

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

FORM 10-Q

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

For the quarterly period ended SEPTEMBER 30, 1998

OR

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

For the transition period from _____ to _____

Commission File Number 0-22303

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

LOUISIANA
(State or other jurisdiction of
incorporation or organization)

72-1147390
(I.R.S. Employer
Identification No.)

583 THOMPSON ROAD,
HOUMA, LOUISIANA
(Address of principal executive offices)

70363
(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

The number of shares of the Registrant's common stock, no par value per share, outstanding at November 9, 1998 was 11,638,400.

GULF ISLAND FABRICATION, INC.
I N D E X

Page

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets at September 30, 1998 (unaudited) and December 31, 1997	1
Consolidated Statements of Income for the Three and Nine Months Ended September 30, 1998 and 1997 (unaudited)	2
Consolidated Statement of Changes in Shareholders' Equity for the Nine Months Ended September 30, 1998 (unaudited)	3
Consolidated Statements of Cash Flows for the Nine Months Ended	

September 30, 1998 and 1997 (unaudited)	4
Notes to Consolidated Financial Statements	5-7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8-10

PART II OTHER INFORMATION

Item 5. Other Information	11
Item 6. Exhibits and Reports on Form 8-K	11
SIGNATURES	12
EXHIBIT INDEX	E-1

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited)	
	September 30, 1998	December 31, 1997
	(in thousands)	
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash	\$ 3,905	\$ 6,879
Contracts receivable, net	33,047	21,204
Retainage	6,910	1,556
Costs and estimated earnings in excess of billings on uncompleted contracts	5,604	903
Prepaid expenses	597	914
Inventory	1,184	968
Recoverable income taxes	-	321
Total current assets	<u>51,247</u>	<u>32,745</u>
Property, plant and equipment, net	41,816	34,505
Excess of cost over fair value of net assets acquired less accumulated amortization of \$ 210,275 at September 30, 1998	3,907	-
Other assets	497	428
Total assets	<u>\$ 97,467</u>	<u>\$ 67,678</u>
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 12,459	\$ 3,368
Billings in excess of costs and estimated earnings on uncompleted contracts	10,376	5,925
Accrued employee costs	4,105	3,068
Accrued expenses	2,104	2,829
Income taxes payable	1,081	-
Total current liabilities	<u>30,125</u>	<u>15,190</u>
Deferred income taxes	1,748	1,878
Total liabilities	<u>31,873</u>	<u>17,068</u>
Shareholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, no par value, 20,000,000 shares authorized, 11,638,400 and 11,600,000 shares issued and outstanding at September 30, 1998 and December 31, 1997, respectively	4,162	4,133
Additional paid-in capital	35,124	34,865
Retained earnings	26,308	11,612
Total shareholders' equity	<u>65,594</u>	<u>50,610</u>
	<u>\$ 97,467</u>	<u>\$ 67,678</u>
	=====	=====

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
	(in thousands, except per share data)			
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 51,866	\$ 36,311	\$ 149,421	\$ 101,556
Cost of revenue	42,036	29,325	121,513	83,282
Gross profit	9,830	6,986	27,908	18,274
General and administrative expenses	1,458	1,115	4,532	3,262
Operating income	8,372	5,871	23,376	15,012
Other expense (income):				
Interest expense	19	16	76	324
Interest income	(94)	(77)	(183)	(112)
	(75)	(61)	(107)	212
Income before income taxes	8,447	5,932	23,483	14,800
Income taxes	3,135	2,234	8,787	4,210
Cumulative deferred tax provision	-	-	-	1,144
Net income	\$ 5,312	\$ 3,698	\$ 14,696	\$ 9,446
Pro forma data (Note 3):				
Income before income taxes	\$ 8,447	\$ 5,932	\$ 23,483	\$ 14,800
Income taxes	3,135	2,234	8,787	4,210
Pro forma income taxes related to operations as S Corporation	-	-	-	1,379
Pro forma net income	\$ 5,312	\$ 3,698	\$ 14,696	\$ 9,211
Pro forma per share data:				
Pro forma basic earnings per share	\$ 0.46	\$ 0.32	\$ 1.26	\$ 0.89
Pro forma diluted earnings per share	\$ 0.45	\$ 0.32	\$ 1.25	\$ 0.89
Pro forma weighted-average shares	11,638	11,600	11,627	10,310
Effect of dilutive securities: employee stock options	59	89	84	43
Pro forma adjusted weighted-average shares	11,697	11,689	11,711	10,353

</TABLE>

The accompanying notes are an integral part of these statements.

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

<TABLE>
<CAPTION>

	Common Stock	Additional	Retained	Total	
	Shares	Amount	Paid-In Capital	Shareholders' Equity	
	(in thousands, except share data)				
<S>	<C>	<C>	<C>	<C>	
Balance at January 1, 1998	11,600,000	\$ 4,133	\$ 34,865	\$ 11,612	\$ 50,610
Exercise of stock options	38,400	29	259	-	288

Net income	-	-	-	14,696	14,696
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at September 30, 1998	11,638,400	\$ 4,162	\$ 35,124	\$ 26,308	\$ 65,594
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

</TABLE>

The accompanying notes are an integral part of these statements.

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

<TABLE>
<CAPTION>

	Nine months ended September 30,	
	1998	1997
	<u> </u>	<u> </u>
	(in thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 14,696	\$ 9,446
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,880	2,104
Amortization	210	-
Deferred income taxes	(331)	1,218
Changes in operating assets and liabilities:		
Contracts receivable	(3,939)	(7,307)
Retainage	(4,109)	790
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,541)	(1,972)
Prepaid expenses and other assets	597	967
Inventory	(371)	-
Accounts payable and accrued expenses	4,456	4,649
Income taxes payable	1,335	988
Billings in excess of costs and estimated earnings on uncompleted contracts	2,006	2,943
	<u> </u>	<u> </u>
Net cash provided by operating activities	13,889	13,826
Cash flows from investing activities:		
Capital expenditures, net	(8,577)	(12,787)
Payment for purchase of Dolphin Services, net of cash acquired	-	(5,803)
Payment for purchase of Southport, net of cash acquired	(5,922)	-
Other	(52)	253
	<u> </u>	<u> </u>
Net cash used in investing activities	(14,551)	(18,337)
Cash flows from financing activities:		
Borrowings against notes payable	8,000	41,900
Principal payments on notes payable	(10,600)	(48,659)
Proceeds from initial public offering	-	31,328
Proceeds from exercise of stock options	288	-
Dividends	-	(16,641)
	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	(2,312)	7,928
Net increase (decrease) in cash	<u> </u>	<u> </u>
Cash at beginning of period	(2,974)	3,417
	<u> </u>	<u> </u>
Cash at end of period	6,879	1,357
	<u> </u>	<u> </u>
	\$ 3,905	\$ 4,774
	<u> </u>	<u> </u>
Supplemental cash flow information:		
Interest paid	\$ 72	\$ 381
	<u> </u>	<u> </u>
Income taxes paid	\$ 7,773	\$ 2,660
	<u> </u>	<u> </u>

</TABLE>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 1998 AND 1997

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

Gulf Island Fabrication, Inc. ("Gulf Island"), located in Houma, Louisiana, 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. The Company also offers offshore interconnect pipe hook-up, inshore marine construction, and steel warehousing and sales. With the acquisition of Southport, Inc., effective January 1, 1998, the Company also provides the fabrication of living quarters for offshore platforms for the oil and gas industry. Gulf Island's principal markets are concentrated in the offshore regions of the Gulf of Mexico. The consolidated financial statements include the accounts of Gulf Island and its wholly owned subsidiaries (collectively "the Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

Effective January 1, 1998, the Company acquired all of the outstanding shares of Southport, Inc. and its wholly owned subsidiary Southport International, Inc. (collectively "Southport"). Southport specializes in the fabrication of living quarters for offshore platforms. The purchase price was \$6.0 million cash, plus contingent payments of up to an additional \$5.0 million based on Southport's net income over a four-year period ending December 31, 2001. The purchase price plus \$130,000 of direct expenses exceeded the fair value of the assets acquired of \$12.3 million and liabilities assumed of \$10.3 million with the acquisition being accounted for under the purchase method of accounting. Goodwill of \$4.1 million is being amortized over 15 years on a straight-line basis. Accordingly, the operations of Southport are included in the Company's consolidated operations from January 1, 1998.

The information presented at September 30, 1998 and for the three months and nine months ended September 30, 1998 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 at September 30, 1998 and the results of its operations for the three months and nine months ended September 30, 1998 and 1997, and its cash flows for the nine months ended September 30, 1998 and 1997. The results of operations for the three months and nine months ended September 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

In the opinion of management, the financial statements included herein have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant Company's annual report on Form 10-K for the year ended December 31, 1997.

Certain items included in the financial statements for the periods ended December 31, 1997 and September 30, 1997 have been reclassified to conform to the September 30, 1998 financial statement presentation.

NOTE 2- ACQUISITION OF SOUTHPORT, INC.

The following unaudited pro forma information presents a summary of consolidated results of operations of the Company and Southport as if the acquisition had occurred on January 1, 1997. Pro forma adjustments include (1) adjustments for the increase in interest expense as a result of the acquisition, (2) additional depreciation on property, plant and equipment, (3) adjustments to record the amortization of cost in excess of fair value of net assets acquired, (4) the elimination of certain general and administrative expenses, and (5) the related tax effects. The pro forma income tax presentation (Note 3) is included.

<TABLE>
<CAPTION>

Three months Ended September 30, 1997	Nine months Ended September 30, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)	

<S>	<C>	<C>
Revenue.....	\$ 40,979	\$115,951
Pro forma net income.....	4,099	9,798
Pro forma basic and diluted net income per share...	0.36	.95

</TABLE>

NOTE 3- PRO FORMA PER SHARE DATA

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. The pro forma income statement presentation reflects income taxes related to operations as an S Corporation as if the Company had been subject to federal and state income taxes since January 1, 1997 using an assumed effective tax rate of approximately 38%. Further, the pro forma weighted-average share calculations for 1997 include the assumed issuance of additional shares sufficient to pay the distributions made to shareholders in connection with the Company's Initial Public Offering, to the extent such distributions exceeded net income for the year ended December 31, 1996.

NOTE 4 - STOCK SPLIT

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

NOTE 5 - CONTINGENCIES

The Company is one of four defendants in a lawsuit in which the plaintiff claims that the Company improperly installed certain attachments to a jacket that it had fabricated for the plaintiff. The plaintiff, which has recovered most of its out-of-pocket losses from its insurer, seeks to recover the remainder of its claimed out-of-pocket losses (approximately \$1 million) and approximately \$63 million for punitive damages and for economic losses which it alleges resulted from the delay in oil and gas production that was caused by these events. The Company is vigorously contesting the plaintiff's claims and, based on the Company's analysis of those claims, the Company's defenses thereto, and the Court's rulings received to date, the Company believes that its liability for such claims, if any, will not have a material adverse effect on the financial position or results of operations of the Company. 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.

NOTE 6 - NOTES PAYABLE

Effective August 21, 1998, the Company's existing bank credit facility was amended and restated in order, among other reasons, to extend the maturity date to December 31, 2000. The credit facility provides for a revolving line of credit (the "Revolver") of up to \$20.0 million which bears interest equal to, at the Company's option, the prime lending rate established by Citibank, N.A. or LIBOR plus 1.5%. The Company is required to maintain certain balance sheet and cash flow ratios. The Company pays a fee quarterly of three-eighths of one percent per annum on the weighted-average unused portion of the line of credit. At September 30, 1998, there were no borrowings outstanding under the credit facility.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Effective January 1, 1998, the Company acquired all of the outstanding stock of Southport, Inc. and its wholly owned subsidiary Southport International, Inc. (collectively, "Southport"). The acquisition is being accounted for under the purchase method of accounting, and accordingly, the operations of Southport are included in the Company's consolidated operations starting January 1, 1998. The Statement of Income included in the unaudited financial statements presents the consolidated results of operations of the Company for the three months and nine months ended September 30, 1998, compared to the results of operations of the Company for the three months and nine months ended September 30, 1997, without giving effect to the Southport acquisition.

The Company's revenue for the three month and nine month periods ended September 30, 1998 was \$51.9 million and \$149.4 million, an increase of 42.8% and 47.1%, respectively, compared to \$36.3 million and \$101.6 million in revenue for the three month and nine month periods ended September 30, 1997. Revenue increased as a result of the Southport Acquisition, the on-going labor recruiting and retention efforts by the Company which generated an increase in the volume of direct labor hours applied to contracts, and the implementation of productivity enhancing equipment for the three month and nine month periods ended September 30, 1998, compared to the same periods in 1997.

The increased employment levels and the utilization of labor saving equipment enabled the Company to increase volume and produce relatively stable or slightly improved profit margins and generate a gross profit of \$9.8 million (19.0% of revenue) and \$27.9 million (18.7% of revenue) for the three and nine month periods ended September 30, 1998, respectively, compared to the \$7.0 million (19.2% of revenue) and \$18.3 million (18.0% of revenue) of gross profit for the three and nine month periods ended September 30, 1997.

The Company's general and administrative expenses were \$1.5 million for the three month period ended September 30, 1998 and \$4.5 million for the nine month period ended September 30, 1998. This compares to \$1.1 million for the three month period ended September 30, 1997 and \$3.3 million for the nine month period ended September 30, 1997. These increases of \$400,000 and \$1.2 million, respectively, were caused by additional general and administrative costs associated with the operating activities of Southport, additional costs associated with increased production levels and public company reporting requirements.

The Company had net interest income of \$75,000 for the three months ended September 30, 1998 and \$107,000 for the nine months ended September 30, 1998, compared to net interest income of \$61,000 and net interest expense of \$212,000 for the three months and nine months ended September 30, 1997. The Company completed its Initial Public Offering in April 1997 and used the proceeds to eliminate all of its outstanding bank debt and provide working capital to the Company. Since that time, the Company's cash provided by operations has increased to a level which has allowed the Company to make capital expenditures and acquisitions with little or no debt.

The Company converted from S Corporation to C Corporation status on April 4, 1997. Pro forma income taxes and pro forma net income give effect to federal and state income taxes as if the Company had been taxed as a C Corporation during the three and nine month periods ended September 30, 1997.

Despite the Company's performance for the three month and nine month periods, the Company expects that the downturn in the industry brought on by continued low oil prices and a downturn in natural gas prices will impact the Company's ability to maintain these high levels of performance beyond year end. The dollar value of projects available in the market is significantly below last year's levels and the Company's backlog is being similarly eroded. Competition for available projects has become more intense and future margins will likely be diminished. Cost reduction measures will be undertaken as appropriate to meet these conditions. In the longer term, demand for the Company's services will continue to depend largely upon prices for oil and gas, which are difficult to predict. At some point however, it is expected that these prices should recover as supplies are reduced and the Company's customers are forced to replace them.

LIQUIDITY AND CAPITAL RESOURCES

Historically the Company has funded its business activities through funds generated from operations and borrowings under its bank credit facility. Net cash provided by operations was \$13.9 million for the nine months ended September 30, 1998 with working capital increasing to \$21.1 million. Net cash used in investing activities for the nine months ended September 30, 1998 was \$14.6 million, of which \$5.9 million related to the purchase of Southport and \$8.7 million related to capital expenditures made during the period. Approximately 65% of the Company's capital expenditures were for the purchase of three new Manitowoc cranes which replaced three cranes previously rented. The remaining 35% of the Company's capital expenditures were for improvements to its production facilities and for equipment designed to increase the capacity of its facilities and the productivity of its labor force.

Net cash used in financing activities was \$2.3 million for the nine months ended September 30, 1998. The Company received \$288,000 from the proceeds of exercised stock options and made \$2.6 million net payments on the Company's Bank Credit Facility.

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 1/2 %. The Revolver matures December 31, 2000 and is secured by a mortgage on the Company's real estate, equipment and fixtures. At September 30, 1998 the Company had no outstanding borrowings under the credit facility.

Capital expenditures for the remaining three months of 1998 are estimated to be approximately \$8.2 million, including the purchase of two additional new Manitowoc crawler cranes (which will replace two rental cranes), improvements to the west yard fabrication area and various other fabrication equipment purchases and facility expansions. On November 6, 1998 the Company acquired for \$1.15 million the property that it's wholly-owned subsidiary, Southport, Inc., is located on. The Company also has an agreement to purchase, for approximately \$750,000, property which is adjacent to its east yard and across the Navigation Canal from its west yard. Management believes that 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 future acquisitions that may require additional equity or debt financing.

YEAR 2000 ISSUES

The Problem. Year 2000 issues result from the past practice in the computer industry of using two digits rather than four when coding the year portion of a date. This practice can create breakdowns or erroneous results when computers and processors embedded in other equipment perform operations involving dates later than December 31, 1999.

The Company's State of Readiness. The Company has assessed the Year 2000 compliance of its information technology systems and has purchased software and hardware that it believes will be adequate to upgrade all of these systems to Year 2000 compliance. The Company has also surveyed its significant non-information technology equipment for Year 2000 issues. While the Company uses several such items of equipment that are significant to its operations (such as automated welding and cutting equipment) none of the automated functions of this equipment are date sensitive and the Company believes that none of the equipment will require replacement or modification for Year 2000 compliance.

The Company does not have any significant suppliers or customers whose information technology systems directly interface with that of the Company. Nevertheless, as part of its assessment of its state of readiness, the Company is surveying its suppliers and customers for Year 2000 compliance. To date, the Company has received replies from approximately 71% of the suppliers that it has contacted, all of which (with insignificant exceptions) have indicated that they have taken appropriate steps to achieve Year 2000 compliance or have plans to do so. The Company has only recently begun its survey of customers and does not yet have a significant response.

