shareholders may call a special meeting of shareholders in accordance with the applicable provisions of the Articles of Incorporation.

2.4 NOTICE OF MEETINGS. Except as otherwise provided by law or the Articles of Incorporation, the authorized person or persons calling a shareholders' meeting shall cause written notice of the time, place and purpose of the meeting to be given to all shareholders entitled to vote at such meeting, at least 10 days and not more than 75 days prior to the day fixed for the meeting. Notice of the annual meeting need not state the purpose or purposes thereof, unless action is to be

taken at the meeting as to which notice is required by law or the By-laws. Notice of a special meeting shall state the purpose or purposes thereof, and the business conducted at any special meeting shall be limited to the purpose or purposes stated in the notice.

2.5 LIST OF SHAREHOLDERS. At every meeting of shareholders, a list of shareholders entitled to vote, arranged alphabetically and certified by the Secretary or by the agent of the Corporation having charge of transfers of shares, showing the number and class of shares held by each such shareholder on the record date for the meeting and confirming the number of votes per share as to which each such shareholder is entitled, shall be produced on the request of any shareholder.

2.6 QUORUM. At all meetings of shareholders, the holders of a majority of the total voting power shall constitute a quorum; provided, however, that this subsection shall not have the effect of reducing the vote required to approve any matter that may be established by law, the Articles of Incorporation or these By-laws.

2.7 VOTING. When a quorum is present at any shareholders' meeting, the vote of the holders of a majority of the votes actually cast shall decide each question brought before such meeting, unless the resolution of the question requires, by express provision of law, the Articles of Incorporation or these By-laws, a different vote or one or more separate votes by the holders of a class or series of capital stock, in which case such express provision shall apply and control the decision of such question. Directors shall be elected by plurality vote.

2.8 PROXIES. At any meeting of the shareholders, every shareholder having the right to vote shall be entitled to vote in person or by proxy appointed by an instrument in writing executed by such shareholder and bearing a date not more than eleven months prior to the meeting, unless the instrument provides for a longer period, but in no case will an outstanding proxy be valid for longer than three years from the date of its execution. The person appointed as proxy

need not be a shareholder of the Corporation.

2.9 ADJOURNMENTS. Adjournments of any annual or special meeting of shareholders may be taken without new notice being given unless a new record date is fixed for the adjourned meeting, but any meeting at which directors are to be elected shall be adjourned only from day to day until such directors shall have been elected.

2.10 WITHDRAWAL. If a quorum is present or represented at a duly organized shareholders' meeting, such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum as fixed in Section 2.6 of these By-laws, or the refusal of any shareholders to vote.

2.11 LACK OF QUORUM. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of Section 2.9 hereof. In the case of any meeting called for the

-2-

election of directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in Section 2.6 hereof, shall nevertheless be deemed to constitute a quorum for the purpose of electing directors.

2.12 PRESIDING OFFICER. The Chairman of the Board or a person designated by the Chairman of the Board, or in their absence a person designated by the Board of Directors, shall preside at all shareholders' meetings.

2.13 DEFINITION OF SHAREHOLDER. As used in these By-laws, and unless the context otherwise requires, the term shareholder shall mean a person who is (i) the record holder of shares of the Corporation's common stock or any other capital stock of the Corporation granted voting rights, or (ii) a registered holder of any bonds, debentures or similar obligations granted voting rights by the Corporation pursuant to La.R.S. 12:75H.

### SECTION 3

#### DIRECTORS

3.1 NUMBER. All of the corporate powers shall be vested in, and the business and affairs of the Corporation shall be managed by, a Board of Directors. Except as otherwise fixed by or pursuant to Article III(B) of the Articles of Incorporation (as it may be duly amended from time to time) relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors by class vote, the Board of Directors shall consist of eight natural persons; provided that, if after the last action of the Board of Directors with respect to nomination of directors prior to the mailing to shareholder of proxy materials for any meeting of shareholders at which directors are to be elected, any person or persons named therein to be nominated at the direction of the Board of Directors becomes unable or unwilling to serve, the foregoing number of authorized directors shall be automatically reduced by a number equal to the number of such persons unless the Board of Directors selects a replacement nominee or nominees. No director need be a shareholder. The Secretary shall have the power to certify at any time as to the number of directors authorized and as to the class to which each director has been elected or assigned.

3.2 POWERS. The Board may exercise all such powers of the Corporation and do all such lawful acts and things which are not by law, the Articles of Incorporation or these By-laws directed or required to be done by the shareholders.

3.3 CLASSES. The Board of Directors, other than those directors who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation (whose term of office may be determined by the Board of Directors pursuant to Section 3.3), shall be divided, with respect to the time during which they shall hold office, into three classes as nearly equal in number as possible, with the initial term of office of Class I directors expiring at the annual meeting of shareholders to be held in 1998, of Class II Directors expiring at

-3-

the next succeeding annual meeting of shareholders and of Class III directors expiring at the second succeeding annual meeting of shareholders, with all such directors to hold office until their successors are elected and qualified. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholder held in the third year following the year of their election and until their successors are duly elected and qualified. If the Board of Directors shall appoint any director to fill a vacancy on the Board, whether resulting from an increase in the number of directors or otherwise, such Director shall be assigned to a class by the Board of Directors so that all

classes of directors shall be as nearly equal in number as possible. In the event of a decrease in the number of directors, the Board of Directors may reassign the remaining directors to classes so that all classes of directors shall be as nearly equal in number as possible.

3.4 GENERAL ELECTION. At each annual meeting of shareholders, directors shall be elected to succeed those directors whose terms then expire. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

3.5 VACANCIES. Except as otherwise provided in the Articles of Incorporation or these By-laws, the office of a director shall become vacant if he dies, resigns or is duly removed from office.

3.6 FILLING VACANCIES. Except as otherwise provided in the Articles of Incorporation or Section 3.8 of these By-laws, any vacancy on the board (including any vacancy resulting from an increase in the authorized number of directors or from failure of the shareholders to elect the full number of authorized directors) may, notwithstanding any resulting absence of a quorum of directors, be filled by a majority vote of the Board of Directors remaining in office, provided that the shareholder shall have the right, at any special meeting called for such purpose prior to such action by the Board, to fill the vacancy. A director elected pursuant to this section shall serve until the next shareholders' meeting held for the election of directors of the class to which he shall have been appointed and until his successor is elected and qualified.

3.7 NOTICE OF SHAREHOLDER NOMINEES. Except as otherwise provided in Section 3.8 of these By-laws, only persons who are nominated in accordance with the procedures set forth in Article IV(E) of the Articles of Incorporation shall be eligible for election as directors.

3.8 DIRECTORS ELECTED BY PREFERRED SHAREHOLDERS. Notwithstanding anything in these By-laws to the contrary, whenever the holders of any one or more classes or series of stock having a preference over the Common Stock as to dividends or upon liquidation shall have the right, voting separately as a class, to elect one or more directors of the Corporation, the provisions of the Articles of Incorporation (as they may be duly amended from time to time) fixing the rights and preferences of such preferred stock shall govern with respect to the nomination, election, term, removal, vacancies or other related matters with respect to such directors.

-4-

3.9 COMPENSATION OF DIRECTORS. Directors shall receive such compensation for their services, in their capacity as directors, as may be fixed by resolution of the Board of Directors; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

#### SECTION 4

##### MEETINGS OF THE BOARD

4.1 PLACE OF MEETINGS. The meetings of the Board of Directors may be held at such place within or without the State of Louisiana as a majority of the directors may from time to time appoint.

4.2 INITIAL MEETINGS. Except as otherwise determined by the Board of Directors, the first meeting of each newly-elected Board shall be held immediately following the shareholders' meeting at which the Board, or any class thereof, is elected and at the same place as such meeting, and no notice of such first meeting shall be necessary for the newly-elected directors in order legally to constitute the meeting.

4.3 REGULAR MEETINGS; NOTICE. Regular meetings of the Board may be held at such times as the Board may from time to time determine. Notice of regular meetings of the Board of Directors shall be given, but no special form of notice or time of notice shall be necessary.

4.4 SPECIAL MEETINGS; NOTICE. Special meetings of the Board may be called by or at the direction of the Chairman of the Board or the President on reasonable notice given to each director, either personally or by telephone, mail, telex, telecopy or any other comparable form of facsimile communication. Special meetings shall be called by the Secretary in like manner and on like notice on the written request of a majority of the directors and if such officer fails or refuses, or is unable within 24 hours to call a meeting when requested, then the directors making the request may call the meeting on two days' written notice given to each director. The notice of a special meeting of directors need not state its purpose or purposes, but if the notice states a purpose or purposes and does not state a further purpose to consider such other business as may properly come before the meeting, the business to be conducted at the special meeting shall be limited to the purpose or purposes stated in the notice.

4.5 WAIVER OF NOTICE. Directors present at any regular or special meeting

shall be deemed to have received, or to have waived, due notice thereof, provided that a director who participates in a meeting by telephone (as permitted by Section 4.9 hereof) shall not be deemed to have received or waived due notice if, at the beginning of the meeting, he objects to the transaction of any business because the meeting is not lawfully called.

4.6 QUORUM. A majority of the Board shall be necessary to constitute a quorum for the transaction of business, and except as otherwise provided by law, the Articles of Incorporation or these By-laws, the acts of a majority of the directors present at a duly-called meeting at which a

-5-

quorum is present shall be the acts of the board. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum is present.

4.7 WITHDRAWAL. If a quorum was present when the meeting convened, the directors present may continue to do business, taking action by vote of a majority of a quorum as fixed in Section 4.6 hereof, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum as fixed in Section 4.6 hereof or the refusal of any director present to vote.

4.8 ACTION BY CONSENT. Any action that may be taken at a meeting of the Board, or any committee thereof, may be taken by a consent in writing signed by all of the directors or by all members of the committee, as the case may be, and filed with the records of proceedings of the Board or committee.

4.9 MEETINGS BY TELEPHONE OR SIMILAR COMMUNICATION. Members of the Board may participate at and be present at any meeting of the Board or any committee thereof by means of conference telephone or similar communications equipment if all persons participating in such meeting can hear and communicate with each other.

## SECTION 5

### COMMITTEES OF THE BOARD

5.1 GENERAL. The Board may designate one or more committees, each committee to consist of two or more of the directors of the Corporation (and one or more directors may be named as alternate members to replace any absent or disqualified regular members), which, to the extent provided by resolution of the Board or these By-laws, shall have and may exercise the powers of the Board in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to documents, but no such committee shall have power or authority to amend the Articles of Incorporation, adopt an agreement of merger, consolidation or share exchange, adopt or recommend to the shareholders the sale, lease or exchange of all or substantially all of the Corporation's assets, recommend to the shareholders a dissolution of the Corporation or a revocation of dissolution, remove directors, or amend these By-laws; and unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or authorize the issuance of stock. Such committee or committees shall have such name or names as may be stated in these By-laws, or as may be determined, from time to time, by the Board. Any vacancy occurring in any such committee shall be filled by the Board, but the President may designate another director to serve on the committee pending action by the Board. Each such member of a committee shall hold office during the term designated by the Board.

5.2 COMPENSATION COMMITTEE. The Board shall establish and maintain a Compensation Committee consisting of two or more directors, each of whom (i) shall be qualified to the extent appropriate as a "non-employee director" under Rule 16b-3 of the Securities Exchange Commission

-6-

and as an "outside director" under Section 162(m) of the Internal Revenue Code and (ii) shall meet any further qualifications designated by the Board. The Compensation Committee shall review and analyze the compensation of the Corporation's executive officers; review and provide general guidance as to compensation of the Corporation's other managers; evaluate the performance of the Corporation's executive officers; administer the Corporation's Long-Term Incentive Compensation Plan, including grants thereunder; and perform such other services as may be designated by the Board.

5.3 AUDIT COMMITTEE. The Board shall establish an Audit Committee consisting of at least two directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates. The Audit Committee shall (i) facilitate communication among the Corporation's directors, management, independent accountants and internal auditing personnel regarding matters relating to financial accounting, reporting and controls, (ii) assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Corporation and all subsidiaries and the sufficiency of auditing practices with respect thereto by,

among other things, reviewing the scope of audit coverage, including consideration of the Corporation's accounting practices and procedures and system of internal accounting controls and reporting to the Board with respect thereto, (iii) operate as the Board's principal agent in ensuring the independence of the Corporation's independent accountants, the integrity of management and the adequacy of disclosure to shareholders, and (iv) perform such other services as may be designated by the Board.

## SECTION 6

### REMOVAL OF BOARD MEMBERS

Directors may be removed in accordance with the applicable provisions of the Articles of Incorporation.

## SECTION 7

### NOTICES

7.1 FORM OF DELIVERY. Whenever under the provisions of law, the Articles of Incorporation or these By-laws notice is required to be given to any shareholder or director, it shall not be construed to mean personal notice unless otherwise specifically provided in the Articles of Incorporation or these By-laws, but such notice may be given by mail, addressed to such shareholder or director at his address as it appears on the records of the Corporation, with postage thereon prepaid, or in such other manner as may be specified in these By-laws. Notices given by mail shall be deemed to have been given at the time they are deposited in the United States mail, and all other notices shall be deemed to have been give upon receipt.

7.2 WAIVER. Whenever any notice is required to be given by law, the Articles of Incorporation or these By-laws, a waiver thereof in writing signed by the person or persons entitled

-7-

to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

In addition, notice shall be deemed to have been given to, or waived by, any shareholder or director who attends a meeting of shareholders or directors in person, or is represented at such meeting by proxy, without protesting at the commencement of the meeting the transaction of any business because the meeting is not lawfully called or convened.

## SECTION 8

### OFFICERS

8.1 DESIGNATIONS. The officers of the Corporation shall be elected by the directors and shall be the President, Secretary and Treasurer. The Board of Directors may appoint a Chief Executive Officer, a Chief Operating Officer, a Chief Accounting Officer, one or more Vice Presidents and such other officers as it shall deem necessary. Officers shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. To the extent permitted by law, more than one office may be held by a single person.

8.2 TERM OF OFFICE. The officers of the Corporation shall hold office at the pleasure of the Board of Directors. Except as otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of shareholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board, Chairman of the Board, President or Secretary of the Corporation. Such resignation shall take effect at the time specified therein and acceptance of such resignation shall not be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officers, if any, with the Corporation, but the election of an officer shall not in and of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired position of the term by the Board at any regular or special meeting.

8.3 THE CHAIRMAN OF THE BOARD. The Board may appoint a Chairman of the Board who shall preside at meetings of the Board of Directors and the shareholders and perform such other duties as may be designated by the Board of Directors or these By-laws. The Chairman of the Board shall not, solely by virtue of such position, be an officer of the Corporation but may be designated an officer by the Board of Directors.

