

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

FORM 10-Q

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

For the quarterly period ended March 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 72-1147390
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

583 THOMPSON ROAD,
HOUMA, LOUISIANA 70363
(Address of Principal Executive Offices) (Zip Code)

(504) 872-2100
Registrant's Telephone Number, Including Area Code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No X

As of May 14, 1997, there were 3,500,000 shares of common stock, no par value, outstanding.

GULF ISLAND FABRICATION, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except share data)

	March 31,		
	December 31,	1997	Pro Forma
	1996	(unaudited)	(Note 3) 1997 (unaudited)
	-----	-----	-----
ASSETS			
Current assets:			
Cash	\$ 1,357	\$ 410	\$ 410
Contracts receivable, net	11,674	22,608	22,608
Contract retainage	1,806	641	641
Costs and estimated earnings in excess of billings on uncompleted contracts	1,306	1,608	1,608
Prepaid expenses	500	705	705
Inventory	1,113	1,562	1,562
	-----	-----	-----
Total current assets	17,756	27,534	27,534
Property, plant and equipment, net	17,735	25,851	25,851
Other assets	418	562	562
	-----	-----	-----
	\$ 35,909	\$ 53,947	\$ 53,947
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 1,081	\$ 4,473	\$ 4,473
Billings in excess of costs and estimated earnings on uncompleted contracts	2,205	1,356	1,356
Accrued employee costs	1,903	1,921	1,921
Accrued expenses	1,036	4,868	4,868
Income taxes payable	-	84	84
Current portion of notes payable	530	548	548
Distribution to shareholders	-	-	14,000
	-----	-----	-----
Total current liabilities	6,755	13,250	27,250
Deferred income taxes (Note 3)	-	-	1,243
Notes payable, less current portion	5,657	16,214	16,214
	-----	-----	-----
Total liabilities	12,412	29,464	44,707
	-----	-----	-----
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 5):			
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, 3,500,000 shares issued and outstanding	1,000	1,000	1,000
Additional paid-in capital	6,670	6,670	6,670
Retained earnings	15,827	16,813	1,570
	-----	-----	-----
Total shareholders' equity	23,497	24,483	9,240
	-----	-----	-----
	\$ 35,909	\$ 53,947	\$ 53,947

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

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(in thousands, except per share data)

	Three months ended March 31,	
	1996	1997
Revenue	\$ 19,504	\$ 30,224
Costs of revenue	18,158	25,359
Gross profit	1,346	4,865
General and administrative expenses	512	1,002
Operating income	834	3,863
Interest expense, net	52	236
Net income	\$ 782	\$ 3,627
Pro forma data (Note 3):		
Net income, reported above	\$ 782	\$ 3,627
Pro forma provision for income taxes related to operations as S Corporation	297	1,379
Pro forma net income	\$ 485	\$ 2,248
Pro forma per share data (Note 4):		
Pro forma net income per share (using 3,927,000 shares)	\$.12	\$.57

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share data)

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Total
Balance at December 31, 1996	3,500,000	\$ 1,000	\$ 6,670	\$ 15,827	\$ 23,497
Dividends paid	-	-	-	(2,641)	(2,641)
Net income	-	-	-	3,627	3,627
Balance at March 31, 1997	3,500,000	\$ 1,000	\$ 6,670	\$ 16,813	\$ 24,483

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three months ended March 31,	
	1996	1997
Cash flows from operating activities:		
Cash received from customers	\$ 10,047	\$ 23,862
Cash paid to suppliers and employees	(9,900)	(20,578)
Interest paid	(71)	(236)
Net cash provided by operating activities	76	3,048