Costs. Because the Company's information technology systems have been regularly upgraded and replaced as part of the Company's ongoing efforts to maintain high-grade technology and because the Company is not heavily dependent on non-information technology equipment that is date sensitive, the Company's Year 2000 compliance costs are expected to be relatively low. Recently the Company has incurred \$77,000 to purchase software and hardware to upgrade its information technology systems and management does not believe that significant additional costs will be required for Year 2000 compliance. There can be no guarantee, however, that actual costs will not exceed that amount.

Risks. While the Company believes that it has taken reasonable steps to assess its internal systems and prepare them for Year 2000 issues, if those steps prove inadequate the Company's ability to estimate and bid on new jobs and its financial and other daily business procedures could be interrupted or delayed, any of which could have a material adverse effect on the Company's operations. Because the Company's survey of its suppliers and customers is not complete, the Company is not in a position to evaluate the risk of their non-compliance. It is possible that the operations of the Company could be adversely affected to a material extent by the non-compliance of significant suppliers or customers.

Contingency Plan. While the Company intends to continue to monitor Year 2000 issues, it does not currently have a contingency plan for dealing with the possibility that its current systems may prove inadequate, nor does the Company currently intend to develop such a plan.

FORWARD-LOOKING STATEMENTS

Statements under "Year 2000 Issues" as to the Company's beliefs and expectations, statements in the last paragraph under "Results of Operations" and other statements in this report and the exhibits hereto that are not statements of historical fact are forward-looking statements. These statements involve risks and uncertainties that include, among others, the timing and extent of changes in the prices of crude oil and natural gas, the timing of new projects and the Company's ability to obtain them, competitive factors in the heavy marine fabrication industry, the accuracy of the Company's assessment of its exposure to Year 2000 issues and the adequacy of the steps it has taken to address those issues.

Changes in these factors could result in changes in the Company's performance and could cause the actual results to differ materially from those expressed in the forward-looking statements.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On October 22, 1998 the Company announced its 1998 third quarter earnings and related matters. The press release making this announcement is attached hereto as Exhibit 99.1.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits.
- 10.1 Seventh Amended and Restated Revolving Credit and Term Loan Agreement among the Company and First National Bank of Commerce and Whitney National Bank, dated August 21, 1998 (the "Bank Credit Facility").
 - 27.1 Financial Data Schedule.
 - 99.1 Press release issued by the Company on October 22, 1998 announcing its 1998 third quarter 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.

/s/ Joseph P. Gallagher, III

By: _____
Joseph P. Gallagher, III
Vice President - Finance,
Chief Financial Officer,
Treasurer and Secretary
(Principal Financial Officer
and Duly Authorized Officer)

DATE: NOVEMBER 12, 1998

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

Exhibit Number	DESCRIPTION OF EXHIBIT
10.1	Seventh Amended and Restated Revolving Credit and Term Loan Agreement among the Company and First National Bank of Commerce and Whitney National Bank, dated August 21, 1998 (the "Bank Credit Facility").
27.1	Financial Data Schedule.
99.1	Press release issued by the Company on October 22, 1998 announcing its 1998 third quarter earnings and related matters.

SEVENTH AMENDED AND RESTATED REVOLVING

CREDIT AGREEMENT

AMONG

GULF ISLAND FABRICATION, INC.,
AS BORROWER,

DOLPHIN SERVICES, INC.

AND

SOUTHPORT, INC.,
AS EXISTING SUBSIDIARIES,

FIRST NATIONAL BANK OF COMMERCE

AND

WHITNEY NATIONAL BANK,
AS BANKS,

AND

FIRST NATIONAL BANK OF COMMERCE,
AS AGENT

DATED EFFECTIVE AS OF AUGUST 21, 1998

TABLE OF CONTENTS

Section 1. Relation to Prior Credit Arrangements	2
1.1 Revolving Credit Facility	2
1.2 Borrowing Procedure Under the Revolving Credit Facility	4
1.3 Terms and Conditions Governing Letters of Credit	4
1.4 Liability of Subsidiaries	5
1.5 Obligations Absolute	5
Section 2. Notes Evidencing Borrowings	6
2.1 Notes	6
2.2 No Novation	7
Section 3. Interest and Fees	7
3.1 Interest -- Revolving Credit Facility	7
3.2 Default Rate	8
3.3 Prime Rate	8
3.4 Origination Fee	8
3.5 Method of Calculating Interest and Fees	8
3.6 Interest Rate Options	8
Section 4. Payments, Prepayments, and Reduction or Termination of the Revolving Credit Facility	13
4.1 Method of Payment	13
4.2 Sharing of Payments	14
4.3 Payments Without Deduction	15
4.4 Reduction of Credit	15
Section 5. Representations and Warranties of Borrower	15
5.1 Corporate Existence	16
5.2 Authorization; Validity	16
5.3 No Conflicts	16
5.4 Financial Statements	16
5.5 Litigation	17
5.6 Liens	17
5.7 Subsidiaries	17
5.8 Purpose	17

5.9	Use of Proceeds; Margin Securities	18
5.10	Compliance with ERISA	18
5.11	Consents	18
5.12	Tax Returns	18
5.13	Operation of Business	19
5.14	Rights in Properties; Liens	19
5.15	Debt	19
5.16	Disclosure	19
5.17	Registered Office; Principal Place of Business; Location of Collateral	20
5.18	Investment Company Act	20
5.19	Other Agreements	20
5.20	Compliance with Law	21
5.21	Corporate Name	22
5.22	Collateral	22
Section 6. Borrower's Covenants		22
6.1	Financial Statements	23
6.2	Access	23
6.3	Insurance	24
6.4	Repair	24
6.5	Taxes	24
6.6	Corporate Existence	25
6.7	Merger	25
6.8	Compliance	25
6.9	Use of Proceeds	26
6.10	Financial Covenants	27
6.11	Liens	27
6.12	Debt	28
6.13	Shareholder or Employee Loans	29
6.14	Change in Business	29
6.15	Compliance with Agreements	29
6.16	Further Assurances	29
6.17	Disposition of Assets	29
6.18	Change Tax I.D. Number	30
6.19	Indemnity	30
6.20	Real Property	31
Section 7. Conditions Precedent to Extensions of Credit		31
7.1	Borrower's Resolutions	31
7.2	Subsidiaries' Resolutions	31
7.3	Notes	32
7.4	New Collateral Documents	32
7.5	Opinion	32
Section 8. Additional Conditions Precedent to Advances and/or Letters of Credit		32
8.1	Default	33
8.2	Warranties	33
Section 9. Events of Default		33
9.1	Payment	33
9.2	Other Indebtedness	33
9.3	Other Default	33
9.4	Insolvency	34
9.5	ERISA	34
9.6	Agreements	35
9.7	Representation or Warranty	35
9.8	Remedies	35
Section 10. Agent		35
10.1	Authorization and Action	35
10.2	Agent's Reliance, Etc	36
10.3	First NBC and Affiliates	37
10.4	Bank Credit Decision	37
10.5	Indemnification	38
10.6	Successor Agent	38
10.7	Benefits of Section	39
10.8	Change in Specified Percentage	39
Section 11. General		39
11.1	Definitions	39
11.2	Financial Terms	45
11.3	Delay	46
11.4	Notices	46
11.5	Expenses	47
11.6	Severability	48
11.7	Counterparts	48
11.8	Law	48
11.9	Successors	48
11.10	Amendments	49
11.11	Entire Agreement	49
11.12	Conflicts	49

CREDIT AGREEMENT

THIS SEVENTH AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (the "Agreement"), dated effective as of the 21st day of August, 1998, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("Borrower") (formerly known as GIFL, Inc., successor by merger to Gulf Island Fabrication, Inc., a Louisiana corporation), DOLPHIN SERVICES, INC., a Louisiana corporation ("Dolphin"), SOUTHPORT, INC., a Louisiana corporation ("Southport," and, together with Dolphin, each, an "Existing Subsidiary" and, collectively, the "Existing Subsidiaries"), 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 Sixth Amended and Restated Revolving Credit and Term Loan Agreement, dated effective as of May 1, 1997 (the "Credit Agreement") which amended and restated the then existing credit arrangements among Borrower, Banks and Agent;

WHEREAS, Borrower, Banks and Agent desire to amend and restate their existing credit arrangements in order, among other reasons, to extend the maturity date thereof, to facilitate administration of such credit arrangements and to add the Existing Subsidiaries as parties to the Credit Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements and undertakings herein contained, Borrower, the Existing Subsidiaries, 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 Credit Agreement and the notes issued thereunder (together with all other notes previously issued to evidence the Revolving Credit Facility, 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 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 Credit Agreement or the Prior Notes, such matter or provision of the Credit Agreement or the Prior Notes shall be deemed to be revoked. Borrower, the

Existing Subsidiaries 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 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 and its Subsidiaries, other than the Excluded Subsidiaries, 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, 2000, 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 or one of its Subsidiaries, other than the Excluded Subsidiaries, 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 Credit Agreement or any predecessor agreement which remain outstanding on the date hereof (including, without limitation, that certain \$60,000 stand-by letter of credit in favor of Gray & Company, Inc., number SB-802569-001, issued at Borrower's request on behalf of Southport on May 22, 1998), 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 and its Subsidiaries, other than the Excluded Subsidiaries, 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. If a draw is made under a Letter of Credit issued for the account of a Subsidiary, Borrower shall immediately reimburse Banks for the full amount of such draw. 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. No Subsidiary shall be entitled to actual fundings by Banks under the Revolving Commitment, and all Letters of Credit issued on behalf of Subsidiaries shall only be issued at Borrower's request.

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 LIBO Rate Advance to be issued under the Revolving Credit Facility. If notice is received by Agent by 1:00 p.m., New Orleans time, Borrower may obtain a Prime Rate Advance under the Revolving Credit Facility on the same Business Day Borrower requests such Prime Rate Advance by telephonic notice (to be subsequently confirmed in writing by Borrower). 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 and its Subsidiaries, other than the Excluded Subsidiaries (which shall not be entitled to have Letters of Credit issued in their names), 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. All such Applications for Letters of Credit to be issued on behalf of a Subsidiary shall be executed by an authorized officer of such Subsidiary, as applicant, and shall also be executed by an authorized officer of Borrower, as guarantor. 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.

1.4 LIABILITY OF SUBSIDIARIES. Although Borrower shall be the sole entity to receive actual fundings under the Revolving Credit Commitment, Borrower and each of its Subsidiaries, other than the Excluded Subsidiaries, shall be liable IN SOLIDO to the Banks for all Advances made by Banks to Borrower under this Agreement and for all obligations with respect to Letters of Credit issued under the Revolving Credit Commitment. Borrower shall promptly notify Agent of Borrower's creation or acquisition of any new Subsidiary after the effective date of this Agreement and shall cause such new Subsidiary to sign such documentation as Agent requests to make such new Subsidiary a party to this Agreement. Until such new Subsidiary signs the requested documentation, Banks shall not issue any Letters of Credit on behalf of such new Subsidiary.

1.5 OBLIGATIONS ABSOLUTE. Although Borrower and its Subsidiaries, other than the Excluded Subsidiaries, are liable IN SOLIDO for the payment and performance of all Obligations pursuant to Section 1.4, the obligations of each Subsidiary, other than the Excluded Subsidiaries, shall, with respect to all Obligations under this Agreement other than the repayment of any draws under Letters of Credit issued in such Subsidiary's name, be deemed those of a guarantor, and the Obligations of Borrower shall, with respect to the repayment of draws on Letters of Credit issued in a Subsidiary's name, likewise be deemed those of a guarantor. Each party's liability for the Obligations, whether as a primary obligor or as a guarantor, is, however, absolute and shall not be affected by, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not such event shall occur with notice to, or the consent of, the party affected: (i) the waiver, surrender, compromise, settlement, discharge, release or termination of any portion of the Obligations, (ii) the bankruptcy, other insolvency, dissolution or liquidation of any other party liable on the Obligations, (iii) the discharge or release of any other party liable on the Obligations from its liability to pay or perform such Obligations (whether with Banks' consent or otherwise), (iv) the release of any Collateral securing the Obligations, (v) Banks' taking or failing to take any action referred to in any Loan Document, or any other documents executed in connection therewith or evidencing any other portion of the Obligations or (vi) any failure, omission, delay or lack of diligence on the part of Banks in the enforcement, assertion or exercise of any right, power or remedy conferred on Banks in any Loan Document, or any other documents executed in connection therewith or evidencing any portion of the

Obligations, or the inability of Banks to enforce any provision of any such documents or Obligations for any other reason, or any other act or omission on the part of Banks.

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, 2000. 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 September 30, 1998, 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 or one of its Subsidiaries, 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 September 30, 1998, 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 for LIBO Rate Advances 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 and for Prime Rate Advances must be received by Agent prior to 1:00 p.m., New Orleans time, on the Business Day for which the Prime Rate Advance is requested, and 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 its incorporation; 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. Upon receipt of Borrower's approval, each Subsidiary, other than the Excluded Subsidiaries, is duly authorized and will continue to be duly authorized to request the issuance of Letters of Credit. 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, 1997, 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, 1998, 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, 1997, there has been no material adverse change in Borrower's financial condition. Since December 31, 1997, 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 \$250,000 is subject to any Lien, except for the Liens created pursuant to the Collateral Documents and Permitted Liens.

5.7 SUBSIDIARIES. Other than the Excluded Subsidiaries, Borrower has no Subsidiaries which are not parties to this Agreement.

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. 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. <section><section> 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.

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) together with all Forms 10-K, 10-Q and 8-K, a certificate of the president or chief financial officer of Borrower, in the form of Exhibit "K" hereto, 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;

(c) 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;

(d) 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; and

(e) 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 1.10 to 1.00;

(b) a minimum Net Worth 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 on a consolidated basis, 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 the Existing Subsidiaries.

6.15 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.

6.16 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.

6.17 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.

6.18 CHANGE TAX I.D. NUMBER. Not change, and cause Dolphin Services not to change, its Federal Taxpayer Identification Number without giving Agent at least sixty (60) days' prior written notice.

6.19 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 aforescribed property, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the use, handling, storage, transportation or disposal of any Hazardous Substance or Solid Waste, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances. The indemnity described in this Section shall survive the termination of this Agreement for any reason whatsoever.

6.20 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 SUBSIDIARIES' RESOLUTIONS. Copies, duly certified by the secretary or assistant secretary of each Subsidiary (other than the Excluded Subsidiaries), of (a) the resolutions of such Subsidiary's Board of Directors authorizing the borrowings hereunder and the execution and delivery of all of the Loan Documents to which such Subsidiary 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 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 the Existing Subsidiaries 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) the Existing Subsidiaries have full power to execute, deliver and perform its obligations under this Agreement and the Collateral Documents to which each 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 the Existing Subsidiaries; 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 or any Subsidiary to the Banks under the terms of any note or notes, mortgage, indenture, loan agreement or security document of Borrower or any Subsidiary to the Banks, 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 or any Subsidiary, including, without limitation, any of the Loan Documents, shall constitute a default under all other notes, mortgages, indentures, loan agreements and security documents held by Banks or Agent, including, without limitation, the Loan Documents;

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

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

9.6 AGREEMENTS. Default in the performance of any of Borrower's covenants and/or agreements set forth in this Agreement and/or any of the other Loan Documents (and not constituting an Event of Default under any of the preceding subsections of this Section 9), which default shall continue for a period of thirty (30) days after written notice thereof to Borrower from Banks or Agent;

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

9.8 REMEDIES. 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 Subsidiaries 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 Seventh 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 "L" 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 provided in Section 3.2 hereof.

"Dolphin" has the meaning provided on the first page 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.

"Excluded Subsidiaries" means MINDOC, L.L.C. and all foreign sales corporations (as such term is defined in Section 922(a) of the United States Internal Revenue Code) owned by Borrower or one of its Subsidiaries.

"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.

"Existing Subsidiary" and "Existing Subsidiaries" have the meanings provided on the first page hereof.

"First NBC" has the meaning provided on the first page hereof.

"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 or the Letters of Credit, 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.

"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 or its Subsidiaries 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 or its Subsidiaries under this Agreement, the Notes, the Letters of Credit 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" has the meaning provided in Section 1.

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

"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.

"Southport" has the meaning provided on the first page hereof.

"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, 2000.

"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 pre-paid, registered or certified mail return receipt requested addressed:

If to Banks:

First National Bank of Commerce
201 St. Charles Avenue
New Orleans, Louisiana 70170
Attention: Mr. J. Charles Freeland, 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:

F. Rivers Lelong, Jr., 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 Freeland, Jr.
Senior Vice President

With a copy to:

F. Rivers Lelong, Jr., 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, its Subsidiaries, Banks, Agent and their respective successors and assigns, and shall inure to the benefit of Borrower, its Subsidiaries, Banks and the successors and assigns of Banks and Agent. Borrower and its Subsidiaries shall not assign their 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 and its Subsidiaries shall perform all of their 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, its Subsidiaries, Banks or Agent shall be effective unless the same shall be in writing and signed by Borrower, its Subsidiaries, 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 among 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

EXISTING SUBSIDIARIES:

DOLPHIN SERVICES, INC.

By: /S/ KERRY J. CHAUVIN
Kerry J. Chauvin, President

SOUTHPORT, INC.