8.4 THE PRESIDENT. The President shall, unless otherwise provided by the Board, have general and active responsibility for the management of the business of the Corporation, shall be the chief executive and chief operating officer of

the Corporation, shall supervise the daily operations

-8-

of the business of the Corporation and shall ensure that all orders, policies and resolutions of the Board are carried out.

8.5 THE VICE PRESIDENTS. The Vice Presidents (if any) shall have such designations and perform such duties as the President or the Board of Directors shall prescribe.

8.6 THE SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose. He shall give, or cause to be given, notice of all meetings of the shareholders and regular and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or President. He shall keep in safe custody the seal of the Corporation, if any, and affix such seal to any instrument requiring it.

8.7 THE ASSISTANT SECRETARY. The Assistant Secretary shall have the same powers and duties as the Secretary and shall perform such other duties as may be prescribed by the Board or President.

8.8 THE TREASURER. The Treasurer shall have the custody of the corporate funds and shall keep or cause to be kept full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall keep a proper accounting of all receipts and disbursements and shall disburse the funds of the Corporation only for proper corporate purposes or as may be ordered by the Board and shall render to the President and the Board at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition and results of operations of the Corporation.

## SECTION 9

### STOCK

9.1 CERTIFICATES. Every holder of stock in the Corporation shall be entitled to have a certificate signed by the President or a Vice President and the Secretary or an Assistant Secretary evidencing the number and class (and series, if any) of shares owned by him, containing such information as required by law and bearing the seal of the Corporation. As provided in the Articles of Incorporation, the Board of Directors may approve the use of dual forms of stock certificates, one for issuance to U.S. citizen stockholders, and one for issuance to non-U.S. citizen stockholders. If any stock certificate is manually signed by a transfer agent or registrar other than the Corporation itself or an employee of the Corporation, the signature of any such officer may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be an officer, transfer agent or registrar of the Corporation before such certificate is issued, it may be issued by the Corporation with the same

-9-

effect as if such person or entity were an officer, transfer agent or registrar of the Corporation on the date of issue.

9.2 MISSING CERTIFICATES. The President or any Vice President may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the Corporation's receipt of an affidavit of that fact from the person claiming the certificate of stock to be lost, stolen or destroyed. As a condition precedent to the issuance of a new certificate or certificates, the officers of the Corporation shall, unless dispensed with by the President, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to (i) give the Corporation a bond or (ii) enter into a written indemnity agreement, in each case in an amount appropriate to indemnify the Corporation against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

9.3 TRANSFERS. The shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives upon surrender and cancellation of certificates for a like number of shares. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books, provided that as a condition precedent to the transfer of shares on the records of the Corporation, the Corporation may require representations or other proof of the

identity and citizenship of any prospective stockholder and may restrict transfers to non-U.S. citizens as provided in the Articles of Incorporation.

#### SECTION 10

##### DETERMINATION OF SHAREHOLDERS

For the purpose of determining shareholders entitled to notice of and to vote at a meeting, or to receive a dividend, or to receive or exercise subscription or other rights, or to participate in a reclassification of stock, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may fix in advance a record date for determination of shareholders for such purpose, such date to be not more than 60 days and, if fixed for the purpose of determining shareholders entitled to notice of and to vote at a meeting, not less than 10 days, prior to the date on which the action requiring the determination of shareholders is to be taken.

#### SECTION 11

##### INDEMNIFICATION

11. DEFINITIONS. As used in this section the following terms shall have the meanings set forth below:

-10-

(a) "Board" - the Board of Directors of the Corporation.

(b) "Claim" - any threatened, pending or completed claim, action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether made judicially or extra-judicially, or any separate issue or matter therein, as the context requires.

(c) "Determining Body" - (i) those members of the Board who are not named as parties to the Claim for which indemnification is being sought ("Impartial Directors"), if there are at least three Impartial Directors, (ii) a committee of at least three Impartial Directors appointed by the Board (regardless whether the members of the Board of Directors voting on such appointment are Impartial Directors) or (iii) if there are fewer than three Impartial Directors or if the Board of Directors or the committee appointed pursuant to clause (ii) of this paragraph so directs (regardless whether the members thereof are Impartial Directors), independent legal counsel, which may be the regular outside counsel of the Corporation.

(d) "Disbursing Officer" - the President of the Corporation or, if the President is a party to the Claim for which indemnification is being sought, any officer not a party to such Claim who is designated by the President to be the Disbursing Officer with respect to indemnification requests related to the Claim, which designation shall be made promptly after receipt of the initial request for indemnification with respect to such Claim.

(e) "Expenses" - any expenses or costs, including, without limitation, attorney's fees, judgments, punitive or exemplary damages, fines and amounts paid in settlement.

(f) "Indemnitee" - each person who is or was a director or officer of the Corporation.

##### 11.2 INDEMNITY.

(a) To the extent such Expenses exceed the amounts reimbursed or paid pursuant to policies of liability insurance maintained by the Corporation, the Corporation shall indemnify each Indemnitee against any Expenses actually and reasonably incurred by him (as they are incurred) in connection with any Claim either against him or as to which he is involved solely as a witness or person required to give evidence, by reason of his position (i) as a director or officer of the Corporation, (ii) as a director or officer of any subsidiary of the Corporation, (iii) as a fiduciary with respect to any employee benefit plan of the Corporation, or (iv) as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other for-profit or not-for-profit entity or enterprise, if such position is or was held at the request of the Corporation, whether relating to service in such position before or after the effective date of this Section, if he (i) is successful in his defense of the claim on the merits or otherwise or (ii) has been found by the Determining Body (acting in good faith) to have met the Standard of Conduct (defined below); provided that (A) the amount otherwise payable by the Corporation may be reduced by the Determining Body to such amount as it deems proper if it determines that the Claim involved the

-11-

receipt of a personal benefit by Indemnitee, and (B) no indemnification shall be made in respect of any Claim as to which Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for willful or intentional misconduct in the performance of his duty

to the Corporation or to have obtained an improper personal benefit, unless, and only to the extent that, a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court deems proper.

(b) For purposes of this Section 11, the Standard of Conduct is met when the conduct by an Indemnitee with respect to which a Claim is asserted was conduct that was in good faith and that he reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, in the case of a criminal action or proceeding, that he had no reasonable cause to believe was unlawful. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet the Standard of Conduct.

(c) Promptly upon becoming aware of the existence of any Claim as to which he may be indemnified hereunder, Indemnitee shall notify the President of the Corporation of the Claim and whether he intends to seek indemnification hereunder. If such notice indicates that Indemnitee does so intend, the President shall promptly advise the Board thereof and notify the Board that the establishment of the Determining Body with respect to the Claim will be a matter presented at the next regularly scheduled meeting of the Board. Such a meeting is to be held within 90 calendar days of the date of Indemnitee's request. If a meeting of the Board of Directors is not regularly scheduled within 120 calendar days of such request, the President shall cause a special meeting of the Board of Directors to be called within such period in accordance with these By-laws. After the Determining Body has been established the President shall inform the Indemnitee thereof and Indemnitee shall immediately provide the Determining Body with all facts relevant to the Claim known to him. No later than the 45th day (the "Determination Date") after its receipt of such information, together with such additional information as the Determining Body may request of Indemnitee, the Determining Body shall determine, and shall advise Indemnitee of its determination, whether Indemnitee has met the Standard of Conduct.

(d) During such 45-day period, Indemnitee shall promptly inform the Determining Body upon his becoming aware of any relevant facts not theretofore provided by him to the Determining Body, unless the Determining Body has obtained such facts by other means. The providing of such facts to the Determining Body shall not begin a new 45-day period.

(e) The Determining Body shall have no authority to revoke a determination that Indemnitee met the Standard of Conduct unless Indemnitee (i) submits fraudulent information to the Determining Body at any time during the 45 days prior to the Determination Date or (ii) fails to comply with the provisions of subsections (c) or (d) hereof, including without limitation Indemnitee's obligation to submit information or documents relevant to the Claim reasonably requested by the Determining Body prior to the Determination Date.

-12-

(f) In the case of any Claim not involving a proposed, threatened or pending criminal proceeding,

(i) if Indemnitee has, in the good faith judgment of the Determining Body, met the Standard of Conduct, the Corporation may, in its sole discretion after notice to Indemnitee, assume all responsibility for the defense of the Claim, and, in any event, the Corporation and the Indemnitee each shall keep the other informed as to the progress of the defense, including prompt disclosure of any proposals for settlement; provided that if the Corporation is a party to the Claim and Indemnitee reasonably determines that there is a conflict between the positions of the Corporation and Indemnitee with respect to the Claim, then Indemnitee shall be entitled to conduct his defense, with counsel of his choice; and provided further that Indemnitee shall in any event be entitled at his expense to employ counsel chosen by him to participate in the defense of the Claim; and

(ii) the Corporation shall fairly consider any proposals by Indemnitee for settlement of the Claim. If the Corporation (A) proposes a settlement acceptable to the person asserting the Claim, or (B) believes a settlement proposed by the person asserting the Claim should be accepted, it shall inform Indemnitee of the terms thereof and shall fix a reasonable date by which Indemnitee shall respond. If Indemnitee agrees to such terms, he shall execute such documents as shall be necessary to effect the settlement. If he does not agree he may proceed with the defense of the Claim in any manner he chooses, but if he is not successful on the merits or otherwise, the Corporation's obligation to indemnify him for any Expenses incurred following his disagreement shall be limited to the lesser of (A) the total Expenses incurred by him following his decision not to agree to such proposed settlement or (B) the amount the Corporation would have paid pursuant to the terms of the proposed settlement. If, however, the proposed settlement would impose upon Indemnitee any requirement to act or refrain from acting that would materially interfere with the conduct of his affairs, Indemnitee may refuse such settlement and proceed with the defense of the Claim, if he so desires, at the Corporation's expense without regard to the limitations imposed by the preceding sentence. In no event, however, shall the Corporation be obligated to indemnify Indemnitee for



any amount paid in a settlement that the Corporation has not approved.

(g) In the case of a Claim involving a proposed, threatened or pending criminal proceeding, Indemnitee shall be entitled to conduct the defense of the claim, and to make all decisions with respect thereto, with counsel of his choice; provided, however, that the Corporation shall not be obligated to indemnify Indemnitee for an amount paid in settlement that the Corporation has not approved.

(h) After notifying the Corporation of the existence of a Claim, Indemnitee may from time to time request the Corporation to pay the Expenses (other than judgments, fines, penalties or amounts paid in settlement) that he incurs in pursuing a defense of the Claim prior to the time that the Determining Body determines whether the Standard of Conduct has been met. If the Disbursing Officer believes the amount requested to be reasonable, he shall pay to Indemnitee the amount requested (regardless of Indemnitee's apparent ability to repay such amount) upon receipt of an

-13-

undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation under the circumstances. If the disbursing Officer does not believe such amount to be reasonable, the Corporation shall pay the amount deemed by him to be reasonable and Indemnitee may apply directly to the Determining Body for the remainder of the amount requested.

(i) After the Determining Body has determined that the Standard of Conduct was met, for so long as and to the extent that the Corporation is required to indemnify Indemnitee under this Agreement, the provisions of paragraph (h) shall continue to apply with respect to Expenses incurred after such time except that (i) no undertaking shall be required of Indemnitee and (ii) the Disbursing Officer shall pay to Indemnitee such amount of any fines, penalties or judgments against him which have become final as the Corporation is obligated to indemnify him.

(j) Any determination by the Corporation with respect to settlements of a Claim shall be made by the Determining Body.

(k) The Corporation and Indemnitee shall keep confidential, to the extent permitted by law and their fiduciary obligations, all facts and determinations provided or made pursuant to or arising out of the operation of this Section, and the Corporation and Indemnitee shall instruct its or his agents and employees to do likewise.

### 11.3 ENFORCEMENT.

(a) The rights provided by this Section shall be enforceable by Indemnitee in any court of competent jurisdiction.

(b) If Indemnitee seeks a judicial adjudication of his rights under this Section, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all Expenses actually and reasonably incurred by him in connection with such proceeding but only if he prevails therein. If it shall be determined that Indemnitee is entitled to receive part but not all of the relief sought, then the Indemnitee shall be entitled to be reimbursed for all Expenses incurred by him in connection with such judicial adjudication if the amount to which he is determined to be entitled exceeds 50% of the amount of his claim. Otherwise, the Expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

(c) In any judicial proceeding described in this subsection, the Corporation shall bear the burden of proving that Indemnitee is not entitled to any Expenses sought with respect to any Claim.

11.4 SAVING CLAUSE. If any provision of this Section is determined by a court having jurisdiction over the matter to require the Corporation to do or refrain from doing any act that is in violation of applicable law, the court shall be empowered to modify or reform such provision so that,

-14-

as modified or reformed, such provision provides the maximum indemnification permitted by law, and such provision, as so modified or reformed, and the balance of this Section, shall be applied in accordance with their terms. Without limiting the generality of the foregoing, if any portion of this Section shall be invalidated on any ground, the Corporation shall nevertheless indemnify an Indemnitee to the full extent permitted by any applicable portion of this Section that shall not have been invalidated and to the full extent permitted by law with respect to that portion that has been invalidated.

### 11.5 NON-EXCLUSIVITY.

(a) The indemnification and advancement of Expenses provided by or

granted pursuant to this Section shall not be deemed exclusive of any other rights to which Indemnitee is or may become entitled under any statute, article of incorporation, by-law, authorization of shareholders or directors, agreement, or otherwise.

(b) It is the intent of the Corporation by this Section to indemnify and hold harmless Indemnitee to the fullest extent permitted by law, so that if applicable law would permit the Corporation to provide broader indemnification rights than are currently permitted, the Corporation shall indemnify and hold harmless Indemnitee to the fullest extent permitted by applicable law notwithstanding that the other terms of this Section would provide for lesser indemnification.

11.6 SUCCESSORS AND ASSIGNS. This Section shall be binding upon the Corporation, its successors and assigns, and shall inure to the benefit of the Indemnitee's heirs, personal representatives, and assigns and to the benefit of the Corporation, its successors and assigns.

11.7 INDEMNIFICATION OF OTHER PERSONS. The Corporation may indemnify any person not covered by Sections 11.1 through 11.6 to the extent provided in a resolution of the Board or a separate section of these By-laws.

## SECTION 12

### ADOPTION AND AMENDMENT OF BY-LAWS

By-laws of the Corporation may be adopted and amended as provided in the Articles of Incorporation.

-15-

## SECTION 13

### MISCELLANEOUS

13.1 DIVIDENDS. Except as otherwise provided by law, the Articles of Incorporation or these By-laws, dividends upon the stock of the Corporation may be declared by the Board of Directors at any regular or special meeting. Dividends may be paid in cash, property, or shares of stock, subject to the limitations specified in the Articles of Incorporation.