Cash flows from investing activities:		
Capital expenditures, net	(1,777)	(5,664)
Payment for purchase of Dolphin Services, net of cash acquired	-	(5,803)
Proceeds from cash surrender value of insurance policy	-	253
Net cash used in investing activities	(1,777)	(11,214)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	325	10,048
Principal payments on notes payable	-	(45)
Dividends paid	(597)	(2,641)
Payment of costs associated with initial public offering		(143)
Net cash provided by (used in) financing activities	(272)	7,219
Net decrease in cash	(1,973)	(947)
Cash at beginning of period	2,084	1,357
Cash at end of period	\$ 111	\$ 410
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 782	\$ 3,627
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	344	647
Increase in contracts receivable	(9,456)	(6,138)
(Increase) decrease in contract retainage	(86)	1,359
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts	319	(247)
Decrease in prepaid expenses and other assets	119	524
Increase in accounts payable and accrued expenses	3,854	4,981
Decrease in other liabilities	-	(369)
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	4,200	(1,336)
Net cash provided by operating activities	\$ 76	\$ 3,048

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

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

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

On February 13, 1997, the Board of Directors approved the filing of an initial registration statement on Form S-1 with the Securities and Exchange Commission to register and sell 2.3 million shares of common stock. Shortly before the closing of the offering on April 9, 1997, the Company's current shareholders elected to terminate its status as an S Corporation, and the Company has become subject to federal and state income taxes. (See Note 3.)

The information presented for March 31, 1997 and for the three-month periods ended March 31, 1996 and 1997, is unaudited. In the opinion of the Company's management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring adjustments) which the Company considers necessary for the fair presentation of the Company's financial position as of March 31, 1997 and the results of its operations and its cash flows for the three-month periods ending March 31, 1996 and 1997.

In the opinion of management, the financial statements included herein have been prepared in accordance with generally accepted accounting principles and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and disclosures normally included in financial statements have been condensed or omitted. These financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 1996, which were included as part of the Company's Registration Statement on Form S-1 (Registration No. 333-21863), as declared effective by the Securities and Exchange Commission on April 3, 1997.

The results of operations for the three months ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

NOTE 2 - ACQUISITION OF DOLPHIN SERVICES

On January 2, 1997, the Company acquired all outstanding shares of Dolphin Services for \$5.9 million which was financed by borrowings under the Company's line of credit. The 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. Assuming the acquisition of Dolphin Services had occurred on January 1, 1996, pro forma revenue and pro forma net income for the three months ended March 31, 1996 would have been \$24.1 million and \$601,000, including a pro forma provision for income taxes assuming the Company had operated as a C Corporation. Pro forma net income per share for the three months ended March 31, 1996 would have been \$.15, based on average common shares outstanding of 3,927,000.

NOTE 3 - TERMINATION OF S CORPORATION STATUS

On April 4, 1997, the Company's shareholders elected to terminate the Company's status as an S Corporation, and the Company became subject to federal and state income taxes. Prior to its termination as an S Corporation, the Company declared a distribution of \$14 million to its current shareholders representing substantially all of the Company's remaining undistributed S Corporation earnings through March 31, 1997. The S Corporation earnings through April 4, 1997 were an immaterial part of the total distribution.

The pro forma balance sheet of the Company as of March 31, 1997 reflects a deferred income tax liability of \$1.2 million resulting from the assumed termination of the S Corporation status and an accrual of \$14 million for distribution of S Corporation undistributed tax basis earnings at that date. The amount of the Company's retained earnings that is not reclassified represents primarily the C Corporation earnings prior to the Company's election of subchapter S Corporation status in 1989. The Company will be required to record the cumulative effect of the deferred tax liability as a portion of the provision for income taxes for continuing operations in April 1997, upon termination of S Corporation status.

NOTE 4 - NET INCOME PER SHARE

Pro forma net income per share consists of the Company's historical net income as an S Corporation, adjusted for income taxes that would have been recorded had the Company operated as a C Corporation. This amount is divided by the weighted average shares of common stock outstanding after giving retroactive effect to the stock split described in Note 5 (3,500,000 shares), and increased to reflect the assumed issuance of sufficient additional shares to pay the distributions to shareholders in excess of historical net income for the year ended December 31, 1996 (427,000 shares). All such additional shares are assumed to be issued at the offering price of \$15 per share, net of offering expenses (see Note 5).