By: /S/ KERRY J. CHAUVIN
Kerry J. Chauvin, Chairman

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

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. Fourth Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) (Borrower)
- E. Fourth Amendment to Collateral Assignment of Leases and Rents (Borrower)
- F. Fourth Amendment to Commercial Security Agreement (Borrower)

- G. Second Amendment to Pledge of Collateral Mortgage Note (Dolphin Services)
- H. Second Amendment to Pledge of Collateral Mortgage Note (Dolphin Services)
- I. Second Amendment to Commercial Security Agreement (Dolphin Services)
- J. Second Amendment to Commercial Pledge and Security Agreement
- K. Borrower's Default and Warranty Certificate
- L. List of Collateral Documents
- M. Description of Real Property

SCHEDULES

- 1. List of Borrower's Litigation

EXHIBIT A

APPLICATION FOR STAND-BY LETTER OF CREDIT AND SECURITY AGREEMENT
 FIRST NATIONAL BANK OF COMMERCE
 210 BARONNE STREET _____, LOUISIANA _____, 19_____
 NEW ORLEANS, LOUISIANA 70112

GENTLEMEN:

BY THIS AGREEMENT (THE "AGREEMENT"), WE APPLY FOR AND AUTHORIZE YOU TO ISSUE YOUR IRREVOCABLE STAND-BY LETTER OF CREDIT IN FAVOR OF _____ (THE "BENEFICIARY")

FOR ACCOUNT OF _____

AVAILABLE BY DRAFT(S) DRAWN AT SIGHT ON YOU IN AN AMOUNT NOT TO EXCEED _____ U.S. DOLLARS (\$ U.S. _____)

(THE "PRINCIPAL") WHEN ACCOMPANIED BY THE FOLLOWING DOCUMENT(S):

SPECIAL INSTRUCTIONS:

ANY DRAFT(S) DRAWN UNDER THE LETTER OF CREDIT MUST BE DRAWN AND PRESENTED TOGETHER WITH ACCOMPANYING DOCUMENTATION AT YOUR OFFICE AT _____, LOUISIANA _____

(THE "MAIN OFFICE") ON OR BEFORE YOUR CLOSE OF BUSINESS ON _____, 19_____, (THE "EXPIRATION DATE").

IN CONSIDERATION OF YOUR ISSUING YOUR IRREVOCABLE STAND-BY LETTER OF CREDIT ON THE TERMS SET FORTH ABOVE (THE "CREDIT"), WE HEREBY AGREE TO THE FOLLOWING TERMS AND CONDITIONS:

- 1. THIS CREDIT, IN PRINCIPAL, INTEREST, COSTS AND ATTORNEY'S FEES, AND ANY AMENDMENT, MODIFICATION, EXTENSION OR RENEWAL HEREOF, AND ANY AND ALL DEBTS, OBLIGATIONS AND LIABILITIES OF EVERY KIND AND CHARACTER OF ANY OF US TO YOU, WHETHER CURRENTLY EXISTING OR HEREAFTER ARISING, DIRECT OR INDIRECT, PRIMARY OR SECONDARY, JOINT, SEVERAL OR IN SOLIDO, FIXED OR CONTINGENT, LIQUIDATED OR UNLIQUIDATED, WHETHER ORIGINALLY PAYABLE TO YOU OR TO A THIRD PARTY AND SUBSEQUENTLY ACQUIRED BY YOU AND WHETHER SUCH DEBTS, OBLIGATIONS OR LIABILITIES ARE EVIDENCED BY NOTE, OPEN ACCOUNT, OVERDRAFT, ENDORSEMENT, SURETY AGREEMENT, GUARANTEE, SECURITY AGREEMENT, PLEDGE AGREEMENT, MORTGAGE, LOAN AGREEMENT, LETTER OF CREDIT, COMMITMENT LETTER, ASSIGNMENT OR OTHERWISE, TOGETHER WITH ALL INTEREST, INSURANCE PREMIUMS, ATTORNEY'S FEES

AND OTHER CHARGES OF WHATEVER KIND AND NATURE UP TO THE SUM OF FIFTY MILLION (\$50,000,000.00) DOLLARS

(COLLECTIVELY, THE "INDEBTEDNESS"), ARE, AND SHALL BE SECURED BY AND WE HEREBY GRANT YOU A CONTINUING SECURITY INTEREST IN AND TO:

AND ALL ADDITIONS THERETO AND/OR SUBSTITUTIONS THEREFOR; AND BY ALL OTHER SECURITIES AND/OR PROPERTY OF EVERY KIND OR NATURE WHATSOEVER THAT ARE NOW PLEDGED OR MAY HEREAFTER BE PLEDGED TO YOU BY ANY OF US FOR ANY PURPOSE, WHETHER RELATED TO THE CREDIT OR ANY OTHER INDEBTEDNESS OR NOT, AND ALL ADDITIONS AND/OR SUBSTITUTIONS THEREFOR, TOGETHER WITH ANY INTEREST, RIGHTS, DIVIDENDS, DISTRIBUTIONS, NEW SECURITIES, AND ANY OTHER PROPERTY TO WHICH WE MAY BECOME ENTITLED TO DURING THE EXISTENCE OF THIS CREDIT OR ANY OTHER INDEBTEDNESS BY REASON OF THE OWNERSHIP OF THE PLEDGED PROPERTY; FURTHER BY ANY AND ALL MORTGAGES, PLEDGES, SECURITY AGREEMENTS, ASSIGNMENTS OR OTHER SECURITY GRANTED BY US TO YOU TO SECURE THE CREDIT OR ANY OTHER INDEBTEDNESS OR THE OBLIGATIONS OR LIABILITIES OF ANY OTHER PARTY TO YOU (EXCEPT ANY MORTGAGE OR LIEN ON AN INDIVIDUAL'S PRINCIPAL RESIDENCE OTHER THAN ANY SUCH LIEN OR MORTGAGE CREATED EXPRESSLY OR EXPRESSLY ACKNOWLEDGED TO SECURE THIS CREDIT AND ANY OBLIGATION OF APPLICANT(S) HERETO IN CONNECTION WITH THIS TRANSACTION); FURTHER, BY THE PLEDGE OF ALL MONEY, NEGOTIABLE INSTRUMENTS, COMMERCIAL PAPER, NOTES, BONDS, STOCKS, CREDITS, CHOSSES IN ACTION, CLAIMS, DEMANDS, OR ANY INTEREST OF ANY THEREOF, WHICH MAY BELONG TO OR BE OWED TO ANY OF US AND WHICH MAY NOW OR HEREAFTER BE IN TRANSIT TO OR FROM YOU OR THAT MAY NOW OR HEREAFTER BE LEFT IN THE POSSESSION OR UNDER CONTROL OF YOU OR YOUR AGENTS FOR ANY PURPOSE WHATSOEVER WHETHER HELD BY OR UNDER THE CONTROL OF YOU ALONE OR WITH OTHERS OR BY ANY OTHER PERSON OR CORPORATION FOR YOUR ACCOUNT; AND FURTHER, BY THE PLEDGE OF THE BALANCE OF EACH AND EVERY DEPOSIT ACCOUNT OR CERTIFICATE OF DEPOSIT WHICH ANY OF US MAY AT ANY TIME MAINTAIN WITH YOU (WITH THE EXCEPTION OF IRA, PENSION AND OTHER TYPES OF TAX-DEFERRED ACCOUNTS). YOU ARE HEREBY AUTHORIZED, AT ANY TIME AND FROM TIME TO TIME, AT YOUR OPTION, TO COMPENSATE YOURSELF BY APPLYING ANY PART OR ALL OF THE BALANCE OF EACH AND EVERY DEPOSIT ACCOUNT OR CERTIFICATE OF DEPOSIT OF ANY OF US MAINTAINED WITH YOU (WITH THE EXCEPTION OF IRA, PENSION AND OTHER TYPES OF TAX-DEFERRED ACCOUNTS), WHETHER OR NOT THE DEPOSIT ACCOUNT OR CERTIFICATE OF DEPOSIT IS MATURE, AND/OR ANY OR ALL MONIES NOW OR HEREAFTER IN THE HANDS OF YOU, OR IN TRANSIT TO OR FROM YOU, AND BELONGING TO ANY OF US, TO THE PAYMENT, IN WHOLE OR IN PART, OF THE CREDIT OR ANY OTHER INDEBTEDNESS, WHETHER OR NOT THE CREDIT OR OTHER INDEBTEDNESS IS DUE OR HAS BEEN DEMANDED.

2. IF ANY DRAFT IS DRAWN ON YOU PURSUANT TO THE CREDIT, WE AUTHORIZE YOU, AT YOUR OPTION, TO COMPENSATE YOURSELF BY APPLYING ANY PART OR ALL OF THE BALANCE OF EVERY DEPOSIT ACCOUNT OR CERTIFICATE OF DEPOSIT WHICH WE MAY MAINTAIN WITH YOU AT ANY TIME, WHETHER OR NOT THE DEPOSIT IS MATURE, AND/OR ANY OR ALL MONIES OR OTHER PROPERTY OR INTEREST OF ANY KIND NOW OR HEREAFTER IN YOUR HANDS, OR IN TRANSIT TO OR FROM YOU, AND BELONGING TO US, TO THE PAYMENT, IN WHOLE OR IN PART, OF THE PRINCIPAL AND ANY INTEREST, COSTS AND ATTORNEY'S FEES WHICH WE MAY OWE TO YOU PURSUANT TO THIS AGREEMENT.
3. IN THE EVENT ANY DRAFT IS DRAWN ON YOU PURSUANT TO THE CREDIT AND YOU DO NOT ELECT TO EXERCISE YOUR RIGHT OF OFFSET AND COMPENSATION SET FORTH IN PARAGRAPH 2 OF THIS AGREEMENT, WE AGREE TO PAY TO YOU ON DEMAND AT THE MAIN OFFICE A SUM WHICH WILL EQUAL THE AMOUNT OF THE DRAFT, PLUS INTEREST THEREON FROM THE DATE THE DRAFT IS DRAWN ON YOU PURSUANT TO THE CREDIT UNTIL PAID AT THE RATE PER ANNUM OF _____ . INTEREST WILL BE CALCULATED ON THE NUMBER OF ACTUAL DAYS ELAPSED BASED ON A YEAR OF 360 DAYS. ALL PAYMENTS MAY BE APPLIED FIRST TO INTEREST, THEN TO INSURANCE PREMIUMS AND OTHER CHARGES (IF APPLICABLE), THEN TO PRINCIPAL. A PAYMENT SHALL NOT BE DEEMED MADE UNTIL THE FUNDS THEREFOR HAVE BEEN ACTUALLY COLLECTED AND MADE AVAILABLE TO YOU AT THE MAIN OFFICE.
4. IN THE EVENT ANY DRAFT IS DRAWN ON YOU PURSUANT TO THE CREDIT IN AN AMOUNT LESS THAN THE FULL AMOUNT OF THE PRINCIPAL, YOU MAY STILL EXERCISE YOUR RIGHTS PURSUANT TO THE PROVISIONS OF PARAGRAPH 2 AND 3 FOR THE FULL AMOUNT OF THE PRINCIPAL. ANY AMOUNT WHICH YOU OFFSET PURSUANT TO THE PROVISIONS OF PARAGRAPH 2 OR WHICH WE MUST PAY TO YOU PURSUANT TO THE PROVISIONS OF PARAGRAPH 3 WHICH ARE IN EXCESS OF DRAFTS ACTUALLY DRAWN ON YOU PURSUANT TO THE CREDIT SHALL BE HELD BY YOU IN PLEDGE TO SECURE THE PAYMENT OF FUTURE DRAFTS UNTIL 30 DAYS AFTER THE EXPIRATION DATE OR AFTER ANY EXTENSION OF THE EXPIRATION DATE WHICHEVER IS LATER. ANY AMOUNTS SO PAID BY US TO YOU WHICH HAVE NOT BEEN DRAWN BY 30 DAYS AFTER THE EXPIRATION DATE OR AFTER ANY EXTENSION OF THE EXPIRATION DATE, WHICHEVER IS LATER, SHALL BE REPAID TO US WITHOUT INTEREST.
5. WE ALSO AGREE TO PAY YOU, ON DEMAND, A COMMITMENT FEE FOR THE CREDIT, WHICH FEE SHALL BE CALCULATED AS FOLLOWS: _____ .

WE UNDERSTAND THAT WE ARE NOT ENTITLED TO A REFUND OF ANY PORTION OF THE COMMITMENT FEE UNDER ANY CIRCUMSTANCES, INCLUDING, BUT NOT LIMITED TO, YOUR UNILATERAL REDUCTION, EARLY TERMINATION, OR OTHER MODIFICATION OF THE

CREDIT. WE ADDITIONALLY AGREE TO PAY YOU ALL CHARGES AND EXPENSES INCURRED IN CONNECTION WITH THE CREDIT, INCLUDING, BUT NOT LIMITED TO COLLECTION COSTS, COURT COSTS AND ATTORNEY'S FEES.

6. WE AGREE THAT, REGARDLESS OF ANY EXTENSION OF THE EXPIRATION DATE, ANY INCREASE IN THE AMOUNT OF THE CREDIT, OR ANY OTHER MODIFICATION OF THE TERMS OF THE CREDIT, THIS AGREEMENT SHALL BE BINDING UPON US. NO SUCH MODIFICATION OF THE CREDIT OR THIS AGREEMENT WILL BE EFFECTIVE UNLESS AGREED TO IN WRITING BY YOU.

7. EACH OF THE FOLLOWING SHALL CONSTITUTE AN EVENT OF DEFAULT UNDER THIS AGREEMENT: SHOULD WE MAKE ANY MISREPRESENTATION TO YOU IN CONNECTION WITH THE OBTAINING OF THE CREDIT; SHOULD WE BE IN DEFAULT WITH RESPECT TO ANY PAYMENT OF PRINCIPAL, INTEREST, COMMITMENT FEES, COSTS OR ATTORNEY'S FEES UNDER THIS AGREEMENT; SHOULD WE FAIL TO PAY ALL OR ANY PART OF THE PRINCIPAL IN ACCORDANCE WITH THE PROVISIONS SET FORTH HEREIN; SHOULD THERE BE A DEFAULT IN ANY MORTGAGE OR PLEDGE SECURING OUR PAYMENT OF ALL OR ANY PART OF THE PRINCIPAL, INTEREST AND OTHER CHARGES; SHOULD WE BE IN DEFAULT WITH RESPECT TO ANY OTHER OBLIGATION CONTAINED HEREIN, OR WITH RESPECT TO ANY OBLIGATION OWED BY US TO YOU OR OTHERS FOR THE REPAYMENT OF BORROWED MONIES; SHOULD WE FILE A PETITION UNDER ANY CHAPTER OF THE FEDERAL BANKRUPTCY ACT OR ANY SIMILAR STATE OR FEDERAL LAW, WHETHER NOW OR HEREAFTER EXISTING; SHOULD ANY BANKRUPTCY PROCEEDING BE COMMENCED AGAINST US AND SHOULD WE FAIL TO FILE AN ANSWER CONTROVERTING AND OPPOSING THE PETITION, OR FAIL TO OBTAIN A DISMISSAL OF SUCH ACTION WITHIN 45 DAYS OF ITS COMMENCEMENT; SHOULD WE BE THE SUBJECT OF AN ORDER FOR RELIEF AGAINST US IN ANY SUCH BANKRUPTCY PROCEEDING OR HAVE A CUSTODIAN (AS DEFINED IN THE FEDERAL BANKRUPTCY ACT) OR A STATE COURT KEEPER OR RECEIVER OR TRUSTEE APPOINTED FOR US OR HAVE ANY COURT TAKE JURISDICTION OF ANY PART OF OUR PROPERTY IN ANY INVOLUNTARY PROCEEDINGS FOR THE PURPOSE OF REORGANIZATION, ARRANGEMENT, DISSOLUTION OR LIQUIDATION, AND THE COURT'S JURISDICTION IS NOT TERMINATED OR THE TRUSTEE, KEEPER OR RECEIVER IS NOT DISCHARGED WITHIN 45 DAYS AFTER THE COMMENCEMENT OF SUCH PROCEEDING; SHOULD WE APPLY FOR ANY SUCH RELIEF UNDER STATE LAW; SHOULD WE MAKE A GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS OR HAVE APPOINTED A COMMITTEE OF CREDITORS; SHOULD THERE BE CALLED A MEETING OF OUR CREDITORS; SHOULD WE ADMIT OUR INABILITY TO PAY OUR DEBTS AS THEY BECOME DUE; SHOULD WE SUSPEND THE TRANSACTION OF OUR USUAL BUSINESS; OR SHOULD YOU IN ANY WAY DEEM YOURSELF INSECURE AT ANY TIME. UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, ALL OUTSTANDING PRINCIPAL AND ANY AND ALL OTHER INDEBTEDNESS WHICH WE MAY OWE TO YOU SHALL, AT YOUR OPTION, BECOME IMMEDIATELY DUE AND PAYABLE. IF AT THE TIME ANY EVENT OF DEFAULT OCCURS, ANY PORTION OF THE CREDIT REMAINS UNDISBURSED, WE SHALL PAY TO YOU IN CASH, WITHIN 24 HOURS OF YOUR DEMAND THEREFOR, FOR APPLICATION TO DRAWINGS UNDER THE CREDIT, AN AMOUNT EQUAL TO SUCH UNDISBURSED PORTION OF THE CREDIT. IF WE DO NOT PAY SUCH AMOUNT ON DEMAND, YOU SHALL HAVE THE RIGHT, WITHOUT PREJUDICE TO YOUR OTHER RIGHTS, TO COLLECT SUCH AMOUNT PURSUANT TO PARAGRAPHS 2 AND 3 ABOVE, AND TO HOLD THAT SUM IN PLEDGE AS PROVIDED IN PARAGRAPH 4 ABOVE. ANY AMOUNTS WHICH WE HAVE PAID TO YOU ON SUCH DEMAND AND WHICH HAVE NOT BEEN DRAWN BY 30 DAYS AFTER THE EXPIRATION DATE, OR AFTER ANY EXTENSION OF THE EXPIRATION DATE, WHICHEVER IS LATER, SHALL BE REPAYED TO US WITHOUT INTEREST.