13.2 VOTING OF SHARES OWNED BY CORPORATION. Unless otherwise directed by the Board, any shares of capital stock issued by a wholly-owned subsidiary of the Corporation may be voted by the President of the Corporation, or by any person authorized to do so by the President, at any shareholders' meeting of the subsidiary (or in connection with any written consent in lieu thereof).

13.3 FISCAL YEAR. The Board of Directors may adopt for and on behalf of the Corporation a fiscal or a calendar year.

13.4 SEAL. The Board of Directors may adopt a corporate seal, which shall have inscribed thereon the name of the Corporation. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Failure to affix the seal shall not, however, affect the validity of any instrument.

13.5 GENDER. All pronouns and variations thereof used in these By-laws shall be deemed to refer to the masculine, feminine or neuter gender, singular or plural, as the identity of the person, persons, entity or entities referred to may require.

13.6 CONTROL SHARE ACQUISITIONS. The provisions of Sections 135 through 140.2 of the Louisiana Business Corporation Law (La.R.S. 12:135 through 140.2) do not apply to control share acquisitions of shares of the Corporation.

-16-

SIXTH AMENDED AND RESTATED REVOLVING

CREDIT AGREEMENT

AMONG

GULF ISLAND FABRICATION, INC.,  
AS BORROWER,

FIRST NATIONAL BANK OF COMMERCE

AND

WHITNEY NATIONAL BANK,  
AS BANKS,

AND

FIRST NATIONAL BANK OF COMMERCE,  
AS AGENT

DATED EFFECTIVE AS OF MAY 1, 1997

TABLE OF CONTENTS

<TABLE>			<C>
<C>	<S>		
Section 1.	Relation to Prior Credit Arrangements.....		2
	1.1 Revolving Credit Facility.....		3
	1.2 Borrowing Procedure Under the Revolving Credit Facility.....		4
	1.3 Terms and Conditions Governing Letters of Credit.....		4
Section 2.	Notes Evidencing Borrowings.....		5
	2.1 Notes.....		5
	2.2 No Novation.....		5
Section 3.	Interest and Fees.....		6
	3.1 Interest -- Revolving Credit Facility.....		6
	3.2 Default Rate.....		6
	3.3 Prime Rate.....		6
	3.4 Origination Fee.....		7
	3.5 Method of Calculating Interest and Fees.....		7
	3.6 Interest Rate Options.....		7
Section 4.	Payments, Prepayments, and Reduction or Termination of the Revolving Credit Facility.....		12
	4.1 Method of Payment.....		12
	4.2 Sharing of Payments.....		13
	4.3 Payments Without Deduction.....		13
	4.4 Reduction of Credit.....		14
Section 5.	Representations and Warranties of Borrower.....		14
	5.1 Corporate Existence.....		14
	5.2 Authorization; Validity.....		14
	5.3 No Conflicts.....		15
	5.4 Financial Statements.....		15
	5.5 Litigation.....		15
	5.6 Liens.....		16
	5.7 Subsidiaries.....		16
	5.8 Purpose.....		16
	5.9 Use of Proceeds; Margin Securities.....		16
	5.10 Compliance with ERISA.....		16
	5.11 Consents.....		17
	5.12 Tax Returns.....		17
	5.13 Operation of Business.....		17
	5.14 Rights in Properties; Liens.....		17
	5.15 Debt.....		17
	5.16 Disclosure.....		18
	5.17 Registered Office; Principal Place of Business; Location of Collateral..		18
	5.18 Investment Company Act.....		19
	5.19 Other Agreements.....		19

</TABLE>

<TABLE>		
<C>	<S>	<C>
	5.20	Compliance with Law..... 19
	5.21	Corporate Name..... 20
	5.22	Collateral..... 21
	5.23	Taxpayer I.D. Numbers..... 21
	5.24	Effect of Dolphin Merger..... 21
Section 6.		Borrower's Covenants..... 21
	6.1	Financial Statements..... 21
	6.2	Access..... 23
	6.3	Insurance..... 23
	6.4	Repair..... 23
	6.5	Taxes..... 24
	6.6	Corporate Existence..... 24
	6.7	Merger..... 24
	6.8	Compliance..... 25
	6.9	Use of Proceeds..... 26
	6.10	Financial Covenants..... 26
	6.11	Liens..... 27
	6.12	Debt..... 28
	6.13	Shareholder or Employee Loans..... 28
	6.14	Change in Business..... 28
	6.15	Accounts Receivable..... 28
	6.16	Compliance with Agreements..... 29
	6.17	Further Assurances..... 29
	6.18	Disposition of Assets..... 29
	6.19	Change Tax I.D. Number..... 29
	6.20	Indemnity..... 29
	6.21	Real Property..... 30
Section 7.		Conditions Precedent to Extensions of Credit..... 30
	7.1	Borrower's Resolutions..... 31
	7.2	Dolphin Services' Resolutions..... 31
	7.3	Notes..... 31
	7.5	Incumbency..... 31
	7.6	Certification..... 31
	7.7	Opinion..... 32
Section 8.		Additional Conditions Precedent to Advances and/or Letters of Credit.... 32
	8.1	Default..... 32
	8.2	Warranties..... 32
Section 9.		Events of Default..... 33
	9.1	Payment..... 33
	9.2	Other Indebtedness..... 33
	9.3	Other Default..... 33
	9.4	Insolvency..... 33
</TABLE>		

<TABLE>		
<C>	<S>	<C>
	9.5	ERISA..... 34
	9.6	Agreements..... 34
	9.7	Representation or Warranty..... 35
	9.8	Subsidiary Default..... 35
Section 10.		Agent..... 36
	10.1	Authorization and Action..... 36
	10.2	Agent's Reliance, Etc..... 36
	10.3	First NBC and Affiliates..... 37
	10.4	Bank Credit Decision..... 38
	10.5	Indemnification..... 38
	10.6	Successor Agent..... 39
	10.7	Benefits of Section..... 39
	10.8	Change in Specified Percentage..... 40
Section 11.		General..... 40
	11.1	Definitions..... 40
	11.2	Financial Terms..... 46
	11.3	Delay..... 46
	11.4	Notices..... 46
	11.5	Expenses..... 48
	11.6	Severability..... 48
	11.7	Counterparts..... 48
	11.8	Law..... 48
	11.9	Successors..... 49
	11.10	Amendments..... 49
	11.11	Entire Agreement..... 49
	11.12	Conflicts..... 49

SIXTH AMENDED AND RESTATED REVOLVING  
CREDIT AGREEMENT

THIS SIXTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (the "Agreement"), dated effective as of the 1st day of May, 1997, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("Borrower") (formerly known as GIFL, Inc., successor by merger to Gulf Island Fabrication, Inc., a Louisiana corporation), WHITNEY NATIONAL BANK, a national banking association ("Whitney"), FIRST NATIONAL BANK OF COMMERCE, a national banking association, in its individual capacity ("First NBC") (each of Whitney and First NBC being sometimes referred to individually as a "Bank" and collectively as the "Banks"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association, in its capacity as agent for Banks as set forth hereinafter (the "Agent").

W I T N E S S E T H:  
- - - - -

WHEREAS, Borrower, Banks and Agent entered into that certain Fifth Amended and Restated Revolving Credit and Term Loan Agreement, dated effective as of October 24, 1996 (the "Credit Agreement") which amended and restated the then existing credit arrangements among Borrower, Banks and Agent;

WHEREAS, Borrower, Banks and Agent entered into that certain First Amendment to Fifth Amended and Restated Revolving Credit and Term Loan Agreement dated effective as of January 2, 1997 (the "First Amendment"), whereby the then existing Term Credit Facility (as defined in the Credit Agreement) was increased by \$5,000,000, Borrower was permitted to acquire Dolphin Services, Inc. ("Dolphin Services"), Dolphin Steel Sales, Inc. ("Dolphin Steel"), and Dolphin

1

Sales & Rentals, Inc. ("Dolphin Sales"), and the maturity date of the then existing Term Credit Facility (as defined in the Credit Agreement) was extended;

WHEREAS, Borrower, Banks and Agent entered into that certain Second Amendment to Fifth Amended and Restated Revolving Credit and Term Loan Agreement dated effective as of March 18, 1997 (the "Second Amendment") whereby the Revolving Credit Facility (as defined in the Credit Agreement) was increased from \$12,000,000 to \$20,000,000, the maturity of such Revolving Credit Facility was extended from December 31, 1998 to December 31, 1999, and certain other changes were made to enable Borrower to complete its contemplated initial public offering (as amended by the First Amendment and the Second Amendment, the Credit Agreement shall be referred to as the "Revised Credit Agreement"); and

WHEREAS, Borrower, Banks and Agent desire to amend and restate their existing credit arrangements to facilitate administration of such credit arrangements, to eliminate the Term Credit Facility which has been paid in full, to modify certain other credit terms following Borrower's initial public offering, and to reflect the merger of Dolphin Sales and Dolphin Steel into Dolphin Services.

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements and undertakings herein contained, Borrower, Banks and Agent hereby agree as follows:

Section 1. Relation to Prior Credit Arrangements. Subject to the terms and conditions hereof, each Bank severally agrees that Borrower's obligations as evidenced by the Revised Credit Agreement and the Prior Notes shall be modified and restated in their entirety on the terms and conditions set forth herein. To the extent there is any conflict between the Revised Credit Agreement and this Agreement or the Prior Notes and the Notes, the provisions of this Agreement and the Notes shall govern. To the extent this Agreement or the Notes is or are silent on any matter or provision contained in the Revised Credit Agreement or the Prior Notes, such matter or provision

2

of the Revised Credit Agreement or the Prior Notes shall be deemed to be revoked. Borrower and Banks acknowledge and agree that (i) the modification and restatement of the Obligations under the terms and conditions set forth herein do not constitute a payment, prepayment or novation of the Obligations evidenced by the Revised Credit Agreement and the Prior Notes and (ii) the Obligations continue to be secured by the Existing Security with the original rank and priority thereof.

1.1 Revolving Credit Facility. Banks shall make available to Borrower a revolving line of credit (the "Revolving Credit Facility") in the maximum principal amount of TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00) (as modified pursuant to Section 4.4 below, the "Revolving Commitment"), which Revolving Credit Facility may be drawn upon by Borrower on any Business Day of

Banks during the period from the date hereof until and including December 31, 1999, or such earlier date as may be fixed by Borrower on at least one (1) Business Day's telephonic notice to Agent, to be confirmed in writing by Borrower, in the form of the issuance by Banks on behalf of and for the account of Borrower of irrevocable stand-by letters of credit in the form provided for by, and containing such terms and conditions as are acceptable to Banks and in such amounts as Borrower may from time to time request (each such letter of credit, as well as any letters of credit issued pursuant to and in accordance with the Revised Credit Agreement or any predecessor agreement which remain outstanding on the date hereof, being hereinafter referred to individually as a "Letter of Credit" and collectively as the "Letters of Credit") or in the form of actual fundings to Borrower by Banks in such amounts as Borrower may from time to time request (each such funding, as well as the aggregate amount of the Prior Notes previously funded by Banks and outstanding on the date hereof, being hereinafter referred to individually as an "Advance" and collectively as the "Advances"), so long as (a) the aggregate principal amount of all Letters of Credit outstanding at any one time does not exceed the LC Commitment and (b) the aggregate principal

3

amount of all Letters of Credit and of all Advances outstanding at any one time does not exceed the Revolving Commitment. The Revolving Commitment available to Borrower from time to time under the Revolving Credit Facility shall be reduced by the aggregate of the face amount of any outstanding Letters of Credit and of all unpaid Advances made by Banks to Borrower pursuant to this Agreement and the remaining amount of the Revolving Commitment shall constitute the "Unused Commitment". Any draws made under the Letters of Credit by the beneficiaries thereof shall constitute Advances as defined in this Agreement. The Unused Commitment available under the Revolving Credit Facility shall be restored but simultaneously reduced by the amount of any Advances which are made to Borrower to reimburse Banks for draws under the Letters of Credit.

1.2 Borrowing Procedure Under the Revolving Credit Facility. Agent shall receive at least one (1) Business Day's prior telephonic notice from Borrower (to be confirmed in writing by Borrower) of each proposed Letter of Credit and of each Advance to be issued under the Revolving Credit Facility. If all conditions precedent to the issuance of any such Letter of Credit or any such Advance have been met, Agent will, without any further consent or approval from Banks, or either one of them, on the date requested make each Letter of Credit or Advance available to Borrower at Agent's office at 201 St. Charles Avenue, New Orleans, Louisiana 70170, and each Letter of Credit or Advance shall be shared equally by Banks.

1.3 Terms and Conditions Governing Letters of Credit. The terms and conditions governing the issuance of Letters of Credit by Banks on behalf of and for the account of Borrower shall be provided for by Agent in its standard form of Application for Stand-By Letter of Credit, a copy of which is attached hereto as Exhibit "A", with appropriate insertions and such additional terms and conditions governing the issuance of specific Letters of Credit as may be agreed upon by Borrower and Agent at the time of Borrower's request to Agent for the issuance thereof. Upon

4

Agent's issuance of a Letter of Credit, one-half (1/2) of the amount of such Letter of Credit shall automatically be deemed to have been provided by Whitney, and, without the necessity of further documentation transferring an interest in the Letter of Credit to Whitney, Whitney shall possess a one-half (1/2) interest in all rights and obligations accruing to and incurred by Agent with respect to such Letter of Credit. Whitney shall record its one-half (1/2) share of any draws on the Letter of Credit on the schedule attached to its Revolving Note as provided in Section 2.1 below.

## Section 2. Notes Evidencing Borrowings.

2.1 Notes. The Advances (including, without limitation, the outstanding indebtedness of Borrower to Banks under the Prior Notes which, as provided in Section 1.1, shall be deemed an "Advance" hereunder) shall be evidenced by two (2) promissory notes of Borrower payable to the order of First NBC and Whitney, respectively, each in the original principal amount of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00) and in the forms set forth as Exhibits "B" and "C" to this Agreement (each such note, together with any and all renewals, modifications, extensions, amendments, supplements and/or substitutions therefor, being sometimes referred to herein individually as a "Note" and collectively as the "Notes"), with appropriate insertions, each of which shall be dated the date hereof and shall be payable in full on December 31, 1999. All Advances made by Banks to Borrower pursuant to this Agreement and all payments of principal shall be recorded by Banks on the schedule attached to each Note, but Banks' failure to record or to record correctly such Advances shall in no way affect Borrower's obligation to repay same.

2.2 No Novation. The execution and delivery of the Notes shall not constitute a payment, prepayment or novation of the obligations of Borrower heretofore evidenced by the Prior Notes, but does constitute a renewal and

restatement of the Prior Notes in their entirety.

