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

FORM 10-Q

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

For the quarterly period ended September 30, 2018

or

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

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

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

LOUISIANA	**72-1147390**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
16225 PARK TEN PLACE, SUITE 300 HOUSTON, TEXAS	**77084**
(Address of principal executive offices)	**(Zip Code)**

(713) 714-6100
(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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging Growth Company	¨

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

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

The number of shares of the registrant's common stock, no par value per share, outstanding as of November 8, 2018, was 15,083,221.

GULF ISLAND FABRICATION, INC.

I N D E X

GLOSSARY OF TERMS

As used in this Report for the quarter ended September 30, 2018, the following abbreviations and terms have the meanings as listed below. Additionally, the terms "Gulf Island," "the Company," "we," "us" and "our" refer to Gulf Island Fabrication, Inc. and its consolidated subsidiaries, unless the context clearly indicates otherwise. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments in each case as amended, restated, supplemented or otherwise modified to the date of filing this Report.

2017 Annual Report:	Our annual report for the year ended December 31, 2017, filed with the SEC on Form 10-K on March 9, 2018.
ASC:	FASB Accounting Standards Codification.
ASU:	Accounting Standards Update.
Company:	Gulf Island Fabrication, Inc. and its consolidated subsidiaries.
Credit Agreement:	The Company's $40.0 million revolving credit facility with Hancock Whitney Bank maturing June 9, 2020, as amended.
deck:	The component of a platform on which development drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
direct labor hours:	Hours worked by employees directly involved in the production of the Company's products. These hours do not include support personnel hours such as maintenance, warehousing and drafting.
EPC:	Engineering, procurement and construction phases of a complex project; EPC typically refers to a contract that requires the project management and coordination of these significant activities.
Exchange Act:	Securities Exchange Act of 1934, as amended.
FASB:	Financial Accounting Standards Board.
FPSO:	Floating Production Storage and Offloading vessel. A floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons and for the storage of oil.
GAAP:	Generally accepted accounting principles in the U.S.
GOM:	Gulf of Mexico.
inland or inshore:	Inside coastlines, typically in bays, lakes and marshy areas.
jacket:	A component of a fixed platform consisting of a tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is anchored with tubular steel pilings driven into the seabed. The jacket supports the deck structure located above the water.
LIBOR:	London Inter-Bank Offered Rate.
MinDOC:	Minimum Deepwater Operating Concept. A floating production platform designed for stability and dynamic positioning response to waves consisting of three vertical columns arranged in a triangular shape connected to upper and lower pontoon sections.

modules	Fabricated structures that include structural steel, piping, valves, fittings, storage vessels and other equipment that are incorporated into a petrochemical or industrial system. These modules are pre-fabricated at our facilities and then transported to the customer's location for final integration.
MPSV	Multi-Purpose Service Vessel.
NOL(s)	Net operating loss(es) that are available to offset future taxable income, subject to certain limitations.
offshore	In unprotected waters outside coastlines.
onshore	Inside the coastline on land.
OSV	Offshore Support Vessel.
piles	Rigid tubular pipes that are driven into the seabed to support platforms.
platform	A structure from which offshore oil and gas development drilling and production are conducted.
pressure vessel	A metal container generally cylindrical or spheroid, capable of withstanding various internal pressure loads.
SeaOne	SeaOne Caribbean, LLC.
SeaOne Project	The engineering, procurement, construction, installation, commissioning and start-up work for SeaOne's Compressed Gas Liquids Caribbean Fuels Supply Project. This project will include execution of engineering, construction and installation of modules for an export facility in Gulfport, Mississippi, and import facilities in the Caribbean and South America.
SEC	U.S. Securities and Exchange Commission.
skid unit	Packaged equipment usually consisting of major production, utility or compression equipment with associated piping and control system.
South Texas Properties	Historically, our Texas North Yard and Texas South Yard properties, improvements and equipment located in Aransas Pass and Ingleside, Texas, respectively. The Texas South Yard property, together with improvements and related machinery and equipment was sold on April 20, 2018. The Texas North Yard, together with improvements and related machinery and equipment is held for sale.
SPAR	Single Point Anchor Reservoir. A floating vessel with a circular cross-section that sits vertically in the water and is used for infield flow lines and associated subsea infrastructure. The SPAR connects subsea production and injection wells for oil and gas production in deepwater environments.
subsea templates	Tubular frames which are placed on the seabed and anchored with piles. Usually a series of oil and gas wells are drilled through these underwater structures.
Surety	A financial institution that issues bonds to customers on behalf of the Company for the purpose of providing third-party financial assurance related to our performance of construction contracts.
T&M	Work performed and billed to the customer generally at contracted time and material rates, cost plus or other variable fee arrangements which can include a mark-up.