8. WE AGREE THAT YOU MAY AT ANY TIME DELIVER THE CREDIT THROUGH ANY BANK(S) ("CORRESPONDENTS") YOU IN YOUR SOLE DISCRETION MAY CHOOSE. WE HOLD YOU HARMLESS FOR ANY ACTIONS OR CLAIMS ARISING OUT OF THE HANDLING OF SUCH DELIVERY BY THE CORRESPONDENTS MAKING THE DELIVERY. WE FURTHER AGREE THAT NEITHER YOU NOR ANY CORRESPONDENTS SHALL EVER IN ANY WAY BE RESPONSIBLE FOR PERFORMANCE BY ANY BENEFICIARY OF ITS OBLIGATIONS TO US NOR FOR THE FORM, VALIDITY, SUFFICIENCY, CORRECTNESS, TRUTHFULNESS OR GENUINENESS OF ANY DOCUMENTS DELIVERED IN CONNECTION WITH THE CREDIT, EVEN IF SUCH DOCUMENTS SHOULD IN FACT PROVE TO BE IN ANY OR ALL RESPECTS INVALID, INSUFFICIENT, FRAUDULENT OR FORGED; FOR FAILURE OF ANY DRAFT TO BEAR ANY REFERENCE OR CORRECT REFERENCE TO THE CREDIT; FOR ERRORS, OMISSIONS OR DELAYS IN TRANSMISSION OR DELIVERY OF ANY MESSAGES WHETHER BY MAIL, CABLE, TELEGRAPH OR OTHERWISE; OR, FOR ANY ERROR, NEGLIGENCE OR DEFAULT OF ANY CORRESPONDENTS. WE FURTHER AGREE THAT, IF ANY OF THE ABOVE EVENTS SHOULD OCCUR, SUCH EVENT WILL NOT AFFECT, IMPAIR OR PREVENT OUR LIABILITY OR YOUR RIGHTS OR POWERS HEREUNDER. WE AGREE THAT ANY ACTION TAKEN BY YOU OR BY ANY CORRESPONDENT IN CONNECTION WITH THE CREDIT, INCLUDING BUT NOT LIMITED TO RELATIVE DRAFTS, DOCUMENTS, OR PROPERTY, AS WELL AS ANY INACTION OR OMISSION, SHALL NOT RESULT IN LIABILITY TO YOU OR ANY CORRESPONDENT.

9. WITHOUT LIMITING THE FOREGOING, AND IN ADDITION TO THE PROVISIONS OF PARAGRAPH 8 HEREOF, YOU ARE HEREBY EXPRESSLY AUTHORIZED AND DIRECTED TO HONOR ANY REQUEST FOR PAYMENT WHICH IS MADE UNDER AND IN COMPLIANCE WITH THE TERMS OF THE CREDIT WITHOUT REGARD TO, AND WITHOUT ANY DUTY ON YOUR PART TO INQUIRE INTO, THE EXISTENCE OF ANY, DISPUTES OR CONTROVERSIES BETWEEN ANY OF THE UNDERSIGNED, THE BENEFICIARY OR ANY OTHER PERSON, FIRM, OR CORPORATION, OR THE RESPECTIVE RIGHTS, DUTIES OR LIABILITIES OF ANY OF THEM OR WHETHER ANY FACTS OR OCCURRENCES REPRESENTED IN ANY OF THE DOCUMENTS PRESENTED UNDER THE CREDIT ARE TRUE OR CORRECT. WE FULLY UNDERSTAND AND AGREE THAT YOUR SOLE OBLIGATION TO US SHALL BE LIMITED TO HONORING REQUESTS FOR PAYMENT MADE UNDER AND IN COMPLIANCE WITH THE TERMS OF THE CREDIT AND THIS AGREEMENT, AND YOUR OBLIGATION REMAINS SO LIMITED EVEN IF YOU MAY HAVE ASSISTED US IN THE PREPARATION OF THE WORDING OF THE CREDIT OR ANY DOCUMENTS REQUIRED TO BE

PRESENTED THEREUNDER, OR IF YOU MAY OTHERWISE BE AWARE OF THE UNDERLYING TRANSACTION GIVING RISE TO THE CREDIT AND THIS AGREEMENT.

10. WE AGREE, AT ANY TIME AND FROM TIME TO TIME WHETHER OR NOT ANY DRAFTS HAVE BEEN DRAWN PURSUANT TO THIS CREDIT AND WHETHER OR NOT THERE HAS OCCURRED ANY EVENT OF DEFAULT UNDER THIS AGREEMENT OR ANY OTHER AGREEMENT WE MAY HAVE WITH YOU, WITHIN 24 HOURS OF DEMAND BY YOU, TO DELIVER, CONVEY, TRANSFER, PLEDGE AND/OR ASSIGN TO YOU, AS SECURITY FOR PAYMENT OF PRINCIPAL, INTEREST AND OTHER CHARGES AND PERFORMANCE OF THIS AGREEMENT, SECURITY OR ADDITIONAL SECURITY OF A VALUE AND CHARACTER SATISFACTORY TO YOU AND TO MAKE SUCH PAYMENTS TO YOU AS YOU MAY REQUIRE PURSUANT TO THE TERMS OF THIS AGREEMENT.

11. WE AGREE TO MAINTAIN INSURANCE ON ALL PROPERTY MORTGAGED OR PLEDGED TO SECURE THIS AGREEMENT, INSURING YOU AGAINST THE LOSS OF SUCH PROPERTY BY FLOOD, FIRE, THEFT OR OTHER PERIL, FOR THE TERM OF THE CREDIT AND ALL EXTENSIONS OR RENEWALS OF THE CREDIT. IF WE SHOULD FAIL TO INSURE THE MORTGAGED OR PLEDGED PROPERTY AND DELIVER A COPY OF THE INSURANCE POLICY TO YOU WITHIN 30 DAYS OF THE EXECUTION OF THIS AGREEMENT, OR IF WE FAIL TO OBTAIN A RENEWAL POLICY IMMEDIATELY, OR IF WE OBTAIN SUCH INSURANCE BUT FOR ANY REASON IT IS CANCELLED, IN WHOLE OR PART, AT ANY TIME BEFORE THE EXPIRATION DATE OF THE CREDIT INCLUDING EXTENSIONS OR RENEWALS THEREOF, AND WE FAIL TO OBTAIN A RENEWAL POLICY IMMEDIATELY, OR IF WE FAIL TO PAY TAXES OR ASSESSMENTS ON THE MORTGAGED OR PLEDGED PROPERTY OR PERMIT ANY LIENS TO BE PLACED AGAINST THE PROPERTY, YOU, IN ADDITION TO ANY OTHER RIGHTS YOU MAY HAVE UNDER THIS AGREEMENT SHALL HAVE THE RIGHT TO OBTAIN AND PAY FOR SUCH POLICY, SUCH TAXES OR ASSESSMENTS, AND THE AMOUNT NECESSARY TO DISCHARGE SUCH LIENS, UP TO THE AMOUNT OF ONE MILLION (\$1,000,000.00) DOLLARS, AND ALL SUCH AMOUNTS SHALL BE SECURED BY THIS AGREEMENT AND BY ALL COLLATERAL NOW OR HEREAFTER GIVEN TO SECURE OUR OBLIGATIONS TO YOU. IF, IN YOUR OPINION, IT IS NECESSARY AT ANY TIME, WHETHER OR NOT AN EVENT OF DEFAULT OCCURS, TO PERFORM REPAIR WORK ON THE MORTGAGED OR PLEDGED PROPERTY IN ORDER TO PUT IT INTO SUITABLE CONDITION FOR SALE, YOU ARE AUTHORIZED TO MAKE SUCH REPAIRS AND ALL AMOUNTS SPENT FOR SUCH PURPOSES UP TO THE AMOUNT OF TWO HUNDRED THOUSAND (\$200,000.00) DOLLARS SHALL BE SECURED BY THIS AGREEMENT AND BY ALL ACCOUNTS OR COLLATERAL NOW OR HEREAFTER IN YOUR POSSESSION AND/OR GIVEN TO SECURE OUR OBLIGATIONS TO YOU.

THE IMMEDIATELY PRECEDING PARAGRAPH DOES NOT OBLIGE YOU TO PROCURE INSURANCE, PAY TAXES OR ASSESSMENTS, DISCHARGE LIENS, OR REPAIR PROPERTY, BUT PROVIDES AN OPTION FOR YOU TO DO SO. YOU MAY DEMAND IMMEDIATE REIMBURSEMENT FROM US OF ANY SUCH AMOUNTS SPENT BY YOU. OUR FAILURE TO REPAY SUCH AMOUNTS WITHIN 24 HOURS OF SUCH DEMAND SHALL, AT YOUR OPTION, CONSTITUTE AN EVENT OF DEFAULT.

12. WE BIND OURSELVES TO PAY THE FEES OF ANY ATTORNEY AT LAW WHOM YOU MAY EMPLOY TO RECOVER THE PRINCIPAL, THE COMMITMENT FEE, OR ANY INTEREST OR OTHER COST OWING TO YOU BY US PURSUANT TO THIS AGREEMENT, OR ANY PART HEREOF, OR TO PROTECT ANY SECURITY GIVEN HEREUNDER OR YOUR INTEREST HEREIN, OR TO COMPROMISE OR TAKE ANY OTHER ACTION WITH REGARD HERETO, WHICH FEES ARE HEREBY FIXED AT 25% OF THE AMOUNT THEN OWING OR SOUGHT TO BE COLLECTED, PROTECTED, OR PRESERVED.

13. WE WAIVE PRESENTMENT FOR PAYMENT, NOTICE OF NONPAYMENT, DEMAND, PROTEST, NOTICE OF PROTEST, ALL PLEAS OF DIVISION AND DISCUSSION AND AGREE THAT THE TIME OF PAYMENT OF THE PRINCIPAL, INTEREST, AND OTHER CHARGES MAY BE EXTENDED, FROM TIME TO TIME ONE OR MORE TIMES, WITHOUT NOTICE OF SUCH EXTENSIONS AND WITHOUT FURTHER CONSENT. WITHOUT NOTICE TO US, OR WITHOUT ANY FURTHER CONSENT, YOU MAY SUBSTITUTE, RELEASE, DISCHARGE OR OTHERWISE ALTER ANY ONE OR MORE OF OUR OBLIGATIONS WITHOUT AFFECTING IN ANY WAY ANY OTHER OF OUR OBLIGATIONS. NO WAIVER OF ANY RIGHT BY YOU SHALL BE EFFECTIVE EXCEPT AS SPECIFICALLY PROVIDED IN WRITING. NO DELAY BY YOU IN THE EXERCISE OF ANY RIGHT SHALL AFFECT SUCH RIGHT, NOR PRECLUDE FUTURE EXERCISE OF SUCH OR SIMILAR RIGHTS.

14. WHEN YOU ARE REQUIRED TO MAKE DEMAND UPON US PURSUANT TO THIS AGREEMENT, DEMAND SHALL BE DEEMED TO HAVE BEEN MADE ON THE DATE AND HOUR WHEN YOU HAVE EITHER TELEPHONED US OR HAVE SENT WRITTEN NOTICE OF DEMAND TO THE MOST RECENT ADDRESS WHICH WE HAVE GIVEN YOU IN WRITING, BY TELEGRAPH, TELEX, CABLE OR REGISTERED MAIL.

15. WE AGREE THAT EVEN IF THE LETTER OF CREDIT IS ISSUED IN A FOREIGN CURRENCY, THE PRINCIPAL AMOUNT OF EACH DRAWING, FOR THE PURPOSES OF DETERMINING THE PRINCIPAL OUTSTANDING, WILL BE THE U.S. DOLLAR EQUIVALENT OF THE FOREIGN CURRENCY AMOUNT CONVERTED AT THE RATE OF EXCHANGE WHICH IS DETERMINED BY YOU AT THE RATE YOU IN YOUR SOLE DISCRETION MAY SET ON THE DATE OF ANY DRAWING. FURTHER, WE INDEMNIFY YOU AND YOUR CORRESPONDENTS AGAINST ALL OBLIGATIONS, LIABILITIES AND RESPONSIBILITIES WHICH ARE IMPOSED BY OR RESULT FROM FOREIGN LAWS, CUSTOMS AND USAGES.

16. WE UNDERSTAND THAT IF THE LETTER OF CREDIT IS DESIGNATED AS "TRANSFERABLE," ANY TRANSFER WILL ONLY BE EFFECTIVE AFTER YOU HAVE RECEIVED AND ACKNOWLEDGED WRITTEN NOTICE OF TRANSFER.

17. IF THIS AGREEMENT IS SIGNED BY ONE PARTY, THE TERMS "WE," "OUR," "US," SHALL BE READ THROUGHOUT AS "I," "MY," "ME," AS THE CASE MAY BE. IF THIS AGREEMENT

IS SIGNED BY TWO OR MORE PARTIES, IT SHALL BE THE JOINT, SEVERAL AND SOLIDARY OBLIGATION OF SUCH PARTIES, AND THE TERMS, "WE," "OUR," AND "US" SHALL BE READ THROUGHOUT AS "OUR, OR ANY OF OUR," AND "US, OR ANY OF US." THE TERMS "WE," "OUR," AND "US," AS USED IN THIS AGREEMENT, MEAN EACH MAKER, ENDORSER, GUARANTOR, OR OTHER SURETY OF THE PRINCIPAL, INTEREST AND OTHER CHARGES AND ANY AND ALL OTHER INDEBTEDNESS OWING BY US TO YOU, INCLUDING ANY PERSON OR ENTITY PLEDGING OR MORTGAGING PROPERTY TO SECURE THE PRINCIPAL AND ANY AND ALL OTHER INDEBTEDNESS ARISING PURSUANT TO THIS AGREEMENT, AS WELL AS THEIR HEIRS, SUCCESSORS OR ASSIGNS. THE TERMS "YOU" AND "YOUR" SHALL BE READ THROUGHOUT TO REFER TO BANK, ITS SUCCESSORS, TRANSFEREES AND ASSIGNS.

18. IN THE EVENT THAT ANY PROVISION OF THIS AGREEMENT IS INVALIDATED BY A CHANGE IN EXISTING LAW OR REGULATIONS OR BY A DECISION OF ANY COURT HAVING JURISDICTION OVER THIS AGREEMENT OR THE PARTIES HERETO, SUCH PROVISION WILL BE CONSIDERED AS HAVING BEEN SEVERED FROM THIS AGREEMENT, AND THE REMAINING PROVISIONS OF THIS AGREEMENT WILL CONTINUE IN FULL FORCE AND EFFECT.

19. THIS AGREEMENT SHALL BE DEEMED TO BE MADE UNDER AND SHALL IN ALL RESPECTS BE GOVERNED BY THE LAWS OF THE STATE OF LOUISIANA. THE CREDIT WILL BE SUBJECT TO THE UNIFORM CUSTOMS OF PRACTICE FOR DOCUMENTARY CREDITS (1983 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 400, OR BY SUBSEQUENT UNIFORM CUSTOMS AND PRACTICE FIXED BY SUBSEQUENT CONGRESSES OF THE INTERNATIONAL CHAMBER OF COMMERCE.

THE FOREGOING ACCEPTED AND AGREED TO:

(NAME OF APPLICANT)

(AUTHORIZED SIGNATURE AND TITLE)

BY: _____
(AUTHORIZED SIGNATURE AND TITLE) (NAME OF APPLICANT)

BY: _____
(AUTHORIZED SIGNATURE AND TITLE) (NAME OF APPLICANT)

GUARANTY BY ENDORSEMENT

EACH OF THE UNDERSIGNED UNCONDITIONALLY GUARANTEE THE PUNCTUAL PAYMENT OF PRINCIPAL AND ANY AND ALL OTHER INDEBTEDNESS ARISING PURSUANT TO THIS AGREEMENT AND EACH AMENDMENT, MODIFICATION, EXTENSION OR RENEWAL HEREOF IN ACCORDANCE WITH THE PROVISIONS HEREOF. ALL THE TERMS, CONDITIONS, WAIVERS AND PROVISIONS OF THIS AGREEMENT SHALL BE BINDING UPON EACH OF THE UNDERSIGNED. THE UNDERSIGNED EACH HEREBY WAIVE PRESENTMENT FOR PAYMENT, DEMAND, PROTEST, NOTICE OF PROTEST, NON-PAYMENT AND DEMAND, AND AGREE THAT THE LIABILITY OF EACH OF THE UNDERSIGNED IS IN SOLIDO WITH THE MAKER OR MAKERS OF THIS AGREEMENT.

THE UNDERSIGNED FURTHER AGREE THAT THE MATURITY OF THE PRINCIPAL AND ANY AND ALL OTHER INDEBTEDNESS ARISING PURSUANT TO THIS AGREEMENT MAY BE EXTENDED FROM TIME TO TIME ONE OR MORE TIMES, WITHOUT NOTICE OF SUCH EXTENSIONS AND WITHOUT FURTHER CONSENT; THAT ANY OF US MAY AT ANY TIME BE RELEASED IN WHOLE OR IN PART FROM THEIR OBLIGATIONS HEREUNDER WITHOUT AFFECTING THE CONTINUING LIABILITY OR OBLIGATIONS OF ANY OF US HEREUNDER; AND THE SECURITY FOR THE PAYMENT THEREOF MAY FROM TIME TO TIME BE SUBSTITUTED, EXCHANGED, OR RELEASED, OR OTHERWISE DEALT WITH AS BANK MAY DETERMINE, WITHOUT NOTICE TO OR FURTHER ASSENT OF UNDERSIGNED, OR ANY OF THEM, EACH OF WHOM SHALL REMAIN BOUND IN SOLIDO WITH THE MAKER OR MAKERS OF THIS AGREEMENT.

EXHIBIT B

COMMERCIAL PROMISSORY NOTE
(REVOLVING)

\$10,000,000.00

New Orleans, Louisiana
August 21, 1998

FOR VALUE RECEIVED, the undersigned ("BORROWER", whether one or more), in solido, promises to pay to the order of FIRST NATIONAL BANK OF COMMERCE ("BANK"), as provided below, at 201 St. Charles Avenue, New Orleans, Louisiana 70170, the sum of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00), with interest thereon from date until paid, at the rates

specified in the Loan Agreement (as hereinafter defined). All payments shall be applied first to interest, then to other charges and insurance premiums (if applicable), then to principal.