5

### Section 3. Interest and Fees.

3.1 Interest -- Revolving Credit Facility. In the absence of an Event of Default, the unpaid principal of the Notes shall bear interest until paid at the Prime Rate, adjusted daily, or the LIBO Rate, or some combination thereof, as specified in Section 3.6 below. Interest prior to maturity shall be payable quarterly in arrears on the last day of each March, June, September and December commencing June 30, 1997, and continuing until maturity. Interest after maturity of the Notes for any reason whatsoever shall be increased to the Prime Rate plus three percent (3%) and shall be payable on demand. Upon the issuance of a Letter of Credit by Agent on behalf of and for the account of Borrower, a fee of one percent (1%) per annum on the principal amount of such Letter of Credit shall be payable by Borrower for the number of days such Letter of Credit is to remain outstanding. A fee on the Unused Commitment of three-eighths (3/8) of one percent (1%) per annum shall be payable by Borrower quarterly in arrears on the last day of each March, June, September and December commencing June 30, 1997, and continuing until maturity.

3.2 Default Rate. If an Event of Default shall occur in the payment on or before the due date of any principal or interest due hereunder or under any of the other Loan Documents, including, without limitation, the Notes, Borrower will pay interest thereon (retroactively) from the date of the Event of Default on such payment up to the date of the actual payment (as well after as before judgment) at the Prime Rate plus three percent (3%) (the "Default Rate"), without regard to whether there has been an acceleration of the payment of principal. Such interest at the Default Rate shall be payable on demand.

3.3 Prime Rate. "Prime Rate" shall mean that index which shall be established by Citibank, N.A. at New York, New York as its "prime rate". Each change in the interest rate on each Note shall take effect on the effective date of the change in the Prime Rate.

6

3.4 Origination Fee. No origination fee shall be payable by Borrower.

3.5 Method of Calculating Interest and Fees. Interest at the Prime Rate and any fee shall be computed on the basis of a year consisting of 365 days and paid for actual days elapsed, and interest at the LIBO Rate shall be computed on the basis of a year consisting of 360 days.

3.6 Interest Rate Options. Until an Event of Default occurs, Borrower shall have the following interest rate options:

(a) Advances to Borrower under the Revolving Credit Facility may from time to time be (i) LIBO Rate Advances, (ii) Prime Rate Advances, or (iii) any combination thereof, as determined by Borrower with respect to its Advances and noticed to Agent in accordance with paragraphs (b), (c), and (d) below; provided that no Advance shall be made to Borrower as a LIBO Rate Advance under the Revolving Credit Facility after the day that is one month prior to the Termination Date. For purposes of this paragraph (a), an Advance shall be deemed "made" upon an initial borrowing by Borrower under paragraph (b) below, any conversion of such Advance under paragraph (c) below, and upon any continuation of such Advance under paragraph (d) below.

(b) With respect to any new Advance, Borrower shall provide Agent with telephonic notice of its intended borrowing, which notice must be received by Agent prior to 10:00 A.M., New Orleans time, at least one (1) Business Day prior to the requested Borrowing Date, which notice shall specify (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of LIBO Rate Advances or Prime Rate Advances or a combination thereof, (iv) the respective amounts of each such type of Advance, and (v) if the borrowing is to be entirely or partly of LIBO Rate Advances, the respective lengths of the Interest Periods therefor.

7

(c) Borrower may elect from time to time to convert any of its LIBO Rate Advances to Prime Rate Advances by giving Agent telephonic notice of such election, which notice must be received by Agent prior to 10:00 A.M., New Orleans time, at least one (1) Business Day prior to the requested conversion; provided that any such conversion, of LIBO Rate Advances shall only be made on the last day of an Interest Period with respect thereto. Borrower may elect from time to time to convert any of its Prime Rate Advances to LIBO Rate Advances by giving Agent telephonic notice of such election, which notice must be received by Agent prior to 10:00 A.M., New Orleans time, at least one (1) Business Day prior to the requested conversion. Any such notice of conversion to LIBO Rate Advances shall specify the length of the initial Interest Period thereof and the amount of the Prime Rate Advance to be converted. All or any part of Borrower's

outstanding LIBO Rate Advances and Prime Rate Advances may be converted as provided herein; provided that (i) no Prime Rate Advance may be converted into a LIBO Rate Advance when any Event of Default has occurred and is continuing, (ii) partial conversions of Prime Rate Advances to LIBO Rate Advances shall be in an aggregate principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof, (iii) partial conversions of LIBO Rate Advances to Prime Rate Advances shall be in an aggregate principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof, (iv) no Prime Rate Advance under the Revolving Credit Facility may be converted into a LIBO Rate Advance after the date that is one month prior to the Termination Date, and (v) any such conversion may only be made if, after giving effect thereto, paragraph (e) shall not have been contravened.

(d) Any LIBO Rate Advances may be continued as such upon the expiration of an Interest Period with respect thereto by Borrower giving Agent telephonic notice, which

8

notice must be received by Agent prior to 10:00 A.M., New Orleans time, at least one (1) Business Day prior to the requested continuation; provided, that (i) no LIBO Rate Advance may be continued as such when any Event of Default has occurred and is continuing, (ii) no LIBO Rate Advances under the Revolving Credit Facility may be continued as such after the date which is one month prior to the Termination Date, and (iii) any such continuation shall be made only if, after giving effect thereto, paragraph (e) shall not be contravened. If Borrower shall fail to give such notice or if such continuation is not permitted, then Borrower shall be deemed to have requested that the LIBO Rate Advance be converted automatically to a Prime Rate Advance on the last day of the then current Interest Period with respect thereto.

(e) All borrowings, conversions and continuations of Advances hereunder by Borrower and all selections of Interest Periods hereunder by Borrower shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Advances to Borrower constituting each LIBO Rate tranche (i.e., LIBO Rate Advances made on the same day and having the same Interest Period) shall be equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. If Borrower has no Prime Rate Advances outstanding, Borrower may have a maximum of five (5) LIBO Rate tranches in aggregate in effect at any one time, and, if Borrower has Prime Rate Advances outstanding, Borrower may have a maximum of four (4) LIBO Rate tranches in aggregate in effect at any one time.

(f) Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower in the absence of manifest error.

9

Agent shall, at the request of Borrower, deliver to Borrower a statement showing the quotations used by Agent in determining the LIBO Rate.

(g) If prior to the first day of any Interest Period, Agent shall have determined (which determination shall be conclusive and binding upon Borrower) that either:

- (i) adequate and reasonable means do not exist for ascertaining the LIBO Rate for such Interest Period; or
- (ii) the interest rate determined for such Interest Period does not adequately and fairly reflect the cost to Banks (as conclusively certified by Agent) of making, maintaining or funding their LIBO Rate Advances during such Interest Period, in either case with respect to (i) proposed Advances that Borrower has requested be made as LIBO Rate Advances, (ii) LIBO Rate Advances that will result from the requested conversion of Prime Rate Advances into LIBO Rate Advances, or (iii) the continuation of LIBO Rate Advances beyond the expiration of the then current Interest Period with respect thereto;

Agent shall give telephonic notice thereof to Borrower as soon as practicable thereafter. Unless Borrower notifies Agent upon receipt of such notice that it wishes to rescind or modify its request, Agent shall arrange that (x) any affected LIBO Rate Advances requested by Borrower shall be made as Prime Rate Advances, (y) any Prime Rate Advances to Borrower that were to have been converted to LIBO Rate Advances shall be continued as, or converted to, Prime Rate Advances, and (z) all outstanding LIBO Rate Advances to Borrower shall be converted, on the last day of the then current Interest Period with respect thereto, to Prime Rate Advances. Until such notice has been withdrawn by Agent, no further LIBO Rate Advances shall be made to Borrower, nor shall Borrower have the right to convert Prime Rate Advances to LIBO Rate Advances.



(h) Notwithstanding any other provision in this Agreement, if the adoption of or any change in any law or regulation or in the interpretation or application thereof (whether or not having the force of law) shall make it unlawful or impossible for Bank to make,

10

maintain or fund LIBO Rate Advances as contemplated by this Agreement: (a) the commitment of Banks hereunder to make LIBO Rate Advances, continue LIBO Rate Advances as such and convert Prime Rate Advances to LIBO Rate Advances shall forthwith be cancelled; (b) the Advances then outstanding as LIBO Rate Advances, if any, shall be converted automatically to Prime Rate Advances on the respective last days of the then current Interest Periods with respect to such Advances or within such earlier period as required by law; and (c) Borrower shall pay Banks such amounts, if any, as may be required pursuant to paragraph (i) below.

(i) Borrower agrees to indemnify Banks and to hold Banks harmless from any loss or expense which Banks may sustain or incur as a consequence of (a) the making by Borrower of a prepayment (whether mandatory or optional) or any other payment of a LIBO Rate Advance on a day which is not the last day of the Interest Period with respect thereto, and/or (b) the conversion, whether voluntary or involuntary, of a LIBO Rate Advance into a Prime Rate Advance pursuant to this Section 3.6 or otherwise on a day which is not the last day of an Interest Period with respect thereto, including, without limitation, in each case any such loss or expense arising from the reemployment of funds obtained by it to maintain its LIBO Rate Advances hereunder or from fees payable to terminate the deposits from which such funds were obtained. This covenant shall survive the termination of this Agreement and the payment of the Advances and all other obligations hereunder.

11

#### Section 4. Payments, Prepayments, and Reduction or Termination of the Revolving Credit Facility.

4.1 Method of Payment. All payments of principal, interest and other amounts to be made by Borrower under this Agreement or any of the Notes or other Loan Documents shall be made to Agent for the account of Banks at Agent's office at 201 St. Charles Avenue, New Orleans, Louisiana 70170 (or at such other address as Agent or either of Banks may notify Borrower in writing), in immediately available funds, without setoff, deduction or counterclaim, not later than 2:00 p.m. (New Orleans, Louisiana time) on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day) and, in the case of payments of principal under the Revolving Credit Facility, in an amount of at least \$100,000.00, or an integral multiple thereof. Borrower shall, at the time of making each such payment, specify to Agent the sums payable by Borrower under this Agreement, the Notes or other Loan Documents to which such payment is to be applied. Notwithstanding the foregoing sentence, unless and until an Event of Default shall have occurred and be continuing (in which event such payments shall be applied by Agent as Banks in their sole discretion shall determine), all payments received by Agent shall be applied first to the payment of all amounts (except principal and interest) at the time due and unpaid hereunder or under any of the other Loan Documents, then to interest hereon or thereon accrued to the date of payment and finally to the unpaid principal hereunder or thereunder. Whenever any payment under this Agreement, the Notes or any other Loan Document shall be stated to be due on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of the payment of interest. Upon receipt of each such payment,

12

Agent shall make prompt payment within three (3) Business Days to each Bank in like funds of all amounts received by Agent for the account of such Bank.

4.2 Sharing of Payments. Banks shall share equally all payments made pursuant to this Agreement and the benefits of and from the Collateral and all proceeds from the sale thereof. If either Bank shall receive at any time any payment hereunder, or interest thereon, or receive any Collateral (or proceeds thereof) in respect thereof (whether voluntarily or involuntarily, by setoff or otherwise), or interest in any of the foregoing, in a greater proportion than the other Bank (such Bank receiving the greater proportion being referred to herein as the "Benefitted Bank"), such Benefitted Bank shall purchase for cash from the other Bank such portion of such other Bank's Notes or Letters of Credit, or shall provide such other Bank with the benefit of any such Collateral or the proceeds thereof, as the case may be, as shall be necessary to cause such Benefitted Bank to share the excess payment or benefits of such Collateral or proceeds equally with the other Bank; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Bank, such purchases shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery. Borrower agrees that each Bank so purchasing a portion of another Bank's Notes or Letters of Credit, as

the case may be, may exercise all rights of payment (including, without limitation, rights of setoff) with respect to such portion as fully as if such Bank were the direct holder of such portion.

4.3 Payments Without Deduction. Borrower shall pay principal, interest and other amounts under, and in accordance with the terms of, this Agreement, the Notes and the other Loan Documents free and clear of and without deduction for any and all present and future taxes, levies, imposts, deductions, charges, withholdings and all other liabilities whatsoever.

13

4.4 Reduction of Credit. Subject to Section 3.6(i) above, Borrower may from time to time, upon at least three (3) Business Day's prior telephonic notice (confirmed in writing) to Agent, permanently reduce the amount of the maximum Revolving Commitment available under the Revolving Credit Facility, but only upon payment of the outstanding principal amount of each Note in excess of one-half ( 1/2) of the then reduced amount of the maximum Revolving Commitment available under the Revolving Credit Facility. Any such reduction of the Revolving Commitment shall be in an amount of \$100,000.00 or an integral multiple thereof. Subject to Section 3.6(i) above, Borrower may at any time on like notice terminate the entire Revolving Commitment available under the Revolving Credit Facility upon payment in full of the Notes and other liabilities of Borrower relating to the Revolving Credit Facility.

Section 5. Representations and Warranties of Borrower.

Borrower represents and warrants to Banks and Agent that:

5.1 Corporate Existence. Each of Borrower and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the State of Louisiana; and each of Borrower and its Subsidiaries has all necessary corporate power and authority to acquire, own and hold the property and all other properties it purports to own and hold and to carry on its business as now conducted.

5.2 Authorization; Validity. Each of Borrower and its Subsidiaries is and/or has been duly authorized to execute and deliver this Agreement and all other Loan Documents to which such Borrower or Subsidiary is a party and to perform its obligations under this Agreement and all other Loan Documents to which such Borrower or Subsidiary is a party. Borrower is duly authorized and will continue to be duly authorized to borrow money hereunder. Each of this Agreement and the other Loan Documents to which Borrower or one of its Subsidiaries is a party, as executed and

14

delivered, constitutes the legal, valid and binding obligation of Borrower and/or such Subsidiary, enforceable in accordance with the respective terms thereof.

5.3 No Conflicts. The execution and delivery of the Loan Documents and the performance by each of Borrower and its Subsidiaries of its obligations thereunder do not and will not conflict with any provision of law or of the charter or by-laws of Borrower or such Subsidiary or of any agreement binding upon Borrower or such Subsidiary, as the case may be.

5.4 Financial Statements. Borrower's audited financial statement as of December 31, 1996, a copy of which has been furnished to Banks, has been prepared in conformity with GAAP applied on a basis consistent with that of the preceding fiscal year and period, presents fairly the financial condition of Borrower as of such date and the results of its operations for the periods then ended. Borrower's unaudited financial statement as of March 31, 1997, a copy of which has been previously furnished to Banks, except for the absence of footnotes normally associated with financial statements prepared in accordance with GAAP, has been prepared in conformity with GAAP and presents fairly the financial condition of Borrower as of such date and the results of its operations for the periods then ended. Since December 31, 1996, there has been no material adverse change in Borrower's financial condition. Since December 31, 1996, there has been no material adverse change in the financial condition of any of Borrower's Subsidiaries.