The Company used proceeds received from its public offering

(Notes 1 and 5) to repay all outstanding debt at March 31, 1997. Accordingly, the Company has calculated a pro forma supplemental net income per share of \$.50 for the three months ended March 31, 1997. The pro forma supplemental net income per share is calculated by (a) dividing the pro forma net income, increased by the interest expense, net of tax, on the debt outstanding at March 31, 1997, by (b) the 3,927,000 average shares outstanding, as increased to reflect the assumed issuance of sufficient additional shares to retire the debt calculated based on the date of issue of the debt (814,543 shares). All such additional shares are assumed to be issue at the offering price of \$15 per share, net of offering expenses.

NOTE 5 - SHAREHOLDERS' EQUITY

On February 14, 1997, the shareholders took the following action:

- (a) Authorized the issuance of 2.5 additional shares of no par value common stock for each of the then outstanding 1 million shares, which resulted in 3.5 million total outstanding shares. This recapitalization is reflected retroactively in the accompanying financial statements and per share calculations.
- (b) Increased the authorized common shares from 10 million shares to 20 million shares.
- (c) Authorized 5 million shares of no par value preferred stock. There are no preferred shares issued or outstanding.

On April 3, 1997, the Company's Registration Statement on Form S-1 (Registration No. 333-21863) was declared effective by the Securities and Exchange Commission. On April 9, 1997, the Company sold 2.3 million common shares pursuant to the registration statement, increasing the total shares outstanding to 5.8 million. The company received net proceeds from the sale of \$31.3 million.

NOTE 6 - COMMITMENTS AND 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 insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for punitive damages and for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. The Company is vigorously contesting the plaintiff's claims and, based on the Company's analysis of those claims, the Company's defenses thereto, and the Court's rulings received to date, the Company believes that its liability for such claims, if any, will not be material to its financial position. In view of the uncertainties inherent in litigation, however, no assurance can be given as to the ultimate outcome of such claims.

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

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

This discussion and analysis of financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and the related disclosures included elsewhere herein and Management's Discussion and Analysis of Financial Condition and Results of Operations included as part of the Company's Registration Statement on Form S-1 (Registration No. 333-21863), as declared effective by the Securities and Exchange Commission on April 3, 1997.

Results of Operations

On January 2, 1997, the Company acquired all the outstanding stock of Dolphin Services, Inc. and its two affiliated corporations (collectively, "Dolphin Services"). As used hereinafter, unless the context requires otherwise, the term "Company" refers to the Company and Dolphin Services on a consolidated basis, the term "Parent" refers to the Company only and the term "Subsidiary" refers to Dolphin Services only.

The Statement of Income included in the financial statements reported herein presents the results of operations of the Company for the first quarter ended March 31, 1997, compared to the results of operations of the Parent for the first quarter ended March 31, 1996.

The following table sets forth the results of operations of the Parent, the Subsidiary and the Company for the first quarter of 1997 and the results of operations of the Parent for the first quarter of 1996. The Company converted to C corporation status on April 4, 1997. Pro forma provision for income taxes and pro forma net income give effect to federal and state income taxes as if all entities presented had been taxed as C corporations during the entire first quarters of both 1996 and 1997. (See Note 3 to the Financial Statements appearing elsewhere in this report.).

<TABLE>
<CAPTION>

	First Quarter Ended March 31, 1997			First Quarter Ended March 31, 1996
	(Unaudited)			
	(In thousands, except per share amounts)			
<S>	<C> Parent	<C> Subsidiary	<C> Company	<C> Parent
Revenue	\$ 22,589	\$ 7,635	\$ 30,224	\$ 19,504
Cost of revenue (excluding depreciation)	18,232	6,517	24,749	17,827
Depreciation	495	115	610	331
Gross Profit	3,862	1,003	4,865	1,346
General and administrative expenses	708	294	1,002	512
Operating Income	3,154	709	3,863	834
Interest expense, net	226	10	236	52
Net income	\$ 2,928	\$ 699	\$ 3,627	\$ 782
Pro forma provision for income taxes	1,113	266	1,379	297
Pro forma net income	\$ 1,815	\$ 433	\$ 2,248	\$ 485
Pro forma net income per share			\$ 0.57	\$ 0.12
Average common shares			3,927	3,927