This note is one of the notes referred to in, is subject to the terms and conditions of, and is entitled to the benefits of, that certain Seventh Amended and Restated Revolving Credit Agreement, dated effective as of the date hereof, by and among Borrower, Dolphin Services, Inc., Southport, Inc., Whitney National Bank ("WHITNEY"), and Bank, in its individual capacity and as agent for Bank and Whitney (the "LOAN AGREEMENT"), which Loan Agreement, among other things, contains provisions for the maximum amount of credit to be made available hereunder, certain fees, acceleration of the maturity hereof upon the happening of certain stated events, and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. Bank may from time to time make advances to Borrower under the Loan Agreement, the aggregate unpaid principal balance of which shall not exceed the principal amount stated herein. Borrower shall be obligated to repay only the actual amount advanced, plus interest and appropriate penalties calculated as provided in this Note.

SINGLE PAYMENT NOTE/SINGLE PRINCIPAL PAYMENT, PERIODIC INTEREST INSTALLMENTS. PRINCIPAL SHALL BE PAYABLE IN FULL ON DECEMBER 31, 2000, AND INTEREST THEREON SHALL BE PAYABLE ON THE LAST DAY OF SEPTEMBER, 1998, AND THE LAST DAY OF EACH CALENDAR QUARTER THEREAFTER.

A. SECURITY. This note is secured by all of the Collateral Documents (as defined in the Loan Agreement).

B. LATE PAYMENT. A payment is not deemed made until funds are collected and made available to Bank. If any payment, whether the payment represents principal or interest or both, is not paid in full when due, whether during the term of this note or at maturity, and such nonpayment shall have continued for a period of five (5) days following written notice thereof by Bank to Borrower, Bank may impose upon and collect from Borrower a late charge equal to five percent (5%) of the unpaid amount of the payment then due and owing. Late charges imposed under this section shall not be less than \$25.00 nor more than \$100.00 per occurrence.

C. DEFAULT. If this note is in default, Bank may, at its option and without notice or demand, declare immediately due and payable the entire unpaid balance of the note.

Each of the following shall constitute a default under this note: if this note is not paid in accordance with its terms and such nonpayment in accordance with its terms shall have continued for a period of five (5) days following written notice of such default by Bank to Borrower; or the occurrence of an Event of Default, as defined in the Loan Agreement.

D. ATTORNEY'S FEES. Borrower agrees to pay the reasonable fees of any attorney at law who may be employed to recover the amount hereof, or any part hereof, in principal or interest, or to protect any security herefor or the interest of the holder hereof, or to compromise or to take any other action with regard hereto, which fees shall not exceed twenty-five percent (25%) of the amount then owing hereon or sought to be collected, protected, or preserved.

E. PREPAYMENT. Borrower may prepay the note in full or in part at any time in accordance with the terms of the Loan Agreement.

F. WAIVER OF DEFENSES. Each party waives presentment for payment, demand, notice of nonpayment, demand, and protest, and agrees that the time of payment hereof may be extended from time to time, one or more times, without notice of such extension or extensions, and without further consent. The term "PARTY" as used in this note, means each maker, endorser, guarantor, or other surety of this note, including any person or entity pledging or mortgaging property to secure this note and their heirs, successors, or assigns. Without notice to, or consent of, any party, Bank may substitute, release, discharge, or otherwise alter the obligation of any party, without affecting in any way the obligation of any other party. No waiver of any right by Bank shall be effective, unless in writing and signed by Bank. No delay by Bank in the exercise of any right shall affect such right, nor preclude future exercise of such similar rights. As used herein, the term "BANK" shall be deemed to include not only Bank and its successors and assigns, but also any transferee(s), endorsee(s), or future holder(s) of this note.

G. INTEREST CALCULATION. Interest shall be calculated as specified in the Loan Agreement.

H. ELECTION OF LAW. This note shall be governed by and construed under the law of the State of Louisiana. Each party agrees that any action arising out of this note, or any renewals or substitutions for this note, may be brought in any competent court in the Parish of Orleans, State of

Louisiana.

This note, together with that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00, executed by Borrower, payable to the order of Whitney, bearing interest at the per annum rate set forth herein (the "WHITNEY NOTE"), is given in renewal and rearrangement and not in novation or discharge of: (a) that certain promissory note of Borrower payable to the order of Bank, dated May 1, 1997, in the amount of \$10,000,000.00, and (b) that certain promissory note of Borrower payable to the order of Whitney, dated May 1, 1997, in the amount of \$10,000,000.00 (both of the foregoing promissory notes being collectively referred to as the "FORMER NOTES").

The indebtedness evidenced by this note and the Whitney Note is a continuation of and an increase in the indebtedness evidenced by the Former Notes, which indebtedness is in no way extinguished or diminished hereby, and nothing contained in this note shall be construed (a) as a novation of the Former Notes or any collateral securing same; (b) as payment of any amount of principal or interest on the Former Notes; or (c) to release, cancel, terminate, or otherwise impair the status or priority of the liens created by the Collateral Documents (as defined in the Loan Agreement) and Borrower hereby ratifies, confirms, and approves the continuing existence, validity, priority, and binding effect of the Collateral Documents.

GULF ISLAND FABRICATION, INC.
(BORROWER)

BY: _____
KERRY J. CHAUVIN
PRESIDENT

EXHIBIT C

COMMERCIAL PROMISSORY NOTE
(REVOLVING)

\$10,000,000.00

New Orleans, Louisiana
August 21, 1998

FOR VALUE RECEIVED, the undersigned ("BORROWER", whether one or more), in solido, promises to pay to the order of WHITNEY NATIONAL BANK ("BANK"), as provided below, at 228 St. Charles Avenue, New Orleans, Louisiana 70130, the sum of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00), with interest thereon from date until paid, at the rates specified in the Loan Agreement (as hereinafter defined). All payments shall be applied first to interest, then to other charges and insurance premiums (if applicable), then to principal.

This note is one of the notes referred to in, is subject to the terms and conditions of, and is entitled to the benefits of, that certain Seventh Amended and Restated Revolving Credit Agreement, dated effective as of the date hereof, by and among Borrower, Dolphin Services, Inc., Southport, Inc., Bank and First National Bank of Commerce ("FNBC"), in its individual capacity and as agent for Bank and FNBC (the "LOAN AGREEMENT"), which Loan Agreement, among other things, contains provisions for the maximum amount of credit to be made available hereunder, certain fees, acceleration of the maturity hereof upon the happening of certain stated events, and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. Bank may from time to time make advances to Borrower under the Loan Agreement, the aggregate unpaid principal balance of which shall not exceed the principal amount stated herein. Borrower shall be obligated to repay only the actual amount advanced, plus interest and appropriate penalties calculated as provided in this Note. Bank, at Bank's election, may exercise any and all rights and remedies described in this note through FNBC, as Bank's agent.

SINGLE PAYMENT NOTE/SINGLE PRINCIPAL PAYMENT, PERIODIC INTEREST INSTALLMENTS. PRINCIPAL SHALL BE PAYABLE IN FULL ON DECEMBER 31, 2000, AND INTEREST THEREON SHALL BE PAYABLE ON THE LAST DAY OF SEPTEMBER, 1998, AND THE LAST DAY OF EACH CALENDAR QUARTER THEREAFTER.

A. SECURITY. This note is secured by all of the Collateral Documents (as defined in the Loan Agreement).

B. LATE PAYMENT. A payment is not deemed made until funds are collected and made available to Bank. If any payment, whether the payment represents principal or interest or both, is not paid in full when due, whether during the term of this note or at maturity, and such nonpayment shall have continued for a period of five (5) days following written notice thereof by Bank to Borrower, Bank may impose upon and collect from Borrower

a late charge equal to five percent (5%) of the unpaid amount of the payment then due and owing. Late charges imposed under this section shall not be less than \$25.00 nor more than \$100.00 per occurrence.

C. DEFAULT. If this note is in default, Bank may, at its option and without notice or demand, declare immediately due and payable the entire unpaid balance of the note.

Each of the following shall constitute a default under this note: if this note is not paid in accordance with its terms and such nonpayment in accordance with its terms shall have continued for a period of five (5) days following written notice of such default by Bank to Borrower; or the occurrence of an Event of Default, as defined in the Loan Agreement.

D. ATTORNEY'S FEES. Borrower agrees to pay the reasonable fees of any attorney at law who may be employed to recover the amount hereof, or any part hereof, in principal or interest, or to protect any security herefor or the interest of the holder hereof, or to compromise or to take any other action with regard hereto, which fees shall not exceed twenty-five percent (25%) of the amount then owing hereon or sought to be collected, protected, or preserved.

E. PREPAYMENT. Borrower may prepay the note in full or in part at any time in accordance with the terms of the Loan Agreement.

F. WAIVER OF DEFENSES. Each party waives presentment for payment, demand, notice of nonpayment, demand, and protest, and agrees that the time of payment hereof may be extended from time to time, one or more times, without notice of such extension or extensions, and without further consent. The term "PARTY" as used in this note, means each maker, endorser, guarantor, or other surety of this note, including any person or entity pledging or mortgaging property to secure this note and their heirs, successors, or assigns. Without notice to, or consent of, any party, Bank may substitute, release, discharge, or otherwise alter the obligation of any party, without affecting in any way the obligation of any other party. No waiver of any right by Bank shall be effective, unless in writing and signed by Bank. No delay by Bank in the exercise of any right shall affect such right, nor preclude future exercise of such similar rights. As used herein, the term "BANK" shall be deemed to include not only Bank and its successors and assigns, but also any transferee(s), endorsee(s), or future holder(s) of this note.

G. INTEREST CALCULATION. Interest shall be calculated as specified in the Loan Agreement.

H. ELECTION OF LAW. This note shall be governed by and construed under the law of the State of Louisiana. Each party agrees that any action arising out of this note, or any renewals or substitutions for this note, may be brought in any competent court in the Parish of Orleans, State of Louisiana.

This note, together with that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00, executed by Borrower, payable to the order of FNBC, bearing interest at the per annum rate set forth herein (the "FNBC NOTE"), is given in renewal and rearrangement and not in novation or discharge of: (a) that certain promissory note of Borrower payable to the order of Bank, dated May 1, 1997, in the amount of \$10,000,000.00, and (b) that certain promissory note of Borrower payable to the order of FNBC, dated May 1, 1997, in the amount of \$10,000,000.00 (both of the foregoing promissory notes being collectively referred to as the "FORMER NOTES").

The indebtedness evidenced by this note and the FNBC Note is a continuation of and an increase in the indebtedness evidenced by the Former Notes, which indebtedness is in no way extinguished or diminished hereby, and nothing contained in this note shall be construed (a) as a novation of the Former Notes or any collateral securing same; (b) as payment of any amount of principal or interest on the Former Notes; or (c) to release, cancel, terminate, or otherwise impair the status or priority of the liens created by the Collateral Documents (as defined in the Loan Agreement) and Borrower hereby ratifies, confirms, and approves the continuing existence, validity, priority, and binding effect of the Collateral Documents.

GULF ISLAND FABRICATION, INC.
(BORROWER)

BY: _____
KERRY J. CHAUVIN
PRESIDENT

THIS FOURTH AMENDMENT TO COLLATERAL PLEDGE AGREEMENT AND RECEIPT (POSSESSORY COLLATERAL SECURITY AGREEMENT) (this "AMENDMENT") is made and entered into as of August 21, 1998, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("BORROWER" or "PLEDGOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney, FNBC, and the Agent being sometimes herein referred to collectively as "BANKS").

RECITALS:

WHEREAS, Borrower, Banks, and Margaret Bienvenu, wife of/and Alden J. Laborde, and Angelina Mumphrey, wife of/and Huey J. Wilson, as intervenors, previously entered into that certain Third Amended and Restated Revolving Credit and Term Loan Agreement dated October 29, 1991 (as amended by that certain First Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement by and among the same parties, dated effective as of July 20, 1992, the "THIRD LOAN AGREEMENT");

WHEREAS, as security for certain of its obligations under the Third Loan Agreement, Borrower granted unto and in favor of Banks a first mortgage lien upon the Real Property (as defined and described in the Third Loan Agreement), evidenced by the following documents that Borrower executed and delivered to Banks:

(1) that certain Collateral Mortgage Note of Gulf Island Fabrication, Inc., a Louisiana corporation that was the predecessor-in-interest to Borrower ("GIF"), dated December 17, 1986, in the principal sum of SIX MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$6,500,000.00), bearing interest at the rate of eighteen percent (18%) per annum from date until paid, and payable to the order of Bearer (as corrected by that certain Act of Correction of Collateral Mortgage Note by GIF, FNBC, and William H. Hines, dated July 27, 1989, and as further amended, extended, and renewed from time to time, the "GIF COLLATERAL NOTE");

(2) that certain Collateral Mortgage Note of Borrower dated October 29, 1991, in the principal sum of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00), bearing interest at the rate of eighteen percent (18%) per annum from date until paid, and payable to the order of Bearer (as amended, extended, and renewed from time to time, the "COLLATERAL NOTE");

(3) that certain Act of Collateral Mortgage of GIF, dated December 17, 1986, in favor of Mortgagee and any and all future holders, securing the GIF Collateral Note, recorded in the mortgage records of Terrebonne Parish, Louisiana, in MOB 728, folio 323, under Entry No. 794226 (as supplemented and amended by that certain Act of Supplement and Amendment to Act of Collateral Mortgage by GIF in favor of Mortgagee and any and all future holders, dated July 27, 1989, recorded in the mortgage records of Terrebonne Parish, Louisiana, in MOB 811, folio 143, under Entry No. 850040, and as further supplemented, amended, and reinscribed from time to time, the "GIF COLLATERAL MORTGAGE");

(4) that certain Act of Collateral Mortgage of Borrower dated October 29, 1991, in favor of Mortgagee and any and all future holders, securing the Collateral Note, recorded in the mortgage records of Terrebonne Parish, Louisiana, in MOB 878, under Entry No. 889436 (as supplemented, amended, and reinscribed from time to time, the "COLLATERAL MORTGAGE"); and

(5) that certain Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) No. 1000760, dated October 29, 1991, by Borrower to Agent, with respect to the GIF Collateral Note and the Collateral Note (the "ORIGINAL PLEDGE AGREEMENT");

WHEREAS, Borrower and Banks subsequently entered into various amendments, modifications, and restatements of the Third Loan Agreement and of the various documents associated therewith (collectively with all documents executed in connection with this Agreement, the "LOAN DOCUMENTS"), including, without limitation, that certain First Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) dated as of February 25, 1993 and that certain Second Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) dated as of October 24, 1996 and that certain Third Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) dated as of May 1, 1997 (as so amended, the Original Pledge Agreement shall be referred to as the "AMENDED PLEDGE AGREEMENT");

WHEREAS, Borrower, Dolphin Services, Inc., Southport, Inc., and Banks are entering into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Borrower to Banks in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, the obligations of Borrower to Banks are now evidenced by, among other agreements, (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, bearing interest as specified in the Seventh Loan Agreement, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney, bearing interest as specified in the Seventh Loan Agreement (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Borrower has agreed to execute this Amendment in order to amend the Amended Pledge Agreement to confirm that the Amended Pledge Agreement secures all of Borrower's obligations and liabilities to Banks under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Pledge Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Banks hereby agree as follows:

ARTICLE 1.
DEFINITIONS

1.1. TERMS DEFINED IN THE ORIGINAL PLEDGE AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Original Pledge Agreement shall have the same meanings whenever used in this Amendment.

1.2. DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Fourth Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement).

"NOTES" shall mean the Revolving Notes.

"PLEDGE AGREEMENT" shall mean the Amended Pledge Agreement as amended hereby.

ARTICLE 2.
AMENDMENTS TO AMENDED PLEDGE AGREEMENT

The first paragraph of APPENDIX A to the Amended Pledge Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3.
MISCELLANEOUS

3.1 RATIFICATION OF AMENDED PLEDGE AGREEMENT. The Amended Pledge Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Pledge Agreement or the Amended Pledge Agreement in any Loan Document shall be deemed to be a reference to the Amended Pledge Agreement as hereby amended. The effect of this Amendment is to amend the Amended Pledge Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Banks under the Loan Documents.

3.2 NO NOVATION. Nothing contained herein shall be considered or construed to be a novation or discharge of the obligations of Borrower heretofore evidenced by the Amended Pledge Agreement.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Seventh Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

GULF ISLAND FABRICATION, INC.

By: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freel, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

EXHIBIT D

APPENDIX "A"
TO

FOURTH AMENDMENT TO COLLATERAL PLEDGE AGREEMENT AND RECEIPT
(POSSESSORY COLLATERAL SECURITY AGREEMENT)

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Borrower to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC"), in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement, dated August 21, 1998, by and among Borrower, Dolphin Services, Inc., Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Bank on behalf of and for the account of Borrower or any of its Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Bank to secure any of the foregoing (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (vii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, and/or the Collateral Documents.

EXHIBIT E

FOURTH AMENDMENT TO
COLLATERAL ASSIGNMENT OF LEASES AND RENTS

THIS FOURTH AMENDMENT TO COLLATERAL ASSIGNMENT OF LEASES AND RENTS (this "AMENDMENT") is made and entered into as of August 21, 1998, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("ASSIGNOR"),

WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein referred to collectively as "ASSIGNEES").