5.5 Litigation. To the best of Borrower's knowledge, after due inquiry, no litigation or governmental proceedings are pending or threatened against Borrower or any of its Subsidiaries, the results of which might materially affect Borrower's or such Subsidiary's financial condition or operations, except those referred to in a schedule furnished contemporaneously herewith and attached hereto as Schedule 1. Other than any liability incident to such litigation or proceedings or provided for or disclosed in the financial statements referred to in Section 5.4, Borrower does not

15

have any material contingent liabilities. No Subsidiary has any material contingent liability other than those imposed by the Collateral Documents.

5.6 Liens. None of the assets of Borrower or any of its Subsidiaries with a net book value of greater than \$25,000.00 is subject to any Lien, except for the Liens created pursuant to the Collateral Documents and Permitted Liens.

5.7 Subsidiaries. Borrower has no Subsidiaries other than Dolphin Services, and Dolphin Services has no Subsidiaries.

5.8 Purpose. The proceeds of the Revolving Credit Facility shall be used by Borrower for general corporate purposes.

5.9 Use of Proceeds; Margin Securities. Borrower is not engaged in the business of purchasing or selling margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System) or extending credit to others for the purpose of purchasing or carrying margin stock and, notwithstanding Section 5.8 hereof, no part of the proceeds of any borrowing hereunder will be used to purchase or carry any margin stock or for any other purpose which would violate any of the margin regulations of such Board of Governors.

5.10 Compliance with ERISA. Each of Borrower and its Subsidiaries is in compliance with all statutes and governmental rules and regulations applicable to it, including, without limitation, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). No condition exists or event or transaction has occurred in connection with any plan, as defined in Sections 3(3) and 3(37) of ERISA, maintained by Borrower or any of its Subsidiaries (any such plan being hereinafter called the "Plan"), which could result in Borrower's or such Subsidiary's incurring any material liability, fine or penalty. No Reportable Event (as defined in ERISA) has occurred with

16

respect to any such Plan. Neither Borrower nor any of its Subsidiaries has withdrawn from any such Plan or initiated steps to do so and no steps have been taken to terminate any such Plan.

5.11 Consents. No consent, approval or authorization of, or registration or declaration with, any federal or state governmental authority or other regulatory agent for the validity of the execution and delivery or for the performance by Borrower or any of its Subsidiaries of the Loan Documents is required.

5.12 Tax Returns. Each of Borrower and its Subsidiaries has filed all tax returns which are required to be filed by any jurisdiction, and has paid all taxes which have become due pursuant to said returns or pursuant to any assessments.

5.13 Operation of Business. Each of Borrower and its Subsidiaries possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and neither Borrower nor any of its Subsidiaries is in violation of any valid rights of others with respect to any of the foregoing.

5.14 Rights in Properties; Liens. Each of Borrower and its Subsidiaries has good and indefeasible title to its properties and assets, real and personal, including the properties and assets reflected in the financial statements described in Section 5.4 hereof, and none of the properties, assets or leasehold interests of Borrower or any Subsidiary is subject to any Lien, except as permitted by Section 6.11 hereof.

5.15 Debt. Borrower has no Debt, except as disclosed in the financial statements described in Section 5.4 hereof and as otherwise permitted by this Agreement. No Subsidiary of Borrower has any Debt except as owed to Borrower or as otherwise permitted by this Agreement.

17

5.16 Disclosure. No statement, information, report, representation or warranty made by Borrower or any of its Subsidiaries in this Agreement or in any of the other Loan Documents or furnished by Borrower or any of its Subsidiaries to Banks or Agent in connection with the negotiation or preparation of this Agreement, or any amendment hereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to Borrower or to any of its Subsidiaries that has not been disclosed in writing to Banks which has a material adverse effect, or which might in the future have a material adverse effect, on the business, assets, financial condition or operations of Borrower, any of its Subsidiaries or on the Collateral.

5.17 Registered Office; Principal Place of Business; Location of Collateral. The principal place of business, chief executive office and registered office of Borrower and the place where Borrower keeps its books and records and all Collateral is located on the Real Property. The principal place of business, chief executive office and registered office of Dolphin

Services and the place where Dolphin Services keeps its books and records and all Collateral owned by Dolphin Services and encumbered by the Collateral Documents is located in Terrebonne Parish, Louisiana (with the exception of certain such Collateral which is, from time to time and in the ordinary course of Dolphin Services' business, temporarily located at job sites outside of Terrebonne Parish). Borrower has always maintained its registered office in either Terrebonne or East Baton Rouge Parish, Louisiana, and Dolphin Services has always maintained its registered office in Terrebonne Parish, Louisiana. Neither Borrower nor any of its Subsidiaries does, or has ever done, any business from any location other than as set forth in this Section. No Person other than Borrower, Dolphin Services, Agent and Banks has possession of any of the Collateral.

18

5.18 Investment Company Act. Neither Borrower nor any of its Subsidiaries is an "Investment Company" within the meaning of the Investment Company Act of 1940, as amended.

5.19 Other Agreements. With the exception of construction contracts entered into by Borrower or one of its Subsidiaries in the ordinary course of Borrower's or such Subsidiary's business, neither Borrower nor any of its Subsidiaries is a party to any indenture, loan or credit agreement, or to any lease or other agreement or instrument, or subject to any charter of corporate restriction which could have a material adverse effect on the business, properties, assets, operations or conditions, financial or otherwise, of Borrower or such Subsidiary, or the ability of Borrower or such Subsidiary to pay and perform its obligations under the Loan Documents to which it is a party. Neither Borrower nor any of its Subsidiaries is in default in any respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement or instrument material to its business to which it is a party.

5.20 Compliance with Law. Each of Borrower and its Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees which are applicable to Borrower, its Subsidiaries or any of their respective properties. Without limiting the generality of the foregoing:

(a) Employment Matters. Each of Borrower and its Subsidiaries is in full compliance with all applicable laws, rules, regulations and governmental standards regarding employment, including, without limitation, the minimum wage and overtime provisions of the Fair Labor Standards Act, as amended (29 U.S.C. (S) (S) 201-219), and the regulations promulgated thereunder.

(b) Environmental Matters.

(i) Each of Borrower and its Subsidiaries and all of their respective properties, assets and operations are in full compliance with all Environmental Laws. Neither Borrower nor any of its Subsidiaries is aware of or has received notice of, any past, present or future

19

conditions, events, activities, practices or incidents which may interfere with or prevent the compliance or continued compliance of Borrower or any of its Subsidiaries with all Environmental Laws.

(ii) Each of Borrower and its Subsidiaries has obtained all permits, licenses and authorizations and has filed all plans which are required under Environmental Laws in order to conduct its business and/or own its properties and assets including without limitation all Louisiana air emission permits required under any Environmental Law in order to conduct Borrower's or such Subsidiary's business and/or own its assets or properties.

(iii) Each of Borrower and its Subsidiaries has on file an SPCC Plan as required under applicable Environmental Laws in connection with Borrower's or any Subsidiary's storage of petroleum on the Real Property.

(iv) No Hazardous Substances or Solid Wastes exist on, about or within or have been used, generated, stored, transported, disposed of on, or released from any of the properties or assets of Borrower or any of its Subsidiaries except in compliance with Environmental Laws.

(v) There is no action, suit, proceeding, investigation or inquiry before any court, administrative agency or other governmental authority pending or, to the knowledge of Borrower or any of its Subsidiaries, threatened against Borrower or any of its Subsidiaries relating in any way to any Environmental Law. Neither Borrower nor any of its Subsidiaries has (A) been

notified of any liability for remedial action under any Environmental Law, (B) received any request for information by any governmental authority with respect to the condition, use or operation of any of its properties or assets, or (C) received any notice from any governmental authority or other Person with respect to any violation of or liability under any Environmental Law.

5.21 Corporate Name. The exact corporate name of Borrower as it appears in its articles of incorporation is as set forth in the introduction of this Agreement and, with the exception of doing business under the name GIFI, Inc., Borrower has never done any business in any location under any other name. The exact corporate name of Dolphin Services as it appears in its articles of incorporation is as set forth in the recitals of this Agreement, and Dolphin Services has never done any business in any location under any other name.

20

5.22 Collateral. The Collateral Documents create in favor of Banks, and/or Agent for the benefit of Banks, valid, enforceable and perfected Liens on the properties described therein, which Liens secure the payment and performance of the obligations of Borrower and its Subsidiaries to Banks described in the Collateral Documents, and which Liens are superior to the rights of all third Persons, whether now existing or hereafter arising.

5.23 Taxpayer I.D. Numbers. Borrower's Federal Taxpayer Identification Number is 72-1147390, and Dolphin Services' Federal Taxpayer Identification Number is 72-0890896.

5.24 Effect of Dolphin Merger. Following the merger of Dolphin Sales and Dolphin Steel into Dolphin Services pursuant to a certain Agreement of Merger among Dolphin Sales, Dolphin Steel and Dolphin Services, dated April 30, 1997, Dolphin Services acquired ownership of Dolphin Sales' immovable property subject to the Liens previously created by the Collateral Documents on such immovable property which continue in full force and effect and with the same ranking as existed prior to said merger.

#### Section 6. Borrower's Covenants.

From the date of this Agreement and thereafter until the expiration or termination of the Revolving Commitment, and until the Notes and other liabilities of Borrower hereunder are paid in full and all other obligations and liabilities under the Loan Documents are performed and paid in full, Borrower agrees that it will:

##### 6.1 Financial Statements. Furnish to Agent:

(a) promptly after the sending or filing thereof, copies of all reports which Borrower sends to any of its public security holders, and copies of all Forms 10-K, 10-Q and 8-K, Schedules 13E-4 (including all exhibits filed therewith) and registration statements, and

21

any other filings or statements that Borrower files with the Securities and Exchange Commission or any national securities exchange;

(b) within one hundred twenty (120) days after the end of each fiscal year, a copy of Borrower's financial statements (describing assets, liabilities, and results of operations for Borrower and its Subsidiaries on a consolidated basis), audited by independent certified public accountants of nationally recognized standing selected by Borrower and reasonably satisfactory to Banks, prepared in conformity with GAAP;

(c) within forty-five (45) days after the end of each month, a copy of Borrower's unaudited financial statements (describing assets, liabilities, and results of operations for Borrower and its Subsidiaries on a consolidated basis) prepared in conformity with GAAP, except for the absence of footnotes normally associated with financial statements prepared in accordance with GAAP;

(d) together with the financial statements furnished by Borrower under preceding clause (a), a certificate of the president or chief financial officer of Borrower to the effect that no Event of Default with respect to Borrower, or event which might mature into an Event of Default with respect to Borrower, has occurred and is continuing;

(e) forthwith upon the occurrence of an Event of Default, a certificate of the president or chief financial officer of Borrower specifying the nature and the period of existence thereof and what action Borrower proposes to take with respect thereto;

(f) written notice of any and all litigation affecting Borrower or any of its Subsidiaries, directly or indirectly; provided, however, this requirement shall not apply to litigation involving Borrower or one of its Subsidiaries and any other party if such litigation involves, in the

aggregate, less than \$500,000.00;

22

(g) prompt notice of any change in the present officers, directors and/or stockholders of Borrower or any of its Subsidiaries; and

(h) from time to time, such other information as Banks may reasonably request.

6.2 Access. Permit access, and cause its Subsidiaries to permit access, by Banks and Agent to the books and records and other property of Borrower and its Subsidiaries during normal business hours and upon reasonable notice and permit, and cause its Subsidiaries to permit, Banks to make copies of said books and records.

6.3 Insurance. Maintain, and cause its Subsidiaries to maintain, with financially sound and reputable insurance companies workmen's compensation insurance, liability insurance and insurance on Borrower's and its Subsidiaries' property, assets and business at least to such extent and against such hazards and liabilities as is commonly maintained by similar companies and, in addition to the foregoing insurance, such insurance as may be required in the Collateral Documents. In the case of property (whether owned by Borrower or by one of its Subsidiaries) on which Banks or Agent has a Lien, Borrower shall provide, and shall cause its Subsidiaries to provide, Agent with duplicate originals or certified copies of such policies of insurance naming Banks as additional loss payees and as additional insureds as their interests may appear and providing that such policies will not be canceled without thirty (30) days' prior written notice to Banks.

6.4 Repair. Maintain, preserve and keep, and cause its Subsidiaries to maintain, preserve, and keep, Borrower's and such Subsidiaries' properties in good repair, working order and condition, and make, and cause its Subsidiaries to make, necessary and proper repairs, renewals and replacements so that Borrower's and its Subsidiaries' business carried on in connection therewith may be properly conducted at all times.

23

6.5 Taxes. Pay or discharge, and cause its Subsidiaries to pay and discharge, at or before maturity or before becoming delinquent (a) all taxes, levies, assessments and governmental charges imposed on Borrower or any of its Subsidiaries or its income or profits or any of its property, and (b) all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any of Borrower's property or the property of any of its Subsidiaries; provided, however, that neither Borrower nor any Subsidiary shall be required to pay or discharge any tax, levy, assessment or governmental charge which is being contested in good faith by appropriate proceedings diligently pursued.

6.6 Corporate Existence. Maintain its corporate existence in good standing and cause its Subsidiaries to maintain their respective corporate existences in good standing.

6.7 Merger. Without the prior written consent of Banks, not, and cause each of its Subsidiaries not to:

(a) be a party to any merger or consolidation (other than a merger of one or more of the Subsidiaries into another Subsidiary or a merger of one or more of the Subsidiaries into Borrower, in either event followed by notice to Banks of the merger delivered within ten (10) days after the merger becomes effective);

(b) except in the normal course of its business, sell, transfer, convey, or lease all or any substantial part of Borrower's or a Subsidiary's assets;

(c) sell or assign, except in the normal course of Borrower's business or the business of one of its Subsidiaries, with or without recourse, any accounts receivable or chattel paper.

6.8 Compliance. Comply, and cause its Subsidiaries to comply, with all statutes, laws, ordinances, orders, rules and regulations applicable to Borrower or such Subsidiary, including,

24

without limitation, all Environmental Laws and ERISA; provided, however, Borrower and its Subsidiaries shall be deemed to be in compliance with this requirement for such time as Borrower or one of its Subsidiaries may be contesting, in good faith and with diligence by appropriate proceedings, any alleged violation of any statute, rule or regulation. Borrower shall not permit, and shall cause each of its Subsidiaries not to permit, any condition to exist in connection with any Plan which might constitute grounds for the PBGC to institute proceedings to have such Plan terminated or a trustee appointed to administer such Plan, and Borrower shall not engage in, or permit to exist or occur, and shall cause its Subsidiaries not to engage in or permit to occur or exist, any other condition, event or transaction with respect to, any such Plan which could result in Borrower or one of its Subsidiaries incurring any material liability, fine or penalty.