</TABLE>

During the first quarter of 1997, the high activity levels in the oil industry had an increasing effect in the fabrication sector. This was the primary cause of the \$3.0 million increase in Parent's revenues during the first quarter of 1997, as the volume of direct labor hours applied to contracts increased 18% to 294,000 hours for the first quarter of 1997 from 249,000 hours for the first quarter of 1996. The same high activity levels caused upward pressure on pricing and thus profit margins for fabrication work, as Parent's gross profit increased by \$2.5 million and gross profit margins increased to 17.1% in the first quarter of 1997 from 6.9% in the same quarter of 1996. Also contributing to higher margins was the fact that, during the first quarter of 1997 the ratio of revenue derived from the direct labor hours worked (on which the Company recognizes substantial profit margins) as compared to revenue derived from the materials component of contracts (on which the Company recognizes relatively low profit margins) was higher than the ratio of revenue from direct labor hours worked to revenue from materials during the first quarter of 1996. The Company's on-going purchase of labor-saving equipment and implementation of labor-saving procedures also contributed to higher margins realized per direct labor hour worked.

Depreciation expense for the Company increased \$279,000 to \$610,000 for the first quarter of 1997 compared to \$331,000 for the Parent for the first quarter of 1996. The on-going purchase of equipment and facilities expansion and improvements at the Parent contributed \$164,000 of this increase, and the remaining \$115,000 increase was generated by the newly acquired Subsidiary.

The Company's selling, general and administrative (SG&A) expenses were \$1.0 million for the first quarter of 1997

compared to \$512,000 for the Parent for the first quarter of 1996. This increase of \$490,000 is made up of the following: (a) \$294,000 is due to the additional SG&A costs of the Subsidiary (b) \$100,000 is due to a higher accrual of employee incentives at the Parent company which resulted from increased profits for the first quarter of 1997, and (c) \$96,000 is due to the additional SG&A costs associated with increased production levels and the reporting requirements of a public company.

The Company's interest expense increased to \$236,000 in 1997 from \$52,000 for the Parent in 1996 due to increased borrowings under the Company's bank credit facility in 1997, resulting from the purchase of Dolphin Services for \$5.9 million in addition to equipment purchases and facility improvements of \$5.7 million in 1997.

As a result of the termination of the Company's S corporation status, the Company will be required to record the cumulative effect of the deferred tax liability of approximately \$1.3 million as a portion of the provision for income taxes for continuing operations in the second quarter of 1997. This will be reflected both on the Company's balance sheet and on the Company's income statement for the second quarter of 1997. On April 9, 1997, the Company completed its initial public offering (the "Offering"), in which 2.3 million shares were issued. The common shares and equivalent shares outstanding after the Offering were approximately 5.9 million, including 100,000 shares available under the Company's Long-Term Incentive Plan. The additional shares outstanding will be reflected in earnings per share calculations to be reported by the Company in the future.

Liquidity and Capital Resources

The proceeds of the Offering received by the Company on April 9, 1997 were \$31.3 million net of underwriting discounts and other costs of \$3.2 million. Of the proceeds, the Company used \$31.1 million to repay all of the indebtedness outstanding under the Company's bank credit facility. The balance of the proceeds was used by the Company as additional working capital.

Historically, the Company has funded its business activities through funds generated from operations and borrowings under its bank credit facility. Net cash provided by operations was \$3.0 million for the quarter ended March 31, 1997, primarily attributable to cash received from customers related to increased sales. Net cash used in investing activities of \$11.2 million was primarily due to capital expenditures and the purchase of Dolphin Services. Net cash provided by financing activities of \$7.2 million was due to borrowings under the Company's line of credit to fund the investing activities, offset by dividends paid to shareholders.

Historically, the Company's capital requirements have been primarily for improvements to its production facilities and for equipment designed to increase the capacity of its facilities and the productivity of its labor force. During the quarter ended March 31, 1997, the Company had capital expenditures of approximately \$5.7 million. Of that amount, \$4.3 million was for the purchase of two new Manitowoc Model M250 cranes, \$344,000 for a used American Model 5300 crane, \$625,000 for the installation of skidways, and \$395,000 for various fabrication equipment.