RECITALS:

WHEREAS, Assignor, Assignees, and Margaret Bienvenu, wife of/and Alden J. Laborde, and Angelina Mumphrey, wife of/and Huey J. Wilson, as intervenors, previously entered into that certain Third Amended and Restated Revolving Credit and Term Loan Agreement dated October 29, 1991 (as amended by that certain First Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, dated effective as of July 20, 1992, by and among the same parties, the "THIRD LOAN AGREEMENT");

WHEREAS, also pursuant to the terms of the Third Loan Agreement, Assignor executed and delivered to Assignees that certain Collateral Assignment of Leases and Rents dated October 29, 1991, affecting the property described on EXHIBIT A annexed hereto and made a part hereof, recorded in the conveyance records of Terrebonne Parish, Louisiana, in Conveyance Book 1297, Entry No. 889437 (the "ORIGINAL ASSIGNMENT"), in order to secure certain of Assignor's obligations and liabilities to Assignees under the Third Loan Agreement;

WHEREAS, the parties to the Third Loan Agreement have subsequently entered into various amendments, modifications, and restatements of the Third Loan Agreement and of the various security documents associated therewith, including, without limitation, that certain First Amendment to Collateral Assignment of Leases and Rents dated as of February 25, 1993, that certain Second Amendment to Collateral Assignment of Leases and Rents dated as of October 24, 1996 and that certain Third Amendment to Collateral Assignment of Leases and Rents dated as of May 1, 1997 (as so amended, the Original Assignment shall be referred to as the "AMENDED ASSIGNMENT");

WHEREAS, Assignor, Dolphin Services, Inc., Southport, Inc., and Assignees are entering into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Assignor to Assignees in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, Assignor's obligations to Assignees are now evidenced by, among other agreements, (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, bearing interest as specified in the Seventh Loan Agreement, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney, bearing interest as specified in the Seventh Loan Agreement (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Assignor has agreed to execute this Amendment in order to amend the Amended Assignment to confirm that the Amended Assignment secures all of Assignor's obligations and liabilities to Assignees under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Original Assignment, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Assignor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignees hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL ASSIGNMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Original Assignment shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Fourth Amendment to Collateral Assignment of Leases and Rents.

"NOTES" shall mean the Revolving Notes.

"ASSIGNMENT" shall mean the Amended Assignment as amended hereby.

ARTICLE 2
AMENDMENTS TO AMENDED ASSIGNMENT

2.1 MODIFICATION OF DEFINED TERMS.

(a) The definition of the term "NOTES" as provided in the Amended Assignment is hereby amended in its entirety such that the term "NOTES" as used throughout the Assignment shall hereafter be deemed to refer, collectively, to the following:

- (i) that certain Commercial Promissory Note (Revolving), dated August 21, 1998, in the principal sum of \$10,000,000.00, payable to the order of FNBC, bearing interest at the rates specified in the Loan Agreement; and
- (ii) that certain Commercial Promissory Note (Revolving), dated August 21, 1998, in the principal sum of \$10,000,000.00, payable to the order of Whitney, bearing interest at the rates specified in the Loan Agreement.

(b) The definition of the term "LOAN AGREEMENT" as provided in the Amended Assignment is hereby amended in its entirety such that the term "LOAN AGREEMENT" as used throughout the Assignment shall hereafter be deemed to refer to that certain Seventh Amended and Restated Revolving Credit Agreement effective as of August 21, 1998, by and among Assignor, Dolphin Services, Inc., Southport, Inc., and Assignees, together with any and all amendments, modifications, supplements, renewals, and restatements thereof.

ARTICLE 3
MISCELLANEOUS

3.1 RATIFICATION OF AMENDED ASSIGNMENT. The Amended Assignment as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Assignment or the Amended Assignment in any Loan Document shall be deemed to be a reference to the Assignment. The effect of this Amendment is to amend the Amended Assignment as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Assignees under the Seventh Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Seventh Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein shall be considered or construed to be a novation or discharge of the obligations of Assignor heretofore evidenced by the Amended Assignment.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Seventh Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

GULF ISLAND FABRICATION, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freeland, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

EXHIBIT "A"
TO

FOURTH AMENDMENT TO COLLATERAL ASSIGNMENT OF LEASES AND RENTS

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND, together with all of the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the Parish of Terrebonne, State of Louisiana, in Sections 1 and 15, T18S, R17E, and according to survey of T. Baker Smith & Son, Inc., dated September 19, 1991, said property measures as follows, to-wit:

Commencing at the intersection of the centerline of Thompson Road with the centerline of Grand Caillou Road (La. Hwy. 57); thence, S 81°03'50" W a distance of 4831.76 feet to the point of beginning;

Thence, S 8°56'10" E a distance of 1300.00 feet to a point;

Thence, S 81°03'50" W a distance of 1779.09 feet to a point;

Thence, S 8°56'10" E a distance of 650.00 feet to a point;

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

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

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

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

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

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

Thence, N 81°03'50" E on and along the centerline of Thompson Road a distance of 3662.99 feet to the point of beginning, containing 146.243 acres.

Together with all the buildings and improvements now or hereafter situated on the aforescribed property and appurtenances, rights, ways, privileges, servitudes, prescriptions, natural increases, accessions and advantages now or hereafter belonging or in anywise appertaining thereto, including, without limitation, all component parts of the aforescribed property, and all component parts of any building or other construction located on the aforescribed property, now or hereafter forming a part of or attached to the aforescribed property or used in connection therewith.

EXHIBIT F

FOURTH AMENDMENT TO
COMMERCIAL SECURITY AGREEMENT

THIS FOURTH AMENDMENT TO COMMERCIAL SECURITY AGREEMENT (this "AMENDMENT") is made and entered into as of August 21, 1998, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("GRANTOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein referred to collectively as "LENDER").

RECITALS:

WHEREAS, Grantor, Lender, and Margaret Bienvenu, wife of/and Alden J. Laborde, and Angelina Mumphrey, wife of/and Huey J. Wilson, as intervenors,

previously entered into that certain Third Amended and Restated Revolving Credit and Term Loan Agreement dated October 29, 1991 (as amended by that certain First Amendment to Third Amended and Restated Revolving Credit and Term Loan Agreement, dated effective as of July 20, 1992, by and among the same parties, the "THIRD LOAN AGREEMENT");

WHEREAS, pursuant to the terms of the Third Loan Agreement, Grantor executed and delivered to Lender that certain Commercial Security Agreement (Multi-Purpose) dated October 29, 1991 (the "ORIGINAL SECURITY AGREEMENT"), in order to secure certain of Grantor's obligations and liabilities to Lender under the Third Loan Agreement;

WHEREAS, Grantor and Lender have subsequently entered into various amendments, modifications, and restatements of the Third Loan Agreement and of the security documents associated therewith, including, without limitation, that certain First Amendment to Commercial Security Agreement dated as of February 25, 1993, that certain Second Amendment to Commercial Security Agreement dated as of October 24, 1996 and that certain Third Amendment to Commercial Security Agreement dated as of May 1, 1997 (as so amended, the Original Security Agreement shall be referred to as the "AMENDED SECURITY AGREEMENT");

WHEREAS, Grantor, Dolphin Services, Inc., Southport, Inc., and Lender are entering into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Grantor and Lender in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, Grantor's obligations to Lender are evidenced by, among other agreements, (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, bearing interest as specified in the Seventh Loan Agreement, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney, bearing interest as specified in the Seventh Loan Agreement (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Grantor has agreed to execute this Amendment in order to amend the Amended Security Agreement to confirm that the Amended Security Agreement secures all of Grantor's obligations and liabilities to Lender under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Amended Security Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Grantor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Lender hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL SECURITY AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Original Security Agreement shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Fourth Amendment to Commercial Security Agreement.

"NOTES" shall mean the Revolving Notes.

"SECURITY AGREEMENT" shall mean the Amended Security Agreement as amended hereby.

ARTICLE 2 AMENDMENTS TO AMENDED SECURITY AGREEMENT

The second paragraph of APPENDIX A to the Amended Security Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3 MISCELLANEOUS

3.1 RATIFICATION OF AMENDED SECURITY AGREEMENT. The Amended Security

Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Security Agreement or the Amended Security Agreement in any Loan Document shall be deemed to be a reference to the Security Agreement. The effect of this Amendment is to amend the Amended Security Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Lender under the Seventh Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Seventh Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein shall be considered or construed to be a novation or discharge of the obligations of Grantor heretofore evidenced by the Amended Security Agreement.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Seventh Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

GULF ISLAND FABRICATION, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freel, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

APPENDIX "A"
TO
FOURTH AMENDMENT TO COMMERCIAL SECURITY AGREEMENT

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Grantor to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC"), in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement dated August 21, 1998, by and among Grantor, Dolphin Services, Inc., Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Grantor payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Grantor payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Lender on behalf of and for the account of Grantor or any of its

Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Lender to secure any of the foregoing (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (vii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, and/or the Collateral Documents.

EXHIBIT G

SECOND AMENDMENT TO
PLEDGE OF COLLATERAL MORTGAGE NOTE
(DOLPHIN SERVICES)

THIS SECOND AMENDMENT TO PLEDGE OF COLLATERAL MORTGAGE NOTE (DOLPHIN SERVICES) (this "AMENDMENT") is made and entered into as of the 21st day of August, 1998, by and among DOLPHIN SERVICES, INC., a Louisiana corporation ("GRANTOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein referred to collectively as "LENDER").

RECITALS:

WHEREAS, Gulf Island Fabrication, Inc., the parent corporation of Grantor ("BORROWER"), and Lender entered into that certain Fifth Amended and Restated Revolving Credit and Term Loan Agreement effective as of October 24, 1996 (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "FIFTH LOAN AGREEMENT");

WHEREAS, as security for Borrower's obligations to Lender under the Fifth Loan Agreement, Grantor granted unto and in favor of Banks a first mortgage lien upon the Dolphin Services Real Estate (as defined and described in the Fifth Loan Agreement), evidenced by the following documents that Grantor has executed and delivered to Bank:

(1) that certain Collateral Mortgage Note of Grantor, dated January 2, 1997, in the principal sum of THREE MILLION AND NO/100 DOLLARS (\$3,000,000.00), bearing interest at the rate of eighteen percent (18%) per annum from date until paid, and payable to the order of Bearer (the "COLLATERAL NOTE");

(2) that certain Act of Collateral Mortgage of Grantor, dated January 2, 1997, in favor of Agent and any and all future holders, securing the Collateral Note, recorded in the mortgage records of Terrebonne Parish, Louisiana, in MOB 1086, under Entry No. 989722 (as supplemented, amended, and reinscribed from time to time, the "COLLATERAL MORTGAGE"); and

(3) that certain Pledge of Collateral Mortgage Note, dated January 2, 1997, by Grantor to Agent, with respect to the Collateral Note (the "ORIGINAL PLEDGE AGREEMENT");

WHEREAS, Borrower and Lender have subsequently entered into various amendments, modifications and restatements of the Fifth Loan Agreement (collectively, the "EXISTING LOAN AGREEMENT") and of the security documents associated therewith, including, without limitation, that certain First Amendment to Pledge of Collateral Mortgage Note (Dolphin Services) dated as of May 1, 1997 (as so amended, the Original Pledge Agreement shall be referred to as the "AMENDED PLEDGE AGREEMENT");

WHEREAS, Borrower, Grantor, Southport, Inc., and Lender have entered into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Borrower and Lender in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, the Revolving Credit Facility is now evidenced by (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Grantor has agreed to execute this Amendment in order to amend the Amended Pledge

Agreement so that the Amended Pledge Agreement will secure all of Borrower's or Grantor's obligations and liabilities to Lender under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Amended Pledge Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Lender hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL PLEDGE AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Amended Pledge Agreement shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Second Amendment to Pledge of Collateral Mortgage Note (Dolphin Services).

"NOTES" shall mean the Revolving Notes.

"PLEDGE AGREEMENT" shall mean the Amended Pledge Agreement as amended hereby.

ARTICLE 2
AMENDMENTS TO AMENDED PLEDGE AGREEMENT

The second paragraph of APPENDIX A to the Amended Pledge Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3
MISCELLANEOUS

3.1 RATIFICATION OF ORIGINAL PLEDGE AGREEMENT. The Amended Pledge Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Pledge Agreement in any Loan Document shall be deemed to be a reference to the Pledge Agreement. The effect of this Amendment is to amend the Amended Pledge Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Lender under the Seventh Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein, in the Seventh Loan Agreement, or in any other Loan Document shall be considered or construed to be a novation or discharge of the obligations of Borrower or Grantor heretofore evidenced by the Existing Loan Agreement or the promissory notes or credit facilities executed or established in connection therewith under the Existing Loan Agreement. Instead, the Seventh Loan Agreement and Notes constitute a restatement in their entirety of all such pre-existing obligations of Borrower or Grantor.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

DOLPHIN SERVICES, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freel, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

APPENDIX "A"
TO
SECOND AMENDMENT TO PLEDGE OF COLLATERAL MORTGAGE NOTE
(DOLPHIN SERVICES)

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Borrower or Grantor to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC"), in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement, dated August 21, 1998, by and among Borrower, Grantor, Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Lender on behalf of and for the account of Borrower or any of its Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any guaranties by any Subsidiary of Borrower (whether one or more, collectively, the "GUARANTY"), (vii) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Lender to secure any of the foregoing, whether executed by Borrower or any Subsidiary (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (viii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, the Guaranty, and/or the Collateral Documents.

EXHIBIT H

SECOND AMENDMENT TO
PLEDGE OF COLLATERAL MORTGAGE NOTE
(DOLPHIN SERVICES, AS SUCCESSOR TO DOLPHIN SALES)

THIS SECOND AMENDMENT TO PLEDGE OF COLLATERAL MORTGAGE NOTE (DOLPHIN SERVICES, AS SUCCESSOR TO DOLPHIN SALES) (this "AMENDMENT") is made and entered into as of the 21st day of August, 1998, by and among DOLPHIN SERVICES, INC., a Louisiana corporation and successor-by-merger to Dolphin Sales & Rentals, Inc. ("GRANTOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein referred to collectively as "LENDER").

RECITALS:

WHEREAS, Gulf Island Fabrication, Inc., the parent corporation of Grantor ("BORROWER"), and Lender entered into that certain Fifth Amended and Restated Revolving Credit and Term Loan Agreement effective as of October 24, 1996 (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "FIFTH LOAN AGREEMENT");

WHEREAS, as security for Borrower's obligations to Lender under the Fifth Loan Agreement, Dolphin Sales & Rentals, Inc., predecessor-by-merger to Grantor ("DOLPHIN SALES"), granted unto and in favor of Banks a first mortgage lien upon the Dolphin Sales Real Estate (as defined and described in the Fifth Loan Agreement), evidenced by the following documents that Grantor has executed and delivered to Bank:

(1) that certain Collateral Mortgage Note of Dolphin Sales, dated January 2, 1997, in the principal sum of THREE MILLION AND NO/100 DOLLARS (\$3,000,000.00), bearing interest at the rate of eighteen percent (18%) per annum from date until paid, and payable to the order of Bearer (the "COLLATERAL NOTE");

(2) that certain Act of Collateral Mortgage of Dolphin Sales, dated January 2, 1997, in favor of Agent and any and all future holders, securing the Collateral Note, recorded in the mortgage records of Terrebonne Parish, Louisiana, in MOB 1086, under Entry No. 989723 (as supplemented, amended, and reinscribed from time to time, the "COLLATERAL MORTGAGE"); and

(3) that certain Pledge of Collateral Mortgage Note, dated January 2, 1997, by Dolphin Sales to Agent, with respect to the Collateral Note (the "ORIGINAL PLEDGE AGREEMENT");

WHEREAS, Borrower and Lender have subsequently entered into various amendments, modifications and restatements of the Fifth Loan Agreement (collectively, the "EXISTING LOAN AGREEMENT") and of the security documents associated therewith, including, without limitation, that certain First Amendment to the Pledge of Collateral Mortgage Note (Dolphin Services, as successor to Dolphin Sales) dated as of May 1, 1997 (as so amended, the Original Pledge Agreement shall be referred to as the "AMENDED PLEDGE AGREEMENT");

WHEREAS, Borrower, Grantor, Southport, Inc., and Lender have entered into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Borrower and Lender in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, the Revolving Credit Facility is now evidenced by (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Grantor has agreed to execute this Amendment in order to amend the Amended Pledge Agreement so that the Amended Pledge Agreement will secure all of Borrower's or Grantor's obligations and liabilities to Lender under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Amended Pledge Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Lender hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL PLEDGE AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Original Pledge Agreement shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Second Amendment to Pledge of Collateral Mortgage Note (Dolphin Services, as successor to Dolphin Sales).

"NOTES" shall mean the Revolving Notes.

"PLEDGE AGREEMENT" shall mean the Amended Pledge Agreement as amended hereby.

ARTICLE 2
AMENDMENTS TO AMENDED PLEDGE AGREEMENT

The second paragraph of APPENDIX A to the Amended Pledge Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3
MISCELLANEOUS

3.1 RATIFICATION OF AMENDED PLEDGE AGREEMENT. The Amended Pledge Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Pledge Agreement in any Loan Document shall be deemed to be a reference to the Pledge Agreement. The effect of this Amendment is to amend the Amended Pledge Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Lender under the Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein, in the Seventh Loan Agreement, or in any other Loan Document shall be considered or construed to be a novation or discharge of the obligations of Borrower or Grantor heretofore evidenced by the Existing Loan Agreement or the promissory notes or credit facilities executed or established in connection therewith under the Existing Loan Agreement. Instead, the Seventh Loan Agreement and Notes constitute a restatement in their entirety of all such pre-existing obligations of Borrower or Grantor.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

DOLPHIN SERVICES, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freel, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

APPENDIX "A"
TO

SECOND AMENDMENT TO PLEDGE OF COLLATERAL MORTGAGE NOTE
(DOLPHIN SERVICES, AS SUCCESSOR TO DOLPHIN SALES)

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Borrower or

Grantor to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC"), in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement, dated August 21, 1998, by and among Borrower, Grantor, Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Lender on behalf of and for the account of Borrower or any of its Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any guaranties by any Subsidiary of Borrower (whether one or more, collectively, the "GUARANTY"), (vii) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Lender to secure any of the foregoing, whether executed by Borrower or any Subsidiary (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (viii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, the Guaranty, and/or the Collateral Documents.

EXHIBIT I

SECOND AMENDMENT TO COMMERCIAL SECURITY AGREEMENT (DOLPHIN SERVICES)

THIS SECOND AMENDMENT TO COMMERCIAL PLEDGE AND SECURITY AGREEMENT (this "AMENDMENT") is made and entered into as of the 21st day of August, 1998, by and among DOLPHIN SERVICES, INC., a Louisiana corporation ("GRANTOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein referred to collectively as "LENDER").