Without limiting the generality of the foregoing, Borrower shall comply, and shall cause each of its Subsidiaries to comply, fully with and maintain in effect any and all environmental permits and licenses required under any Environmental Law in order to conduct Borrower's or such Subsidiary's business. To the extent such permits are required but have not been obtained, or to the extent such existing permits must be modified or renewed, Borrower shall make, and shall cause its Subsidiaries to make, timely application for and obtain all such permits, modifications or renewals thereof, as the case may be, including, but not limited to, necessary federal and/or state water discharge, air emission and waste management permits.

As often as Banks or Agent may require, Borrower shall submit to Agent written progress reports addressing the status of environmental permits and plans required of Borrower or any of its Subsidiaries, including pending permit applications.

Anything contained herein to the contrary notwithstanding, Borrower shall not use, or permit any of its Subsidiaries to use, any of the properties of Borrower or of one of Borrower's Subsidiaries

25

or allow such properties to be used for the storage, treatment or disposal of Solid Waste or Hazardous Substances except in the ordinary course of Borrower's or such Subsidiary's business and in compliance with the terms of any applicable Environmental Law or permit.

6.9 Use of Proceeds. Not use or permit any proceeds of the Advances to be used, either directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of "purchasing or carrying any margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time, and furnish to Banks, upon either of their requests, a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in Regulation U of the Board of Governors of the Federal Reserve System.

6.10 Financial Covenants. Maintain, on a consolidated basis with all of its Subsidiaries,

(a) a ratio of current assets to current liabilities, as determined in accordance with GAAP, in excess of 1.50 to 1.00;

(b) a minimum Net Worth of THIRTY-EIGHT MILLION AND NO/100 DOLLARS (\$38,000,000.00) from the date of this Agreement until June 30, 1997 and a minimum Net Worth thereafter equal to the sum of THIRTY-EIGHT MILLION AND NO/100 DOLLARS (\$38,000,000.00) plus (1) fifty percent (50%) of the earnings of Borrower and its Subsidiaries, as determined in accordance with GAAP, accruing after June 30, 1997 and (2) one hundred percent (100%) of the proceeds of any future public equity offering by Borrower, net of any fees, commissions, expenses and other costs incurred by Borrower in connection with such public equity offering;

(c) a ratio of Debt to Net Worth no greater than .50 to 1.00; and

(d) a ratio of EBIT to Interest Expense of at least 4.00 to 1.00, such ratio to be determined as of the end of each fiscal quarter by giving effect to such fiscal quarter and the

26

three (3) immediately preceding fiscal quarters; provided that there shall be no Event of Default under this Section 6.10(d) unless Borrower fails to meet the ratio described in this Section 6.10(d) for three (3) successive fiscal quarters.

6.11 Liens. Not create, incur, or suffer to exist, and not permit any of Borrower's Subsidiaries to create, incur or suffer to exist, any Lien on any of Borrower's property or on the property of Borrower's Subsidiaries except ((a) through (g) of this Section being referred to collectively as the "Permitted Liens"):

(a) those for taxes, assessments or governmental charges or levies if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings;

(b) those imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due;

(c) those arising out of pledges or deposits under workmen's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;

(d) utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of Borrower or of any of Borrower's Subsidiaries;

(e) lessors' interests under financing leases;

27

(f) liens on assets of Borrower and its Subsidiaries not covered by the Loan Documents which liens secure obligations of Borrower or its Subsidiaries in the ordinary course of business which in the aggregate for all such obligations of Borrower and its Subsidiaries do not exceed \$250,000.00; and

(g) the Liens created pursuant to the Loan Documents.

6.12 Debt. Not create or permit to exist, and not allow any of Borrower's Subsidiaries to create or permit to exist, any Debt without the prior written consent of Banks, if, as a result thereof, exclusive of the indebtedness contemplated by this Agreement, the aggregate amount of Debt of Borrower and its Subsidiaries would exceed the sum of \$1,000,000.00; provided, however, that any Subsidiary may incur Debt owed to Borrower and such Debt owed to Borrower shall not be included in the \$1,000,000.00 limit.

6.13 Shareholder or Employee Loans. Not make, and not permit any Subsidiary to make, advances or loans to employees of Borrower or any Subsidiary or shareholders of Borrower which exceed the aggregate amount of \$100,000.00.

6.14 Change in Business. Carry on and conduct, and cause its Subsidiaries to carry on and conduct, the business of Borrower and each of its Subsidiaries in substantially the same manner and in substantially the same fields of enterprise as such businesses are presently conducted; provided, however, that the foregoing shall not prevent Borrower or one of its Subsidiaries from engaging in new and additional activities as long as said activities are in substantially the same fields of enterprise as are currently being engaged in by Borrower and Dolphin Services.

6.15 Accounts Receivable. Provide, and cause its Subsidiaries to provide, Banks with aging reports of Borrower's and such Subsidiaries' accounts receivable on a monthly basis.

28

6.16 Compliance with Agreements. Comply with, and cause each of its Subsidiaries to comply with, all indentures, mortgages, deeds of trust and other agreements binding on Borrower or any Subsidiary or affecting its properties or business.

6.17 Further Assurances. Execute and deliver, and cause its Subsidiaries to execute and deliver, such further documentation as may be requested by Banks or Agent to carry out the provisions and purposes of this Agreement and the other Loan Documents and to preserve and perfect the Liens of Banks or Agent for the benefit of Banks, as the case may be, in the Collateral.

6.18 Disposition of Assets. Not sell, lease, assign, transfer or otherwise dispose of, and shall cause each of its Subsidiaries not to sell, lease, assign, transfer or otherwise dispose of, any of its assets, except dispositions of inventory, equipment, and scrap in the ordinary course of business and as otherwise provided in this Agreement.

6.19 Change Tax I.D. Number. Not change, and cause Dolphin Services not to change, any of the Federal Taxpayer Identification Numbers set forth in Section 5.23 hereof without giving Agent at least sixty (60) days' prior written notice.

6.20 Indemnity. Indemnify, defend and hold Agent and Banks and their respective directors, officers, agents, attorneys and employees harmless from and against all claims, demands, causes of action, liabilities, losses, costs and expenses (including, without limitation, costs of suit, reasonable legal fees and fees of expert witnesses) arising from or in connection with (a) the presence in, on or under any property of Borrower or of any Subsidiary of Borrower (including, without limitation, the Real Property) of any Hazardous Substance or Solid Waste, or any releases or discharges (as the terms "release" and "discharge" are defined under any applicable Environmental Law) of any Hazardous Substance or Solid Waste on, under or from such property, (b) any activity carried on or undertaken on or off such property of Borrower or of any of its Subsidiaries, whether prior to or during the term of this Agreement, and whether by Borrower, any of its

29

Subsidiaries or any predecessor in title to Borrower's or such Subsidiary's



property or any officers, employees, agents, contractors or subcontractors of Borrower, any Subsidiary of Borrower or any predecessor in title to the property of Borrower or such Subsidiary, or any third persons at any time occupying or present on such property, in connection with the handling, use, generation, manufacture, treatment, removal, storage, decontamination, clean-up, transportation or disposal of any Hazardous Substance or Solid Waste at any time located or present on or under any of the aforescribed property, or (c) any breach of any representation, warranty or covenant under the terms of this Agreement. The foregoing indemnity shall further apply to any residual contamination on or under any or all of the aforescribed property, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the use, handling, storage, transportation or disposal of any Hazardous Substance or Solid Waste, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances. The indemnity described in this Section shall survive the termination of this Agreement for any reason whatsoever.

6.21 Real Property. Not create a Lien on any of the Real Property, or permit any Subsidiary to create a Lien on any of the Real Property, in favor of, or otherwise convey, or permit a Subsidiary to convey, any portion of the Real Property to any Person without the prior written consent of Banks.

#### Section 7. Conditions Precedent to Extensions of Credit.

The obligation of Banks to extend credit to Borrower under this Agreement is subject to the satisfaction of the conditions precedent, in addition to the applicable conditions precedent set forth

30

in Section 8 below with respect to Advances and/or Letters of Credit, that Borrower shall have delivered, or caused to be delivered, to Banks in form and substance satisfactory to Banks:

7.1 Borrower's Resolutions. Copies, duly certified by the secretary or assistant secretary of Borrower, of (a) the resolutions of Borrower's Board of Directors authorizing the borrowings hereunder and the execution and delivery of all of the Loan Documents to which Borrower is a party, (b) all documents evidencing other necessary corporate action and (c) all approvals or consents, if any, with respect to the Loan Documents.

7.2 Dolphin Services' Resolutions. Copies, duly certified by the secretary or assistant secretary of Dolphin Services, of (a) the resolutions of Dolphin Services' Board of Directors authorizing the borrowings hereunder and the execution and delivery of all of the Loan Documents to which Dolphin Services is a party, (b) all documents evidencing other necessary corporate action and (c) all approvals or consents, if any, with respect to the Loan Documents.

7.3 Notes. Borrower's duly executed Notes payable to the order of Banks.

7.4 New Collateral Documents. The duly authorized and executed new Collateral Documents of Borrower and Dolphin Services annexed hereto as Exhibits "D", "E", "F", "G", "H", "I", and "J" (the "New Collateral Documents").

7.5 Incumbency. Certificates of Borrower's and Dolphin Services' secretary or assistant secretary, substantially in the form of Exhibit "K" hereto, certifying the name of the officers of Borrower and Dolphin Services authorized to execute the Loan Documents, and all other documents or certificates to be delivered hereunder, together with the true signatures of such officers.

7.6 Certification. A certificate, substantially in the form of Exhibit "L" hereto, of the president or chief financial officer of Borrower as to the matters set out in Sections 8.1 and 8.2 hereof.

31

7.7 Opinion. The opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., counsel to Banks and Agent, addressed to Banks and Agent, to the effect that (a) Borrower and Dolphin Services are corporations duly organized, validly existing and in good standing under the laws of the State of Louisiana; (b) Borrower has full power to execute, deliver and perform its obligations under this Agreement, the Notes and the Collateral Documents to which it is a party; (c) Dolphin Services has full power to execute, deliver and perform its obligations under this Agreement and the Collateral Documents to which it is a party; (d) such actions have been duly authorized by all necessary corporate action, and are not in conflict with any provision of law or of the charter or by-laws of Borrower or Dolphin Services, nor to the best of counsel's knowledge, in conflict with any agreement binding upon Borrower or Dolphin Services; and (e) this Agreement, the Notes, and the New Collateral Documents are the legal and binding obligations of Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, reorganization, moratorium or similar laws.

Section 8. Additional Conditions Precedent to Advances and/or Letters of Credit.

The obligation of Banks to make any Advance and/or issue any Letter of Credit under the Revolving Credit Facility is subject to, in addition to the satisfaction of all other conditions precedent applicable to the Revolving Credit Facility and set forth in Section 7 above, the satisfaction of each of the following conditions precedent:

8.1 Default. Before and after giving effect to such Advance and/or Letter of Credit, no Event of Default shall have occurred and be continuing.

8.2 Warranties. Before and after giving effect to such Advance and/or Letter of Credit, the representations and warranties in Section 5 hereof shall be true and correct as though made on

32

the date of such Advance and/or Letter of Credit except for such changes as are specifically permitted hereunder.

Section 9. Events of Default.

The following events shall constitute Events of Default hereunder and under the Revolving Credit Facility, individually and collectively, and under all other Loan Documents:

9.1 Payment. Default in the payment of principal on any one or more of the Notes when due, or default in the payment of any interest on any one or more of the Notes or any expense or fee hereunder or under any of the other Loan Documents, which default shall continue for a period of five (5) days following written notice thereof to Borrower from Banks or Agent;

9.2 Other Indebtedness. Any other indebtedness of Borrower is not paid at maturity or becomes due and payable prior to its expressed maturity by reason of any default by Borrower in the performance or observance of any obligation or condition thereunder which default shall continue for a period of thirty (30) days following written notice thereof to Borrower from Banks or Agent;

9.3 Other Default. Any default of any other obligation of Borrower under the terms of any note or notes, mortgage, indenture, loan agreement or security document of Borrower, including, without limitation, any of the Loan Documents, which default shall continue for a period of thirty (30) days following written notice thereof to Borrower from Banks or Agent, it being expressly understood and agreed that a default under any note, mortgage, indenture, loan agreement or security document of Borrower, including, without limitation, any of the Loan Documents, shall constitute a default under all other notes, mortgages, indentures, loan agreements and security documents held by Banks or Agent, including, without limitation, the Loan Documents;

9.4 Insolvency. Borrower or any Subsidiary of Borrower becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the

33

appointment of a trustee or receiver for Borrower, such Subsidiary or any property of Borrower or of such Subsidiary; or, in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for Borrower, for any Subsidiary of Borrower or for a substantial part of any property of either Borrower or of any of its Subsidiaries and is not discharged within thirty (30) days; or any bankruptcy, reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against Borrower or any of Borrower's Subsidiaries, and if instituted against Borrower or one of Borrower's Subsidiaries, it is consented to or acquiesced in by Borrower or such Subsidiary, or remains for thirty (30) days undischarged; or any warrant of attachment is issued against any substantial portion of the property of Borrower or of any Subsidiary of Borrower which is not released within thirty (30) days of service;

9.5 ERISA. The PBGC applies to a United States District Court for the appointment of a trustee to administer any Plan adopted, established or maintained by Borrower, or for a decree adjudicating that any such Plan must be terminated; a trustee is appointed pursuant to ERISA to administer any such Plan; any action is taken to terminate any such Plan or any such Plan is permitted or caused to be terminated if, at the time such action is taken or such termination of such Plan occurs, the Plan's "vested liabilities," as defined in Section 3(25) of ERISA, exceed the then value of its assets at the time of such termination;

9.6 Agreements. Default in the performance of any of Borrower's covenants and/or agreements set forth in this Agreement and/or any of the other Loan Documents (and not constituting an Event of Default under any of the preceding

subsections of this Section 9), which default shall continue for a period of thirty (30) days after written notice thereof to Borrower from Banks or Agent;

34

9.7 Representation or Warranty. Any representation or warranty made by Borrower or by any Subsidiary of Borrower herein is untrue in any material respect, or any schedule, statement, report, notice or writing furnished by Borrower or any of the Owners to Banks is untrue in any material respect on the date as of which the facts set forth are stated or certified which default shall continue for a period of thirty (30) days after written notice thereof to Borrower from Banks or Agent; and

9.8 Subsidiary Default. Any Subsidiary of Borrower defaults on the payment of any amount due Banks under any Loan Document to which such Subsidiary is a party, which default shall continue for a period of five (5) days following written notice thereof to Borrower from Banks or Agent; any representation or warranty made by a Subsidiary of Borrower under any Loan Document is untrue in any material respect as of the date made, or any schedule, statement, report, notice or writing furnished by a Subsidiary of Borrower to Banks is untrue in any material respect on the date as of which the facts set forth are stated or certified, which default shall continue for a period of thirty (30) days after written notice thereof to Borrower from Banks or Agent; or any Subsidiary of Borrower defaults in the performance of any other covenant and/or agreement set forth in any Loan Document to which such Subsidiary is a party, which default shall continue for a period of thirty (30) days after written notice thereof to Borrower from Banks or Agent.