At March 31, 1997, the Company had approximately \$16.8 million of outstanding indebtedness, including \$16.5 million under its bank credit facility. After March 31, 1997 and prior to the completion of the Offering, the Company borrowed an additional \$14.0 million under the bank credit facility to fund the remainder of the distributions made to shareholders prior to termination of the Company's S corporation status.

The Company's bank credit facility currently provides for a revolving line of credit (the "Revolver") of up to \$20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by Citibank, N.A. or LIBOR plus 1 and 1/2%. The Revolver 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 Revolver. After completion of the offering, the Company had \$20.0 million available under the Revolver.

At March 31, 1997 the Company's bank credit facility also provided for a non-revolving facility of \$15.0 million. Payment of this non-revolving facility on April 9, 1997 as a use of proceeds of the offering effectively terminated this portion of the loan package, leaving only the \$20.0 million Revolver in place. The weighted average interest rate on the indebtedness as of March 31, 1997 was 8.0%.

Capital expenditures for the remaining three quarters of 1997 are estimated to be approximately \$10.5 million, including \$4.5 million for the purchase of three new Manitowoc Model 888 crawler cranes, \$1.3 for the main yard fabrication shop expansion, \$800,000 for West Yard expansion and for various fabrication equipment and facility expansion. Management believes that the remaining net proceeds of the Offering, its available funds, cash generated by operating activities and funds available under the Revolver 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.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

Prior to the effective date of the Company's initial public offering, the shareholders of the Company took the following actions on the dates indicated:

(a) On January 31, 1997, acting by consent of the holders of 87.4% of the outstanding voting shares in lieu of an annual meeting of shareholders, (i) amended the Company's by-laws to increase the number of directors authorized therein to seven and (ii) elected the following as directors of the Company, each to serve until the annual meeting of shareholders occurring in the year indicated after his name: Thomas E. Fairley (1998), Hugh J. Kelly (1998), Gregory J. Cotter (1999), John P. Laborde (1999), Kerry J. Chauvin (2000), Alden J. Laborde (2000) and Huey J. Wilson (2000);

(b) On February 13, 1997, acting by consent of the holders of 91% of the outstanding voting shares in lieu of a special meeting of shareholders, having voting power with respect to the action taken, approved adoption by the Board of Directors of the Company of a Long-Term Incentive Compensation Plan pursuant to which economic incentives in various forms may be granted to officers and employees of the Company; and

(c) On various dates between January 31 and February 8, 1997, in lieu of a special meeting of shareholders, by consent of the holders of 69.0% of the outstanding voting shares in lieu of a special meeting of shareholders, approved (i) amendments to the Company's articles of incorporation and other actions, pursuant to which the number of authorized shares of capital stock of the Company was increased to 25 million, of which 20 million shares are common stock and five million shares are preferred stock and (ii) a 3.5-for-one split of the outstanding shares of Company common stock.

Because no shares were held of record by nominees, there were no broker non-votes with respect to any of the matters described above.

Item 5. Other Information

On April 30, 1997 the Company announced its first quarter, 1997 earnings and related matters. Such matters are described in the press release attached hereto as Exhibit 99.1.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

10.1 Sixth Amended and Restated Revolving Credit Agreement among the Company, First National Bank of Commerce and Whitney National Bank, dated as of May 1, 1997.

99.1 Press release issued by the Company on April 30, 1997 announcing its first quarter, 1997 earnings and related matters.

(b) The Company filed no reports on Form 8-K during the quarter for which this report is filed.

SIGNATURES

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

GULF ISLAND FABRICATION, INC.

By: /s/ Joseph P. Gallagher, III

Joseph P. Gallagher, III
Vice President- Finance
(Principal Financial Officer
and Duly Authorized Officer)

Date: May 14, 1997.

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

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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 GIFFI, 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 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 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 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 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.

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.

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.