RECITALS:

WHEREAS, Gulf Island Fabrication, Inc., the parent corporation of Grantor ("BORROWER"), and Lender entered into that certain Fifth Amended and Restated Revolving Credit and Term Loan Agreement effective as of October 24, 1996 (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "FIFTH LOAN AGREEMENT");

WHEREAS, pursuant to the terms of the Fifth Loan Agreement, Grantor executed and delivered to Lender that certain Commercial Pledge and Security Agreement dated January 2, 1997 (the "ORIGINAL SECURITY AGREEMENT"), in order to secure Borrower's and Grantor's obligations and liabilities to Lender under the Fifth Loan Agreement;

WHEREAS, Borrower and Lender have subsequently entered into various amendments, modifications and restatements of the Fifth Loan Agreement (collectively, the "EXISTING LOAN AGREEMENT") and of the security documents associated therewith, including, without limitation, that certain First Amendment to Commercial Security Agreement (Dolphin Services) dated as of May 1, 1997 (as so amended, the Original Security Agreement shall be referred to as the "AMENDED SECURITY AMENDMENT");

WHEREAS, Borrower, Grantor, Southport, Inc., and Lender have entered into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Borrower and Lender in their entirety;

WHEREAS, pursuant to the Seventh Loan Agreement, the Revolving Credit Facility is evidenced by (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00,

payable to the order of FNBC, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Grantor has agreed to execute this Amendment in order to amend the Amended Security Agreement to confirm that the Amended Security Agreement will secure all of Borrower's and Grantor's obligations and liabilities to Lender under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Amended Security Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Lender hereby agree as follows:

ARTICLE 1 DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL SECURITY AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Amended Security Agreement shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Second Amendment to Commercial Security Agreement (Dolphin Services).

"NOTES" shall mean the Revolving Notes.

"SECURITY AGREEMENT" shall mean the Amended Security Agreement as amended hereby.

ARTICLE 2 AMENDMENTS TO ORIGINAL SECURITY AGREEMENT

The second paragraph of APPENDIX A to the Amended Security Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3 MISCELLANEOUS

3.1 RATIFICATION OF ORIGINAL SECURITY AGREEMENT. The Amended Security Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Security Agreement or the Amended Security Agreement in any Loan Document shall be deemed to be a reference to the Amended Security Agreement. The effect of this Amendment is to amend the Amended Security Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Lender under the Seventh Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein, in the Seventh Loan Agreement, or in any other Loan Document shall be considered or construed to be a novation or discharge of the obligations of Borrower or Grantor heretofore evidenced by the Existing Loan Agreement or the promissory notes or credit facilities executed or established in under the Existing Loan Agreement. Instead, the Seventh Loan Agreement and Notes constitute a restatement in their entirety of all such pre-existing obligations of Borrower or Grantor.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall

constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

DOLPHIN SERVICES, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freel, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

APPENDIX "A"
TO
SECOND AMENDMENT TO COMMERCIAL SECURITY AGREEMENT
(DOLPHIN SERVICES)

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Borrower or Grantor to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC") , in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement, dated August 21, 1998, by and among Borrower, Grantor, Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Borrower payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Lender on behalf of and for the account of Borrower or any of its Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any guaranties by any Subsidiary of Borrower (whether one or more, collectively, the "GUARANTY"), (vii) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Lender to secure any of the foregoing, whether executed by Borrower or any Subsidiary (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (viii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, the Guaranty, and/or the Collateral Documents.

EXHIBIT J

SECOND AMENDMENT TO
COMMERCIAL PLEDGE AND SECURITY AGREEMENT

THIS SECOND AMENDMENT TO COMMERCIAL PLEDGE AND SECURITY AGREEMENT (this "AMENDMENT") is made and entered into as of August 21, 1998, by and among GULF ISLAND FABRICATION, INC., a Louisiana corporation ("GRANTOR"), WHITNEY NATIONAL BANK, a national banking association ("WHITNEY"), and FIRST NATIONAL BANK OF COMMERCE, a national banking association ("FNBC"), in its individual capacity and in its capacity as agent (the "AGENT") for Whitney and FNBC (Whitney and FNBC being sometimes hereinafter referred to collectively as the "BANKS"; the Banks and the Agent being sometimes herein

referred to collectively as "LENDER").

RECITALS:

WHEREAS, Grantor and Lender entered into that certain Fifth Amended and Restated Revolving Credit and Term Loan Agreement effective as of October 24, 1996 (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "FIFTH LOAN AGREEMENT");

WHEREAS, pursuant to the terms of the Fifth Loan Agreement, Grantor executed and delivered to Lender that certain Commercial Pledge and Security Agreement dated January 2, 1997 (the "ORIGINAL SECURITY AGREEMENT"), in order to secure Grantor's obligations and liabilities to Lender under the Fifth Loan Agreement;

WHEREAS, Grantor and Lender have subsequently entered into various amendments, modifications and restatements of the Fifth Loan Agreement and of the security documents associated therewith, including, without limitation, that certain First Amendment to Commercial Pledge and Security Agreement dated as of May 1, 1997 (as so amended, the Original Agreement shall be referred to as the "AMENDED SECURITY AGREEMENT").

WHEREAS, Grantor, Dolphin Services, Inc., Southport, Inc., and Lender are entering into that certain Seventh Amended and Restated Revolving Credit Agreement effective as of the date hereof (together with any and all amendments, modifications, supplements, renewals, or restatements thereof, the "SEVENTH LOAN AGREEMENT"), which Seventh Loan Agreement amends and restates the obligations of Grantor and Lender in their entirety;

WHEREAS, Grantor's obligations under the Seventh Loan Agreement are now evidenced by, among other agreements, (i) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of FNBC, bearing interest as specified in the Seventh Loan Agreement, and (ii) that certain Commercial Promissory Note (Revolving), of even date herewith, in the principal sum of \$10,000,000.00, payable to the order of Whitney, bearing interest as specified in the Seventh Loan Agreement (collectively, the "REVOLVING NOTES"); and

WHEREAS, pursuant to the terms of the Seventh Loan Agreement, Grantor has agreed to execute this Amendment in order to amend the Amended Security Agreement to confirm that the Amended Security Agreement secures all of Grantor's obligations and liabilities to Lender under the Seventh Loan Agreement and the Revolving Notes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Amended Security Agreement, and in consideration of the loans that may hereafter be made by FNBC and Whitney to Grantor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Lender hereby agree as follows:

ARTICLE 1
DEFINITIONS

1.1 TERMS DEFINED IN THE ORIGINAL SECURITY AGREEMENT. Unless the context otherwise requires or unless otherwise expressly defined herein or in the recitals, the terms defined in the Original Security Agreement shall have the same meanings whenever used in this Amendment.

1.2 DEFINED TERMS. Unless the context otherwise requires the following terms when used in this Amendment shall have the meanings assigned to them in this Section 1.2:

"AMENDMENT" shall mean this Second Amendment to Commercial Pledge and Security Agreement.

"NOTES" shall mean the Revolving Notes.

"SECURITY AGREEMENT" shall mean the Amended Security Agreement as amended hereby.

ARTICLE 2
AMENDMENTS TO AMENDED SECURITY AGREEMENT

Paragraph 1 of APPENDIX A to the Amended Security Agreement is hereby amended by deleting the current text thereof in its entirety and inserting in lieu thereof the text of APPENDIX A attached hereto and made a part hereof.

ARTICLE 3
MISCELLANEOUS

3.1 RATIFICATION OF AMENDED SECURITY AGREEMENT. The Amended Security Agreement as hereby amended is hereby ratified and confirmed in all respects. Any reference to the Original Security Agreement or the Amended Security Agreement in any Loan Document shall be deemed to be a reference to the Amended Security Agreement. The effect of this Amendment is to amend the Amended Security Agreement as set forth herein and nothing more. The execution, delivery, and effectiveness of this Amendment shall not operate as a waiver of any right, power, or remedy of Lender under the Seventh Loan Agreement, the Notes, or any other Loan Document nor constitute a waiver of any provision of the Seventh Loan Agreement, the Notes, or any other Loan Document.

3.2 NO NOVATION. Nothing contained herein shall be considered or construed to be a novation or discharge of the obligations of Grantor heretofore evidenced by the Original Security Agreement.

3.3 LOAN DOCUMENTS. This Amendment is a Loan Document, and all provisions in the Seventh Loan Agreement pertaining to Loan Documents apply hereto.

3.4 GOVERNING LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of Louisiana and any applicable laws of the United States of America in all respects, including construction, validity, and performance.

3.5 COUNTERPARTS. This Amendment may be separately executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall constitute one and the same Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

GULF ISLAND FABRICATION, INC.

BY: _____
Kerry J. Chauvin, President

FIRST NATIONAL BANK OF COMMERCE,
in its individual capacity and as Agent

By: _____
J. Charles Freeland, Jr.,
Senior Vice President

WHITNEY NATIONAL BANK

By: _____
Name: _____
Title: _____

APPENDIX "A"
TO
SECOND AMENDMENT TO COMMERCIAL PLEDGE
AND SECURITY AGREEMENT

The term "INDEBTEDNESS" refers collectively to any and all obligations and liabilities, whether now existing or hereafter arising, of Grantor to Whitney National Bank, a national banking association ("WHITNEY"), and First National Bank of Commerce, a national banking association ("FNBC"), in its individual capacity and as agent (the "AGENT") for Whitney and FNBC, arising under or in connection with that certain Seventh Amended and Restated Revolving Credit Agreement, dated August 21, 1998, by and among Grantor, Dolphin Services, Inc., Southport, Inc., FNBC, in its individual capacity and as Agent, and Whitney (as extended, modified, amended, supplemented, renewed or restated from time to time, the "LOAN AGREEMENT"), including, without limitation, all indebtedness and obligations evidenced by (i) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the principal sum of \$10,000,000.00 executed by Grantor payable to the order of FNBC as extended, modified, amended, supplemented or renewed from time to time (the "FNBC REVOLVING NOTE"), and (ii) that certain Commercial Promissory Note (Revolving) dated August 21, 1998, in the

principal sum of \$10,000,000.00 executed by Grantor payable to the order of Whitney as extended, modified, amended, supplemented or renewed from time to time (the "WHITNEY REVOLVING NOTE" and, together with the FNBC Revolving Note, collectively, the "NOTES"), (v) any letters of credit issued by Lender on behalf of and for the account of Grantor or any of its Subsidiaries in connection with the Loan Agreement (whether one or more, collectively, the "LETTERS OF CREDIT"), (vi) any and all documents, instruments, and agreements, including without limitation, mortgages, assignments, pledge or security agreements, and financing statements, delivered to Lender to secure any of the foregoing (whether one or more, collectively, the "COLLATERAL DOCUMENTS"), and (vii) any and all principal, interest, attorneys' fees, costs, charges, expenses, or fees of any kind or nature whatsoever arising under or in connection with the Loan Agreement, the Notes, the Letters of Credit, and/or the Collateral Documents.

EXHIBIT K

BORROWER'S DEFAULT AND WARRANTY CERTIFICATE

I, the undersigned President of Gulf Island Fabrication, Inc., a Louisiana corporation ("BORROWER"), do hereby certify that:

1. I am the President of Borrower;

2. No Event of Default, as such term is defined in the Seventh Amended and Restated Revolving Credit Agreement, dated effective as of August 21, 1998, by and among Borrower, Whitney National Bank ("WHITNEY"), and First National Bank of Commerce ("FNBC"), in its individual capacity and in its capacity as agent for Whitney and FNBC (as amended from time to time, the "AGREEMENT"), has occurred and is continuing as of the date of this Certificate; and

3. The representations and warranties set forth in Section 5 of the Agreement are true and correct as of the date of this Certificate; except for such changes as are specifically permitted thereunder.

Executed as of _____, 199_.

KERRY J. CHAUVIN, PRESIDENT

EXHIBIT L
TO SEVENTH AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT

A. LIST OF COLLATERAL DOCUMENTS

1. Collateral Mortgage Note of GIF, dated December 17, 1986, in the principal sum of \$6,500,000.00, bearing interest at the rate of eighteen percent (18%), per annum, from date until paid, and payable to the order of Bearer

a. Act of Correction of Collateral Mortgage Note by GIF, First NBC and William H. Hines, dated July 27, 1989, correcting item 1 above

2. Act of Collateral Mortgage of GIF, dated December 17, 1986, in favor of Mortgagee and any and all future holders, recorded in the mortgage records of Terrebonne Parish, Louisiana, in Mortgage Book No. 728, folio 323, under Entry No. 794226, which mortgage secures the note described in item 1 above

a. Act of Supplement and Amendment to Act of Collateral Mortgage by GIF in favor of Mortgagee and any and all future holders, dated July 27, 1989, recorded in the mortgage records of Terrebonne Parish, Louisiana, in Mortgage Book No. 811, folio 143, under Entry No. 850040, amending and supplementing item 2 above

3. Collateral Pledge Agreement and Receipt No. 32070, dated December 17, 1986, by GIF to First NBC, with respect to the note described in item 1 above

a. First Amendment to Collateral Pledge Agreement, dated as of November 3, 1987, by and between GIF and First NBC, amending item 3 above

b. Second Amendment to Collateral Pledge Agreement, dated July 27, 1989, by and between GIF and First NBC, amending

item 3 above

4. Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) No. 1000107, dated March 1, 1990, by Borrower to First NBC, with respect to the note described in item 1 above
5. Collateral Mortgage Note of Borrower dated October 29, 1991 in the principal sum of TEN MILLION AND NO/100 DOLLARS (\$10,000,000.00) bearing interest at the rate of eighteen percent (18%) per annum from date until paid and payable to the order of Bearer
6. Act of Collateral Mortgage of Borrower dated October 29, 1991 in favor of Mortgagee and any and all future holders, which mortgage secures the note described in item 5 above
7. Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement) No. 1000760, dated October 29, 1991, by Borrower to Agent with respect to the notes described in items 1 and 5 above
 - a. First Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement), dated February 25, 1993, by and among Borrower, Banks and Agent, amending item 7 above
 - b. Second Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement), dated October 24, 1996, by and among Borrower, Banks and Agent, amending item 7 above
 - c. Third Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement), dated May 1, 1997, by and among Borrower, Banks, and Agent, amending item 7 above
 - d. Fourth Amendment to Collateral Pledge Agreement and Receipt (Possessory Collateral Security Agreement), dated August 21, 1998, by and among Borrower, Banks, and Agent, amending item 7 above
8. Collateral Assignment of Leases and Rents by Borrower dated October 29, 1991
 - a. First Amendment to Collateral Assignment of Leases and Rents, dated February 25, 1993 by and among Borrower, Banks and Agent, amending item 8 above
 - b. Second Amendment to Collateral Assignment of Leases and Rents dated October 24, 1996 by and among Borrower, Banks and Agent, amending item 8 above
 - c. Third Amendment to Collateral Assignment of Leases and Rents dated May 1, 1997, by and among Borrower, Banks and Agent, amending item 8 above
 - d. Fourth Amendment to Collateral Assignment of Leases and Rents dated August 21, 1998, by and among Borrower, Banks and Agent, amending item 8 above
9. Collateral Chattel Mortgage Note of GIF dated December 17, 1986, in the principal sum of \$3,000,000.00, bearing interest at the rate of eighteen percent (18%), per annum, from date until paid, and payable to the order of Bearer (a copy of which is annexed to the Fourth Loan Agreement)
10. Act of Collateral Chattel Mortgage of GIF, dated December 17, 1986, in favor of Bearer of Collateral Chattel Mortgage Note, recorded in the chattel mortgage records of Terrebonne Parish, Louisiana, in Chattel Mortgage Book, Entry No. 794225, which mortgage secures the note described in item 9 above
 - a. Partial Release of Collateral Chattel Mortgage, dated February 4, 1987, by First NBC in favor of GIF, amending item 9 above
11. Collateral Pledge Agreement and Receipt No. 32069, dated December 17, 1986, by GIF to First NBC, with respect to the note described in item 9 above
 - a. First Amendment to Collateral Pledge Agreement, dated as of November 3, 1987, by and between GIF and First NBC, amending item 11 above