Upon the occurrence of any Event of Default, Banks, or Agent upon the direction of Banks, in addition to all of the remedies conferred upon Agent and/or Banks under law, in equity or under any of the Loan Documents, may declare the Revolving Commitment to be terminated and the Notes to be due and payable, whereupon the Revolving Commitment shall immediately terminate, and the Notes shall become immediately due and payable, without notice of any kind, except that if an event

35

described in Section 9.4 occurs, the Revolving Commitment shall immediately terminate, and the Notes shall become immediately due and payable without declaration or notice of any kind.

Section 10. Agent.

10.1 Authorization and Action. Each Bank hereby appoints and authorizes Agent to execute the Collateral Documents on behalf of each such Bank and to take such action as Agent on such Bank's behalf, and to exercise such powers under the Loan Documents, as are delegated to Agent by the terms thereof, together with such other powers as are reasonably incidental thereto, including, without limitation, the enforcement of the Loan Documents in accordance with the terms thereof (including, without limitation, the collection of the Notes), and Agent hereby accepts such appointment. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of Banks and such instructions shall be binding upon Banks; provided, however, that Agent shall not be required to take any action which exposes Agent to personal liability or which is contrary to any of the Loan Documents or applicable law. Agent shall not consent to any amendment of this Agreement or any of the other Loan Documents (and no amendment by Banks shall be effective without consent of Agent), the effect of which would be to increase the amount of the Obligations or extend the maturity of any obligation, reduce the bases on which any interest is computed, release any Collateral, waive any provision regarding covenants or obligations of Borrower or the Owners or Events of Default, without the express written consent of all Banks.

10.2 Agent's Reliance, Etc. Neither Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in

36

connection with any of the Loan Documents except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (i) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Agent; (ii) may consult with legal counsel (including counsel for Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with any of the Loan Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or

observance of any of the terms, covenants or conditions of any of the Loan Documents on the part of Borrower or to inspect the property (including the books and records) of Borrower; (v) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instruments or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any of the Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, cable or telex) believed by it to be genuine and signed by the proper party or parties.

10.3 First NBC and Affiliates. With respect to the Note payable to the order of First NBC and the portion of the Revolving Commitment applicable to First NBC, First NBC shall have the same rights and powers under the Loan Documents as the other Bank and may exercise the same as though it were not Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include First NBC in its individual capacity. Without limiting the generality of the foregoing, First NBC and its affiliates may accept deposits from, and generally engage in any kind

37

of business with, Borrower, and any person, firm or corporation who may do business with or own securities of Borrower, all as if First NBC were not Agent and without any duty to account therefor to Banks.

10.4 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon Agent or any other Bank and based on the financial statements furnished by Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents. Each Bank acknowledges that a copy of this Agreement has been made available to it and each Bank acknowledges that it is satisfied with the form and substance of this Agreement.

10.5 Indemnification. Banks agree to indemnify and hold Agent harmless (to the extent not reimbursed by Borrower), ratably according to the respective principal amounts of the Notes then held by each of them (or if no Notes are at the time outstanding, ratably according to the respective amounts of their commitments hereunder), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of any of the Loan Documents or any action taken or omitted by Agent under any of the Loan Documents (including, without limitation, attorneys' fees and other costs associated with defending Agent against any of the foregoing), provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or wilful misconduct.

38

Without limitation of the foregoing, each Bank agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including attorneys' fees) incurred by Agent in connection with the preparation, execution, administration, or enforcement of, or the preservation of any rights under, the Loan Documents, to the extent that Agent is not reimbursed for such expenses by Borrower.

10.6 Successor Agent. Agent may resign at any time by giving written notice thereof to Banks and Borrower and may be removed at any time with or without cause by Banks by notice to Borrower. Upon any such resignation or removal, Banks shall have the right to appoint a successor agent by notice to Borrower. If no successor agent shall have been so appointed by Banks, and shall have accepted such appointment, within thirty (30) days after Agent's giving of notice of its resignation, then Agent may, on behalf of Banks, appoint a successor agent, by notice to Borrower and Banks, which successor agent shall be a commercial bank organized under the laws of the United States of America or any state thereof having a combined capital and surplus of at least \$5,000,000. Upon the acceptance of any appointment as Agent by a successor agent, such successor agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of Agent, and Agent shall be discharged from its duties and obligations under the Loan Documents. After Agent's resignation or removal hereunder as Agent, the provisions of this Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under the Loan Documents.

10.7 Benefits of Section. None of the provisions of this Section shall inure to the benefit of Borrower or any Person other than Banks; consequently, neither Borrower nor any other Person shall be entitled to rely upon, or to raise as a defense, in any manner whatsoever, the failure of any Bank to comply with such provisions.

10.8 Change in Specified Percentage. No Bank shall assign outright its entire interest in the Revolving Credit Facility or the Revolving Commitment or make any participation without the consent of the other Bank and Agent.

Section 11. General.

11.1 Definitions. As used in this Agreement, terms used herein with initial capital letters shall have the following meanings, unless defined elsewhere in this Agreement or unless the context clearly indicates otherwise:

"Advance" has the meaning ascribed to the term in Section 1.1 of this Agreement.

"Agent" has the meaning ascribed to the term on the first page hereof.

"Agreement" means this Sixth Amended and Restated Revolving Credit Agreement, as it may be further amended, restated, modified and/or supplemented from time to time in the future.

"Bank" and "Banks" have the meanings ascribed to the terms on the first page hereof.

"Benefitted Bank" has the meaning ascribed to the term in Section 4.2 hereof.

"Borrower" has the meaning ascribed to the term on the first page hereof.

"Borrowing Date" means any Business Day specified in a notice pursuant to Section 3.6 as a date on which Borrower requests Banks to make Advances hereunder.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a legal holiday for commercial banks in the State of Louisiana.

"Capitalized Leases" means capital leases and subleases, as defined in the Financial Accounting Standards Board Statement of Financial Accounting Standard No. 13, dated November 1976, as amended.

"Collateral" means all property described in and subject to the Collateral Documents and any and all other property hereafter made subject to a Lien to secure the payment and performance of the Obligations.

"Collateral Documents" means the documents listed on Exhibit "M" annexed hereto and any and all other documents, instruments and agreements delivered to Agent or Banks to secure the Obligations and/or any other obligations described in this Agreement, as the foregoing may be amended, modified or supplemented from time to time.

"Credit Agreement" has the meaning ascribed in the recital paragraphs of this Agreement.

"Debt" means: (a) all obligations of Borrower or of any of Borrower's Subsidiaries for borrowed money, (b) all obligations of Borrower or of any of Borrower's Subsidiaries evidenced by bonds, notes, debentures or other similar instruments, (c) all obligations of Borrower or of any of Borrower's Subsidiaries to pay the deferred purchase price of property or services, except trade accounts payable by Borrower or by any of Borrower's Subsidiaries arising in the ordinary course of business which are not past due by more than sixty (60) days unless such trade accounts payable are being contested in good faith by appropriate proceedings, (d) all obligations of Borrower or of any of Borrower's Subsidiaries under any Capitalized Leases, (e) all obligations of Borrower or of any of Borrower's Subsidiaries under guaranties, endorsements (other than for collection or deposit in the ordinary course of business), assumptions or other contingent obligations, in respect of, or to purchaser or otherwise acquire, any obligation or indebtedness of Borrower or of any of Borrower's Subsidiaries, or any other obligations, contingent or otherwise, (f) all obligations secured by a Lien (except trade accounts payable by Borrower or by any of Borrower's Subsidiaries arising in the ordinary course of business which are not past due by more than sixty (60) days unless such trade accounts payable are being contested in good faith by appropriate proceedings secured by a vendor's lien) existing on property owned by Borrower or by any of Borrower's Subsidiaries, whether or not the obligations secured thereby have been assumed by Borrower or by any of Borrower's Subsidiaries or are non-recourse to the credit of Borrower or of any of Borrower's Subsidiaries, (g) all reimbursement obligations of Borrower or of any of Borrower's Subsidiaries, other than performance bonds of Borrower or of any of Borrower's Subsidiaries (whether contingent or otherwise), relating to letters of credit, bankers' acceptances and

similar instruments, and (h) all liabilities of Borrower or of any of Borrower's Subsidiaries in respect of unfunded vested benefits under any Plan; provided, however, the term "Debt" shall not include money borrowed by Borrower or by any of Borrower's Subsidiaries to pay premiums on insurance policies obtained by Borrower or by any of Borrower's Subsidiaries in the ordinary course of Borrower's or of any of Borrower's Subsidiaries' business and shall further not include any type of obligation of a Subsidiary to Borrower.

"Default Rate" has the meaning ascribed to the term in Section 3.2 hereof.

"EBIT" means, with respect to any Person for any period, consolidated net income of such Person for such period, plus (i) interest expense for such Person for such period, and (ii) tax expense for such period for taxes which have been provided for by such Person for such period, to the extent that any of the same are deducted from net revenues in determining such Person's consolidated net income for such period.

"Environmental Laws" means any and all federal, state and local laws, regulations, ordinances, orders and requirements pertaining to health, safety or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. (S) 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. (S) 6901 et seq., the Clean Air Act, 42 U.S.C. (S) 7401 et seq., the Clean

41

Water Act, 33 U.S.C. (S) 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. (S) 2601 et seq., the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq., and all similar laws, regulations and requirements of any governmental authority or agency having jurisdiction over Borrower, any of its Subsidiaries or any of the property or assets of Borrower or of any of its Subsidiaries, as such laws, regulations and requirements may be amended or supplemented from time to time.

"Event of Default" means the occurrence of any event described in Section 9 hereof or the occurrence of any other event which with the lapse of time, or lapse of time and notice to Borrower would constitute an Event of Default.

"Existing Security" means all security previously granted by Borrower or by one of its Subsidiaries to Banks pursuant to the Collateral Documents and other Loan Documents.

"First NBC" has the meaning ascribed to the term in the recitals to this Agreement.

"FNBC LIBO Rate": with respect to each Interest Period pertaining to a LIBO Rate Advance, the rate per annum equal to the rate quoted on page 16 of the Telerate screen (or such other page as may replace the LIBO page on that service for displaying London interbank offered rates of major banks) at approximately 11:00 a.m. New Orleans, Louisiana time (or as soon thereafter as is practicable) on the day that is one Business Day prior to the beginning of such Interest Period for Eurodollar deposit instruments issued on the first day of such Interest Period for the number of months comprised therein and in an amount comparable to the amount of the LIBO Rate Advance to which such Interest Period applies. The FNBC LIBO Rate determined by Agent with respect to a particular Interest Period shall be fixed at such rate for the duration of such Interest Period.

"GAAP" means generally accepted accounting principles, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question. Accounting principles are applied on a "consistent basis" when the accounting principles observed in a current period are comparable in all material respects to those accounting principles applied in a preceding period.

"Hazardous Substance" has the meaning specified in any applicable Environmental Law and means any substance, product, waste, pollutant, material, chemical, contaminant, constituent or other material which is or becomes listed, regulated or addressed under any Environmental Law, including, without limitation, asbestos, petroleum and polychlorinated biphenyls.

"Interest Expense" means with respect to any Person for any period, interest expense for such Person for such period, determined in accordance with GAAP.

"Interest Period" means with respect to any LIBO Rate Advance:

- (i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such LIBO Rate Advance and ending one, two, or three months thereafter, as selected by Borrower in its notice to Agent of borrowing or notice of conversion, as the case may be, given with respect thereto; and
- (ii) thereafter, each period commencing on the day immediately following the last day of the next preceding Interest Period applicable to such LIBO Rate Advance and ending one, two or three months thereafter, as selected by Borrower by notice to Agent not less than one (1) Business Day prior to the last day of the then current Interest Period with respect thereto; and

provided, that:

(x) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(y) any Interest Period which, with respect to a LIBO Rate Advance under the Revolving Credit Facility, would otherwise extend beyond the Termination Date shall end on the Termination Date; and

(z) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"LC Commitment" means the lesser of (a) FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00) or (b) the Revolving Commitment at the time in question.

"Letters of Credit" has the meaning ascribed to the term in Section 1.1 hereof.

"LIBO Rate" means with respect to each day during an Interest Period for a LIBO Rate Advance, an interest rate per annum equal to the sum of (a) one and one-half percent (1.50%) plus (b) the FNBC LIBO Rate.

"LIBO Rate Advance" means an Advance made under the Revolving Credit Facility which bears interest at the LIBO Rate.

"Lien" means any lien, judgment, mortgage, deed of trust, security interest, tax lien, financing statement, pledge, charge, hypothecation, assignment, preference, priority or other encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law

or otherwise; provided, however, that the term "Lien" shall exclude any statutory mechanic's or laborer's lien arising in the ordinary course of the business of Borrower and its Subsidiaries which is cancelled or bonded within sixty (60) days of its recordation.

"Loan Documents" means, collectively, this Agreement, the Notes, the Collateral Documents, and any and all other documents, instruments and agreements executed in connection with the Advances, as the foregoing may be modified, supplemented and/or amended from time to time.

"Net Worth" means the sum of the common stock, additional paid-in capital and retained earnings accounts of Borrower and its Subsidiaries on a consolidated basis, as shown in conformity with GAAP on its balance sheet at the time of such determination, less the amount of any treasury stock shown thereon and less the amount of any intangible assets (such as patents, trademarks, copyrights or goodwill) shown thereon.

"New Collateral Documents" has the meaning ascribed to the term in Section 7.4 of this Agreement.

"Notes" has the meaning ascribed to the term in Section 2.1 of this Agreement.

"Obligations" means all obligations, indebtedness and liabilities of Borrower to Agent and/or either or both of Banks, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, including, without limitation, the obligations, indebtedness, and liabilities of

Borrower under this Agreement, the Notes and the other Loan Documents, and all interest accruing thereon and all attorneys' fees and other expenses incurred in the enforcement or collection thereof.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"Permitted Liens" has the meaning ascribed to the term in Section 6.11 hereof.

"Person" means any individual, corporation, business, trust, association, company, partnership, joint venture, governmental authority or other entity.

"Plan" has the meaning ascribed to the term in Section 5.10 hereof.