(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 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. 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, 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.

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, 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.

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 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 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 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.

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.

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. Sections 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 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 GIFFI, 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.

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 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;

(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.

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, 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 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 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;

(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.

16.16 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 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 afore-described 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 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.

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 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;

7.4 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 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 undismissed; 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;

7.5 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;

7.6 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;

7.7 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

7.8 **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 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 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 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. 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. Section 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., the Clean Water Act, 33 U.S.C. Section 1251 et seq., the Toxic Substances Control Act, 15 U.S.C. Section 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 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.

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 prepaid, 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

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

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 harmless 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.

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.

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

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

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

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NEWS RELEASE

For further information contact:

Kerry J. Chauvin
Chief Executive Officer
(504) 872-2100

Joseph P. Gallagher, III
Chief Financial Officer
(504) 872-2100

=====

FOR IMMEDIATE RELEASE
WEDNESDAY, APRIL 30, 1997

GULF ISLAND FABRICATION, INC
REPORTS FIRST QUARTER 1997 EARNINGS

Houma, LA - Gulf Island Fabrication, Inc. (NASDAQ: GIF1) today reported pro forma net income after taxes of \$2.2 million (\$5.57 per share) on revenue of \$30.2 million for its first quarter ended March 31, 1997, compared to pro forma net income after taxes of \$485,000 (\$.12 per share) on revenues of \$19.5 million for the first quarter of 1996.

Pro forma net income gives effect to federal and state income taxes as if the company had been a C Corporation for tax purposes during the entire quarter. The company converted from S Corporation status on April 4, 1997.

The company completed its initial public offering on April 9, 1997, in which 2.3 million shares were issued. The shares outstanding for the remaining quarters of 1997 will approximate 5.9 million.

Excluding the results of its subsidiary, Dolphin Services, Inc., which was purchased on Jan. 2, 1997, the parent company had net income of \$1.8 million (\$.46 per share) on revenues of \$22.6 million for the quarter. At March 31, the consolidated companies had a revenue backlog of \$87 million and a labor backlog of 1.3 million manhours left to work.

Kerry Chauvin, Gulf Island Fabrication, Inc.'s president and chief executive officer noted, "The increase in our first quarter earnings this year over last year's first quarter results primarily from strong improvement in direct labor pricing and the greater volume of direct labor hours worked. The steady improvement of our performance over the past several quarters, however, has been not only because of higher pricing and volume but also because of our on-going internal focus on productivity increases established through capital improvements, equipment purchases and labor-saving procedures which contribute to higher revenues received per actual direct labor hour expended. We are also continuing to integrate the Dolphin companies into Gulf Island Fabrication and a portion of Dolphin's labor is being redeployed into Gulf Island Fabrication's more profitable fabrication services."

Gulf Island Fabrication 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.

Consolidated Statement of Income
(Unaudited)
(In thousands, except per share amounts)

	First Quarter Ended March 31, 1997			First Quarter Ended March 31, 1996
	Gulf Island	Dolphin	Consolidated	Gulf Island
Revenue	\$ 22,589	\$ 7,635	\$ 30,224	\$ 19,504
Cost of revenue (excluding depreciation)	18232	6516	24748	17827
Depreciation	495	115	610	331
Gross profit	3862	1004	4866	1346
General and administrative expenses	708	295	1003	512
Operating income	3154	709	3863	834
Interest expense, net	226	10	236	52
Net income	\$ 2,928	\$ 699	\$ 3,627	\$ 782
Pro forma provision income taxes/a	1113	266	1379	297

Pro forma net income/a	\$ 1,815	\$ 433	\$ 2,248	\$ 485
Pro forma net income per share/a	\$ 0.46	\$ 0.11	\$ 0.57	\$ 0.12
Average common shares/b	3927	3927	3927	3927

/a: Pro forma information gives effect to federal and state income taxes as if the Company had been a C Corporation for tax purposes during the entire first quarter.

/b: The Company completed its initial public offering on April 9, 1997 and the shares outstanding for the remaining quarters of 1997 will approximate 5.9 million.