- b. Second Amendment to Collateral Pledge Agreement, dated July 27, 1989, by and between GIF and First NBC, amending item 11 above
12. Collateral Chattel Mortgage Note of GIF dated July 27, 1989, in the principal sum of \$8,000,000.00, bearing interest at the rate of eighteen percent (18%), per annum, from date until paid and payable to the order of Bearer.
13. Act of Collateral Chattel Mortgage of GIF dated July 27, 1989, in favor of Bearer of Collateral Chattel Mortgage Note, recorded in the chattel mortgage records of Terrebonne Parish, Louisiana, in Chattel Mortgage Book, Entry No. 850041, which mortgage secures the note described in item 12 above.
14. Collateral Pledge Agreement and Receipt No. 37588, dated July 27, 1989, by GIF to First NBC, with respect to the note described in item 12 above.
15. Collateral Chattel Mortgage Note of GIF, dated July 27, 1989, in the principal sum of \$8,000,000.00, bearing interest at the rate of eighteen percent (18%), per annum, from date until paid and payable to the order of Bearer.
16. Act of Collateral Chattel Mortgage of GIF, dated July 27, 1989, in favor of Bearer of Collateral Chattel Mortgage Note, recorded in the chattel mortgage records of East Baton Rouge Parish, Louisiana, under Chattel No. 1046292, which mortgage secures the note described in item 15 above.
17. Collateral Pledge Agreement and Receipt No. 37596, dated July 27, 1989, by GIF to First NBC with respect to the note described in item 15 above.
18. Commercial Security Agreement (Multi-Purpose) dated October 29, 1991 by and among Borrower, Banks and Agent.
 - a. First Amendment to Commercial Security Agreement, dated February 25, 1993, by and among Borrower, Banks and Agent, amending item 18 above
 - b. Second Amendment to Commercial Security Agreement, dated October 24, 1996, by and among Borrower, Banks and Agent, amending item 18 above
 - c. Third Amendment to Commercial Security Agreement, dated May 1, 1997, by and among Borrower, Banks, and Agent, amending item 18 above
 - d. Fourth Amendment to Commercial Security Agreement, dated August 21, 1998, by and among Borrower, Banks, and Agent, amending item 18 above
19. A UCC-1 Financing Statement executed by Borrower and Agent in connection with the security agreement described in item 18 above
20. Commercial Pledge and Security Agreement, dated January 2, 1997, by Borrower, as pledgor, in favor of First NBC, as Agent for Banks, as pledgee
 - a. First Amendment to Commercial Pledge and Security Agreement, dated May 1, 1997, by and among Borrower, Banks and Agent, amending item 20 above
 - b. Second Amendment to Commercial Pledge and Security Agreement, dated August 21, 1998, by and among Borrower, Banks and Agent, amending item 20 above
21. UCC-1 Financing Statement by Borrower executed by Borrower in connection with the security agreement described in item 20 above
22. Commercial Guaranty by Dolphin Services, dated January 2, 1997, in favor of First NBC, as Agent for Banks
23. Collateral Mortgage Note by Dolphin Services, dated January 2, 1997, in the principal sum of \$3,000,000.00, bearing interest at the rate of eighteen percent (18%) per annum, from date until paid, and payable to the order of Bearer
24. Collateral Mortgage by Dolphin Services, dated January 2, 1997, in favor of First NBC, as Agent for Banks, and any and all future holders, recorded in Terrebonne Parish, Louisiana in MOB 1086, Entry No. 989722, which mortgage secures the note

described in item 23 above

25. Pledge of Collateral Mortgage Note, dated January 2, 1997, by Dolphin Services to First NBC, as Agent for Banks, with respect to the note described in item 23 above
 - a. First Amendment to Pledge of Collateral Mortgage Note between Dolphin Services and First NBC, as Agent, dated May 1, 1997, amending item 25 above
 - b. Second Amendment to Pledge of Collateral Mortgage Note between Dolphin Services and First NBC, as Agent, dated August 21, 1998, amending item 25 above
26. Commercial Security Agreement, dated January 2, 1997, by Dolphin Services, as grantor, in favor of First NBC, as Agent for Banks
 - a. First Amendment to Commercial Security Agreement between Dolphin Services and First NBC, as Agent, dated May 1, 1997, amending item 26 above
 - b. Second Amendment to Commercial Security Agreement between Dolphin Services and First NBC, as Agent, dated August 21, 1998, amending item 26 above
27. A UCC-1 Financing Statement executed by Dolphin Services in connection with the security agreement described in item 26 above
28. Collateral Mortgage Note by Dolphin Sales, dated January 2, 1997, in the principal sum of \$3,000,000.00, bearing interest at the rate of eighteen percent (18%) per annum, from date until paid, and payable to the order of Bearer
29. Collateral Mortgage by Dolphin Sales, dated January 2, 1997, in favor of First NBC, as Agent for Banks, and any and all future holders, recorded in Terrebonne Parish, Louisiana in MOB 1086, Entry No. 989723, which mortgage secures the note described in item 28 above
30. Pledge of Collateral Mortgage Note, dated January 2, 1997, by Dolphin Sales to First NBC, as Agent for Banks, with respect to the note described in item 28 above
 - a. First Amendment to Pledge of Collateral Mortgage Note between Dolphin Services, as successor-by-merger to Dolphin Sales, and First NBC, as Agent, dated May 1, 1997, amending item 30 above
 - b. Second Amendment to Pledge of Collateral Mortgage Note between Dolphin Services, as successor-by-merger to Dolphin Sales, and First NBC, as Agent, dated August 21, 1998, amending item 30 above

EXHIBIT M

TRACT ONE:

OWNER: Gulf Island Fabrication, Inc.

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND, together with all of the buildings and improvements thereon, and all of the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in anywise appertaining, situated in the Parish of Terrebonne, State of Louisiana, in Sections 1 and 15, T18S, R17E, and according to survey of T. Baker Smith & Son, Inc., dated September 19, 1991, said property measures as follows, to-wit:

Commencing at the intersection of the centerline of Thompson Road with the centerline of Grand Caillou Road (La. Hwy. 57); thence, S 81°03'50" W a distance of 4831.76 feet to the point of beginning;

Thence, S 8°56'10" E a distance of 1300.00 feet to a point;

Thence, S 81°03'50" W a distance of 1779.09 feet to a point;

Thence, S 8°56'10" E a distance of 650.00 feet to a point;

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

Thence, N 7°45'19" E on and along said centerline a distance of

187.31 feet to a point;

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

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

Thence, N 1°18'58" E on and along said centerline a distance of 889-50 feet to a point;

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

Thence, N 81°03'50" E on and along the centerline of Thompson Road a distance of 3662.99 feet to the point of beginning, containing 146.243 acres.

Together with all the buildings and improvements now or hereafter situated on the aforescribed property and appurtenances, rights, ways, privileges, servitudes, prescriptions, natural increases, accessions and advantages now or hereafter belonging or in anywise appertaining thereto, including, without limitation, all component parts of the aforescribed property, and all component parts of any building or other construction located on the aforescribed property, now or hereafter forming a part of or attached to the aforescribed property or used in connection therewith.

TRACT TWO:

OWNER: Gulf Island Fabrication, Inc.

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND, together with all of the buildings and improvements located thereon and all of the rights, ways, privileges, servitudes, appurtenances and advantages thereunto belonging or in any way appertaining, situated in the Parish of Terrebonne, State of Louisiana, in Sections 11, 47 and 48, T17S-R17E and Sections 15 and 17, T18S-R17E of said Parish, all as more fully shown on a plat and survey entitled "Gulf Island Fabrication, Inc. - Survey of A 437.014 Acre Tract Located in Sections 11, 47 and 48, T17S-R17E and Sections 15 and 17, T18S-R17E, Terrebonne Parish, Louisiana" dated September 19, 1991 prepared by T. Baker Smith & Son, Inc., and according to which plat and survey said property measures as follows, to-wit:

Commencing at the northwest corner being the intersection of the northerly property line and the easterly right-of-way line of Louisiana State Highway 315, proceed N 84°23'47" E a distance of 3335.89 feet to a point;

Thence along a curve to the right having a delta of 5°16'27" with chord bearing S 24°03'28" E a distance of 1046.89 feet to a point;

Thence S 19°07'32" E a distance of 469.15 feet to a point;

Thence S 15°01'40"E a distance of 1078.97 feet to a point;

Thence S 13°24'38"E a distance of 791.67 feet to a point;

Thence S 07°35'11"E a distance of 813.04 feet to a point;

Thence S 08°20'28"E a distance of 59.49 feet to a point;

Thence S 03°06'15"E a distance of 889.93 feet to a point;

Thence S 00°52'48"E a distance of 369.78 feet to a point;

Thence N 80°43'28"W a distance of 1567.06 feet to a point;

Thence N 82°32'28" W a distance of 2563.86 feet to a point;

Thence N 05°44'37" W a distance of 4445.67 feet to the point of beginning of a 437.014 acre tract.

Together with all the buildings and improvements now or hereafter situated on the aforescribed property and appurtenances, rights, ways, privileges, servitudes, prescriptions, natural increases, accessions and advantages now or hereafter belonging or in anywise appertaining thereto, including, without limitation, all component parts of the aforescribed property, and all component parts of any building or other construction located on the aforescribed property, now or hereafter forming a part of or attached to the aforescribed property or used in connection therewith.

TRACT THREE:

OWNER: Dolphin Services, Inc. as successor to Dolphin Sales & Rentals, Inc.

Commencing at a point S 81° 03' 50" W, a distance of 3,360.00 feet from the intersection of the centerline of La. State Highway No. 57 with the centerline of Thompson Road; said point being the southeast corner of the tract being conveyed and being on the centerline of Thompson Road, and also being the point of beginning;

Thence S 81° 03' 50" W, along the centerline of Thompson Road, a distance of 330.00 feet to a point;

Thence N 8° 56' 10" W, a distance of 1,320.00 feet to a point in the centerline of Munson Slip;

Thence N 81° 03' 50" E, along said centerline, a distance of 330.00 feet to a point;

Thence S 8° 56' 10" E, a distance of 1,320.00 feet from the point of beginning and containing an area of 10.000 acres, more or less, all as more fully shown on a map prepared by Southern Surveyors, dated May 4, 1976, and titled "Plat of Survey Showing a Proposed Purchase from Walter Land Company located in Section 12, T17S, R17E, and Section 1, T18S, R17E, Terrebonne Parish, Louisiana".

Together with all the buildings and improvements now or hereafter situated on the aforescribed property and appurtenances, rights, ways, privileges, servitudes, prescriptions, natural increases, accessions and advantages now or hereafter belonging or in anywise appertaining thereto, including, without limitation, all component parts of the aforescribed property, and all component parts of any building or other construction located on the aforescribed property, now or hereafter forming a part of or attached to the aforescribed property or used in connection therewith.

TRACT FOUR:

OWNER: Dolphin Services, Inc.

A certain lot or parcel of ground, together with all buildings and improvements thereon, located in Section 12, Township 17 South, Range 17 East, and Section 1, Township 18 South, Range 17 East, Terrebonne Parish, Louisiana, being Lot 27 of Houma-Terrebonne Industrial Park as shown on a plat of survey of Robert C. Reed, Registered Land Surveyor, dated March 22, 1972, revised July 11, 1973, said plat attached to document dated February 17, 1975, and registered in COB 608, folio 670, Entry No. 482726, and said Lot 27 being more particularly described as follows, to-wit:

Commencing at a point S 81°03'50" W, a distance of 1,150 feet from the intersection of the centerline of Roland Road with the centerline of Thompson Road; said point being the southeasterly corner of Lot 27 and also being the point of beginning.

Thence S 81°03'50" W along the centerline of Thompson Road, a distance of 330.00 feet to a point on the property line between Lots 27 and 26;

Thence N 8°56'10" W along said property line, a distance of 1,320.00 feet to a point in the centerline of Munson Slip;

Thence N 81°03'50" E, along the centerline of Munson Slip, a distance of 330.00 feet to a point on the property line between Lots 27 and 28 of said Houma-Terrebonne Industrial Park;

Thence S 8°56'10" E, along said line between Lots 27 and 28, a distance of 1,320.00 feet to the point of beginning, containing an area of 10.100 acres, more or less. Said Lot 27 is shown on a plat prepared by Euclid Engineering Co., Inc. dated November 13, 1978.

Together with all the buildings and improvements now or hereafter situated on the aforescribed property and appurtenances, rights, ways, privileges, servitudes, prescriptions, natural increases, accessions and advantages now or hereafter belonging or in anywise appertaining thereto, including, without limitation, all component parts of the aforescribed property, and all component parts of any building or other construction located on the aforescribed property, now or hereafter forming a part of or attached to the aforescribed property or used in connection therewith.

CAUSE NO. H-94-3547, AGIP PETROLEUM, INC. VS GULF ISLAND FABRICATION, INC. ET AL; IN THE U.S. DISTRICT COURT OF TEXAS, HOUSTON DIVISION.

CAUSE NO. 98-049 (CIVIL ACTION) BOBBY RAY FULLER VS GULF ISLAND FABRICATION, INC. ET AL; IN THE U.S. DISTRICT COURT, WESTERN DISTRICT OF LOUISIANA, LAFAYETTE DIVISION.

ALL OF THE ABOVE CLAIMS ARE BEING DEFENDED BY APPLICABLE INSURANCE POLICIES.

SCHEDULE I
LITIGATION PENDING AGAINST
DOLPHIN SERVICES, INC.
AUGUST 21, 1998

CAUSE NO. 122618, CLARA KLINK VS DOLPHIN SERVICES, INC, ET AL; IN THE 32ND JUDICIAL DISTRICT COURT OF LOUISIANA, TERREBONNE PARISH.

CAUSE NO. 98-1092, LLYN JUNGJOHANN VS DOLPHIN SERVICES, INC. ET AL; IN THE U.S. DISTRICT COURT, WESTERN DISTRICT OF LOUISIANA, LAFAYETTE OPELOUSAS DIVISION.

ALL OF THE ABOVE CLAIMS ARE BEING DEFENDED BY APPLICABLE INSURANCE POLICIES.

SCHEDULE I
LITIGATION PENDING AGAINST
SOUTHPORT, INC.
AUGUST 21, 1998

NO THIRD PARTY LITIGATION PENDING.

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

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For further information contact:

Kerry J. Chauvin
Chief Executive Officer
(504) 872-2100
FOR IMMEDIATE RELEASE
THURSDAY, OCTOBER 22, 1998

Joseph "Duke" Gallagher
Chief Financial Officer
(504) 872-2100

GULF ISLAND FABRICATION, INC.
REPORTS THIRD QUARTER AND YEAR-TO-DATE 1998 EARNINGS

Houma, LA - Gulf Island Fabrication, Inc. (NASDAQ: GIF1) today reported pro forma net income of \$5.3 million (\$.45 diluted EPS) on revenue of \$51.9 million for its third quarter ended September 30, 1998, compared to pro forma net income of \$3.7 million (\$.32 diluted EPS) on revenue of \$36.3 million for the third quarter of 1997. Pro forma net income for the first nine months of 1998 was \$14.7 million (\$1.25 diluted EPS) on revenue of \$149.4 million, compared to pro forma net income of \$9.2 million (\$.89 diluted EPS) on revenue of \$101.6 million for the first nine months of 1997.

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 all the periods presented. Pro forma net income excludes the non-recurring charge of \$1.1 million to record the cumulative deferred income tax provision upon the election on April 4, 1997 to convert from S Corporation status to C Corporation status. On October 6, 1997 the Company's Board of Directors authorized a two-for-one stock split effected in the form of a stock dividend that was distributed on October 28, 1997 to shareholders of record on October 21, 1997. All share and per share data presented reflects the stock split. At September 30, 1998, the company had a revenue backlog of \$53.3 million and a labor backlog of approximately 1.0 million manhours remaining to work.

"We had a great third quarter and are quite pleased with our results over the first nine months of the year," said Kerry Chauvin, Gulf Island's Chief Executive Officer. "Despite our Company's excellent performance, however, the downturn in our industry brought on by continued low oil prices and a downturn in natural gas prices as well, will impact our ability to maintain these high levels of performance beyond year end. The dollar value of projects available in the market is significantly below last year's levels and our backlog is being similarly eroded. Competition for available projects has become more intense and future margins will likely be diminished. Cost reduction measures will be undertaken as appropriate to meet these conditions. In the longer term, demand for our services will largely depend upon prices for oil and gas, which are difficult to predict. At some point however, it is expected that these should recover as supplies are reduced and our customers are forced to replace them."

Gulf Island Fabrication, Inc., based in Houma, Louisiana, 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. The Company also offers offshore interconnect pipe hook-up, inshore marine construction, and steel warehousing and sales. With the acquisition of Southport, Inc., effective January 1, 1998, the Company also provides the fabrication of living quarters for offshore platforms for the oil and gas industry.

Information in this press release concerning future industry conditions and future company operations and performance are forward-looking statements based on current expectations and assumptions. These statements involve risks and uncertainties that include, among others, the prices of crude oil and natural gas, the timing of new projects and the Company's ability to obtain them, and competitive factors in the industry. Changes in these factors could result in changes in the Company's performance and could cause the actual results to differ materially from those expressed in the forward-looking statements.

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

<TABLE>
<CAPTION>

Three Months Ended
September 30,
1998

Nine Months Ended
September 30,
1998

1997

<S>	<C>	<C>	<C>	<C>
Revenue	\$51,866	\$36,311	\$149,421	\$101,556
Cost of revenue	42,036	29,325	121,513	83,282
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Gross profit	9,830	6,986	27,908	18,274
General and administrative expenses	1,458	1,115	4,532	3,262
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Operating income	8,372	5,871	23,376	15,012
Other expense (income):				
Interest expense	19	16	76	324
Interest income	(94)	(77)	(183)	(112)
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	(75)	(61)	(107)	212
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Income before income taxes	8,447	5,932	23,483	14,800
Income taxes	3,135	2,234	8,787	4,210
Cumulative deferred tax provision(1)	0	0	0	1,144
	-----	-----	-----	-----
Net income	\$ 5,312	\$ 3,698	\$ 14,696	\$ 9,446
	=====	=====	=====	=====
Pro forma data: (2)				
Income before income taxes	\$ 8,447	\$ 5,932	\$ 23,483	\$ 14,800
Income taxes	3,135	2,234	8,787	4,210
Pro forma income taxes related to operations as S Corporation	0	0	0	1,379
	-----	-----	-----	-----
Pro forma net income	\$ 5,312	\$ 3,698	\$ 14,696	\$ 9,211
	=====	=====	=====	=====
Pro forma per share data:				
Pro forma basic earnings per share (3)	\$ 0.46	\$ 0.32	\$ 1.26	\$ 0.89
	=====	=====	=====	=====
Pro forma diluted earnings per share (3) (4)	\$ 0.45	\$ 0.32	\$ 1.25	\$ 0.89
	=====	=====	=====	=====
Weighted-average shares (3)	11,638	11,600	11,627	10,310
	=====	=====	=====	=====
Adjusted weighted-average shares (3) (4)	11,697	11,689	11,711	10,353
	=====	=====	=====	=====
Depreciation and amortization included in expense above	\$ 1,060	\$ 765	\$ 3,090	\$ 2,104
	=====	=====	=====	=====

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- (1) Cumulative deferred tax provision charged upon election on April 4, 1997 to convert from an S Corporation status to a C Corporation Status.
- (2) Pro forma information gives effect to federal and state income taxes as if the Company had been a C Corporation for tax purposes during all periods presented.
- (3) Includes the initial public offering completed on April 9, 1997 and retroactively restates the two-for-one stock split effective October 28, 1997.
- (4) The calculation of diluted earnings per share assumes that all stock options are exercised and that the assumed proceeds are used to purchase shares at the average market price for the period.