"Prime Rate" has the meaning ascribed to the term in Section 3.3 hereof.

"Prime Rate Advance" means an Advance made under the Revolving Credit Facility which bears interest at the Prime Rate.

"Prior Notes" means, collectively, the Revolving Notes (as defined in the Revised Credit Agreement) executed by Borrower in favor of Banks pursuant to the Revised Credit Agreement or any other notes evidencing the Revolving Credit Facility which were executed

44

by Borrower in favor of Banks pursuant to any predecessor agreement among Borrower and Banks.

"Real Property" means the property described on Exhibit "N" hereto, whether owned by Borrower or by one of its Subsidiaries.

"Revised Credit Agreement" has the meaning ascribed in the recital paragraphs of this Agreement.

"Revolving Commitment" means TWENTY MILLION AND NO/100 DOLLARS (\$20,000,000.00), as such amount may be reduced by Borrower in accordance with Section 4.4 of this Agreement.

"Revolving Credit Facility" has the meaning ascribed to the term in Section 1.1 of this Agreement.

"Solid Waste" has the meaning specified in any applicable Environmental Law.

"Subsidiary" means, as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person.

"Termination Date" means December 31, 1999.

"UCC" means the Uniform Commercial Code, as in effect from time to time in each state where any of the Collateral is located or otherwise has a situs; provided, however, if the Uniform Commercial Code in no particular state is ascertainable or applicable, UCC shall mean the Uniform Commercial Code, as in effect from time to time in the State of Louisiana.

"Unused Commitment" has the meaning ascribed to the term in Section 1.1 hereof.

"Whitney" has the meaning ascribed to the term in the recitals to this Agreement.

All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all Section references pertain to this Agreement.

45

11.2 Financial Terms. Unless otherwise defined or the context otherwise requires, all financial and accounting terms shall be defined under GAAP.

11.3 Delay. No delay on the part of Banks, Agent or any holder of any one or more of the Notes, in the exercise of any power or right shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right



preclude other or further exercise thereof, or the exercise of any other power or right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

11.4 Notices. All notices, statements, requests and demands given to or made under any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given or made when deposited in the mail, postage pre-paid, registered or certified mail return receipt requested addressed:

If to Banks:

First National Bank of Commerce  
201 St. Charles Avenue  
New Orleans, Louisiana 70170  
Attention: Mr. J. Charles Freel, Jr.  
Senior Vice President

and

46

Whitney National Bank  
228 St. Charles Avenue  
New Orleans, Louisiana 70130  
Attention: Mr. Harry C. Stahel  
Senior Vice President

With a copy to:

William H. Hines, Esq.  
Jones, Walker, Waechter, Poitevent,  
Carrere & Denegre  
Place St. Charles  
201 St. Charles Avenue  
New Orleans, Louisiana 70170

If to Agent:

First National Bank of Commerce  
201 St. Charles Avenue  
New Orleans, Louisiana 70170  
Attention: Mr. J. Charles Freel, Jr.  
Senior Vice President

With a copy to:

William H. Hines, Esq.  
Jones, Walker, Waechter, Poitevent,  
Carrere & Denegre  
Place St. Charles  
201 St. Charles Avenue  
New Orleans, Louisiana 70170

If to Borrower:

Gulf Island Fabrication, Inc.  
583 Thompson Road  
Houma, Louisiana 70363  
Attention: Kerry J. Chauvin, President

or

Gulf Island Fabrication, Inc.  
P.O. Box 310  
Houma, Louisiana 70361  
Attention: Kerry J. Chauvin, President

47

With respect to notices to Borrower, such notices shall, if sent by overnight courier or other means requiring a street address, be sent to the first address provided above. If such notices are sent by means not requiring a street address, such notices shall be sent to the second address provided above.

11.5 Expenses. Whether or not the Advances are made, Borrower agrees to reimburse Banks and Agent, upon demand, for all expenses (including reasonable attorneys' fees and legal expenses incurred by Banks and/or Agent) incurred by Banks and/or Agent in the preparation, negotiation and/or execution of the Loan Documents, and in enforcing the obligations of Borrower hereunder or under any of the other Loan Documents, and to pay, and save Banks and Agent harm less from all liability for, any stamp or other taxes which may be payable with respect to the execution or delivery of this Agreement, the execution, delivery or issuance of the Notes, and/or the execution, delivery and recordation of the other Loan Documents, which obligations of Borrower shall survive any termination of this Agreement.

11.6 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

11.7 Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

11.8 Law. The Loan Documents, and each of them, shall be contracts made under and governed by the laws of the State of Louisiana.

48

11.9 Successors. This Agreement shall be binding upon Borrower, Banks, Agent and their respective successors and assigns, and shall inure to the benefit of Borrower, Banks and the successors and assigns of Banks and Agent. Borrower shall not assign its rights, obligations or duties hereunder or under any of the Loan Documents without the prior written consent of Banks. Banks shall give Borrower written notice of any assignment of its interests hereunder to any other Person, upon which assignment Borrower shall perform all of its respective obligations under the Loan Documents in favor of Banks' assignee(s) as though such assignee(s) were originally a party or parties to this Agreement.

11.10 Amendments. No amendment or waiver of any provision of this Agreement or consent to any departure therefrom by Borrower, Banks or Agent shall be effective unless the same shall be in writing and signed by Borrower, Banks and Agent and, in the case of a waiver or consent, such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

11.11 Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior agreements with respect to the transactions contemplated hereby.

11.12 Conflicts. This Agreement is in addition to and supplements the provisions of the other Loan Documents. To the extent that the provisions of this Agreement are in conflict with, and not merely in addition to, the provisions of the other Collateral Documents, the provisions of this Agreement shall govern.

49

IN WITNESS WHEREOF, the parties hereto and intervenors herein have caused this Agreement to be executed by their respective officers thereunto duly authorized effective as of the date first written above.

BORROWER:

GULF ISLAND FABRICATION, INC.

By: /s/ Kerry J. Chauvin  
-----  
Kerry J. Chauvin, President

BANKS:

FIRST NATIONAL BANK OF COMMERCE

By: /s/ J. Charles Freel, Jr.  
-----  
J. Charles Freel, Jr.,  
Senior Vice President

WHITNEY NATIONAL BANK

By: /s/ Harry C. Stahel  
-----  
Harry C. Stahel,  
Senior Vice President

AGENT:

FIRST NATIONAL BANK OF COMMERCE

By: /s/ J. Charles Freel, Jr.

-----  
J. Charles Freel, Jr.,  
Senior Vice President

50

INTERVENTION  
-----

NOW INTO THESE PRESENTS COMES Dolphin Services, Inc., which hereby reaffirms and ratifies its obligations under those Collateral Documents (as listed on Exhibit "M" hereto) to which it is a party, whether directly or as successor by merger to Dolphin Sales & Rentals, Inc.

DOLPHIN SERVICES, INC.

By: /s/ Kerry J. Chauvin

-----  
Kerry J. Chauvin, President

51

EXHIBITS  
-----

- A. First NBC's form of Application for Stand-By Letter of Credit
- B. \$10,000,000.00 Revolving Promissory Note made payable to the order of First NBC
- C. \$10,000,000.00 Revolving Promissory Note made payable to the order of Whitney
- D. Third Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) (Borrower)
- E. Third Amendment to Collateral Assignment of Leases and Rents (Borrower)
- F. Third Amendment to Commercial Security Agreement (Borrower)
- G. First Amendment to Pledge of Collateral Mortgage Note (Dolphin Services)
- H. First Amendment to Pledge of Collateral Mortgage Note (Dolphin Services, as successor by merger to Dolphin Sales)
- I. First Amendment to Commercial Security Agreement (Dolphin Services)
- J. First Amendment to Commercial Pledge and Security Agreement
- K. Incumbency Certificates
- L. Borrower's Default and Warranty Certificate
- M. List of Collateral Documents
- N. Description of Real Property

SCHEDULES  
-----

- 1. List of Borrower's Litigation

52

\*\*\*\*\*

All exhibits and schedules have  
been omitted and will be furnished  
to the Commission's staff upon request

\*\*\*\*\*

53

FORM OF STOCK OPTION AGREEMENT  
FOR THE GRANT OF  
NON-QUALIFIED STOCK OPTIONS UNDER THE  
GULF ISLAND FABRICATION, INC.  
LONG-TERM INCENTIVE PLAN

THIS AGREEMENT is entered into and effective as of \_\_\_\_\_, by and between Gulf Island Fabrication, Inc., a Louisiana corporation (the "Company"), and \_\_\_\_\_ (the "Optionee").

WHEREAS Optionee is a key employee of the Company and the Company considers it desirable and in its best interest that Optionee be given an inducement to acquire a proprietary interest in the Company and an incentive to advance the interests of the Company by possessing an option to purchase shares of the common stock of the Company, no par value per share (the "Common Stock") in accordance with the Gulf Island Fabrication, Inc. Long-Term Incentive Plan (the "Plan").

NOW, THEREFORE, in consideration of the premises, it is agreed by and between the parties as follows:

I.

Grant of Option

The Company hereby grants to Optionee effective as of the date hereof (the "Date of Grant") the right, privilege and option to purchase \_\_\_\_\_ shares of Common Stock (the "Option") at an exercise price of \$\_\_\_\_\_ per share (the "Exercise Price"). The Option shall be exercisable at the time specified in Section II below. The Option is a non-qualified stock option and shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

II.

Time of Exercise

2.1 Subject to the provisions of the Plan and the other provisions of this Section II, the Option shall become exercisable as to one-fifth of the shares covered thereby on the first anniversary of the Date of Grant, an additional one-fifth of the shares covered thereby on the second anniversary of the Date of Grant, an additional one-fifth of the shares covered thereby on the third anniversary of the Date of Grant, an additional one-fifth of the shares covered thereby on the fourth anniversary of the Date of Grant, and an additional one-fifth of the shares covered thereby on the fifth anniversary of the Date of Grant.

-1-

2.2 During Optionee's lifetime, the Option may be exercised only by him or his guardian if he has been declared incompetent. In the event of death, the Option may be exercised as provided herein by the Optionee's estate or by the person to whom such right devolves as a result of the Optionee's death.

2.3 If an Optionee ceases to be an employee because of death, disability within the meaning of Section 22(e)(3) of the Code ("Disability") or retirement, the Option must be exercised, to the extent otherwise exercisable at the time of termination of employment, within one year from the date on which the Optionee ceases to be an employee, but in no event later than ten years following the Date of Grant.

2.4 If Optionee's employment is terminated, other than as a result of death, disability or retirement, the Option shall terminate immediately.

2.5 The Option shall expire and may not be exercised later than ten years following the Date of Grant.

III.

Method of Exercise of Option

3.1 Optionee may exercise all or a portion of the Option by delivering to the Company a signed written notice of his intention to exercise the Option, specifying therein the number of shares to be purchased. Upon receiving such notice, and after the Company has received full payment of the Exercise Price, the appropriate officer of the Company shall cause the transfer of title of the shares purchased to Optionee on the Company's stock records and cause to be issued to Optionee a stock certificate for the number of shares being acquired. Optionee shall not have any rights as a shareholder until the stock certificate is issued to him.

3.2 The Option may be exercised by the payment of the Exercise Price in cash, in shares of Common Stock held for six months or in a combination of cash and shares of Common Stock held for six months. The Optionee may also pay the Exercise Price by delivering a properly executed exercise notice together with irrevocable instructions to a broker approved by the Compensation Committee (with a copy to the Company) to promptly deliver to the Company the amount of sale or loan proceeds to pay the Exercise Price.

IV.

No Contract of Employment Intended

Nothing in this Agreement shall confer upon Optionee any right to continue in the employment of the Company or any of its subsidiaries, or to interfere in any way with the right of

-2-

the Company or any of its subsidiaries to terminate Optionee's employment relationship with the Company or any of its subsidiaries at any time.

V.

Binding Effect

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and successors.

VI.

Non-Transferability

The Option granted hereby may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise, other than by will, by the laws of descent and distribution or pursuant to a domestic relations order, as defined in the Code, and shall not be subject to execution, attachment or similar process.

VII.

Inconsistent Provisions

The Option granted hereby is subject to the provisions of the Plan as in effect on the date hereof and as it may be amended. In the event any provision of this Agreement conflicts with such a provision of the Plan, the Plan provision shall control.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the day and year first above written.

GULF ISLAND FABRICATION, INC.

By: \_\_\_\_\_  
Member  
Compensation Committee  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
Optionee

-3-

SUBSIDIARIES OF GULF ISLAND FABRICATION, INC.

COMPANY

STATE OF INCORPORATION

Dolphin Services, Inc.  
Southport, Inc.

Louisiana  
Louisiana

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-46155) pertaining to the Long-Term Incentive Plan of our report dated January 26, 1998, with respect to the consolidated financial statements of Gulf Island Fabrication, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 1997.

/s/ ERNST & YOUNG LLP

-----  
ERNST & YOUNG LLP

New Orleans, Louisiana  
March 20, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-46155) of Gulf Island Fabrication, Inc. of our report dated January 23, 1997, except for the third paragraph of Note 1 which is as of February 13, 1997, the second paragraph of Note 4 which is as of February 14, 1997 and the third paragraph of Note 4 which is as of October 28, 1997, appearing in Exhibit 23.3 in this Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE LLP

-----

PRICE WATERHOUSE LLP

New Orleans, Louisiana  
March 23, 1998



REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying balance sheet and the related statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Gulf Island Fabrication, Inc. (the "Company") at December 31, 1995 and 1996, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICE WATERHOUSE LLP

-----  
PRICE WATERHOUSE LLP

New Orleans, Louisiana  
January 23, 1997, except for the third  
paragraph of Note 1 which is as of  
February 13, 1997, the second paragraph  
of Note 4 which is as of February 14,  
1997 and the third paragraph of Note  
4 which is as of October 28, 1997.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from consolidated financial statements and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-END>	DEC-31-1997
<CASH>	6,879
<SECURITIES>	0
<RECEIVABLES>	22,760
<ALLOWANCES>	0
<INVENTORY>	914
<CURRENT-ASSETS>	32,745
<PP&E>	51,715
<DEPRECIATION>	17,210
<TOTAL-ASSETS>	67,678
<CURRENT-LIABILITIES>	15,190
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	4,133
<OTHER-SE>	46,477
<TOTAL-LIABILITY-AND-EQUITY>	67,678
<SALES>	136,355
<TOTAL-REVENUES>	136,355
<CGS>	112,033
<TOTAL-COSTS>	116,703
<OTHER-EXPENSES>	(239)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	348
<INCOME-PRETAX>	19,543
<INCOME-TAX>	7,117
<INCOME-CONTINUING>	19,543
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	12,426
<EPS-PRIMARY>	1.15
<EPS-DILUTED>	1.14

</TABLE>