Texas North Yard	Our Texas North Yard consists of our fabrication yard located in Aransas Pass, Texas, along the U.S. Intracoastal Waterway approximately three miles north of the Corpus Christi Ship Channel. This property is situated on approximately 196 acres. Our Texas North Yard, together with its improvements and related machinery and equipment is held for sale.
Texas South Yard	Historically, our Texas South Yard consisted of our fabrication yard located in Ingleside, Texas on the northwest corner of the Corpus Christi Ship Channel at the intersection of the Corpus Christi Ship Channel and the U.S. Intracoastal Waterway. This property was sold on April 20, 2018.
this Report	This quarterly report filed on Form 10-Q for the quarter ended September 30, 2018.
TLP	Tension Leg Platform. A floating hull and deck anchored by vertical tensioned cables or pipes connected to pilings driven into the seabed. A tension leg platform is typically used in water depths exceeding 1,200 feet.
U.S.	The United States of America.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,020	$ 8,983
Short-term investments	9,494	—
Contracts receivable and retainage, net	28,933	28,466
Contracts in progress	40,187	28,373
Inventory	6,568	4,933
Prepaid expenses and other assets	3,456	3,833
Assets held for sale	42,670	104,576
Total current assets	176,328	179,164
Property, plant and equipment, net	80,707	88,899
Other noncurrent assets	5,922	2,777
Total assets	$ 262,957	$ 270,840
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 20,166	$ 18,375
Advance billings on contracts	14,930	5,136
Deferred revenue	829	4,676
Accrued contract losses	6,033	7,618
Accrued expenses and other liabilities	10,339	12,860
Total current liabilities	52,297	48,665
Deferred revenue, noncurrent	2,489	769
Other noncurrent liabilities	3,035	1,913
Total liabilities	57,821	51,347
Shareholders' equity:		
Preferred stock, no par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value, 20,000 shares authorized, 15,044 shares issued and outstanding at September 30, 2018 and 14,910 at December 31, 2017	10,957	10,823
Additional paid-in capital	101,661	100,456
Retained earnings	92,518	108,214
Total shareholders' equity	205,136	219,493
Total liabilities and shareholders' equity	$ 262,957	$ 270,840

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue	$ 49,712	$ 49,884	$ 161,016	$ 133,745
Cost of revenue	52,924	50,378	164,248	150,755
Gross loss	(3,212)	(494)	(3,232)	(17,010)
General and administrative expenses	7,672	4,370	17,473	12,940
Asset impairments	—	—	1,360	389
Operating loss	(10,884)	(4,864)	(22,065)	(30,339)
Interest income (expense), net	72	(45)	(166)	(262)
Other income (expense), net	140	38	6,954	(209)
Net loss before income taxes	(10,672)	(4,871)	(15,277)	(30,810)
Income tax expense (benefit)	277	(1,761)	419	(10,322)
Net loss	$ (10,949)	$ (3,110)	$ (15,696)	$ (20,488)
Per share data:				
Basic and diluted loss per common share	$ (0.73)	$ (0.21)	$ (1.05)	$ (1.38)
Cash dividends per common share	$ —	$ 0.01	$ —	$ 0.03

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

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at January 1, 2018	14,910	$ 10,823	$ 100,456	$ 108,214	$ 219,493
Net loss	—	—	—	(15,696)	(15,696)
Restricted stock vesting	134	(79)	(716)	—	(795)
Stock based compensation expense	—	213	1,921	—	2,134
Balance at September 30, 2018	15,044	$ 10,957	$ 101,661	$ 92,518	$ 205,136

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

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Cash flows from operating activities:		
Net loss	$ (15,696)	$ (20,488)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	2,776	19
Depreciation and amortization	7,834	10,141
Amortization of deferred revenue	(504)	(2,397)
Asset impairments	1,360	389
(Gain) loss on sale of assets, net	(3,496)	224
Gain on insurance recoveries, net	(3,342)	—
Deferred income taxes	—	(10,235)
Stock based compensation expense	2,134	2,636
Changes in operating assets and liabilities:		
Contracts receivable and retainage, net	(6,211)	(5,363)
Contracts in progress	(11,814)	(15,981)
Prepaid expenses, inventory, and other assets	(2,519)	(26)
Accounts payable	1,791	12,436
Advance billings on contracts	9,795	390
Deferred revenue	(1,621)	(5,825)
Accrued contract losses	(1,585)	1,595
Accrued expenses and other liabilities	2,432	2,926
Net cash used in operating activities	(18,666)	(29,559)
Cash flows from investing activities:		
Capital expenditures	(2,362)	(4,515)
Purchase of short-term investments	(9,174)	—
Proceeds from sale of property, plant and equipment	57,716	2,120
Recoveries from insurance claims	9,362	—
Net cash provided by (used in) investing activities	55,542	(2,395)
Cash flows from financing activities:		
Tax payments made on behalf of employees from vested stock withholdings	(795)	(885)
Payment of financing cost	(44)	(88)
Payments of dividends on common stock	—	(448)
Proceeds from borrowings under Credit Agreement	15,000	2,000
Repayment of borrowings under Credit Agreement	(15,000)	(2,000)
Net cash used in financing activities	(839)	(1,421)
Net change in cash and cash equivalents	36,037	(33,375)
Cash and cash equivalents, beginning of period	8,983	51,167
Cash and cash equivalents, end of period	$ 45,020	$ 17,792

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We are a leading fabricator of complex steel structures, modules and marine vessels used in energy extraction and production, petrochemical and industrial facilities, power generation, alternative energy and shipping and marine transportation operations. We also provide related project management for EPC projects along with installation, hookup, commissioning and repair and maintenance services. In addition, we perform civil, drainage and other work for state and local governments. We operate and manage our business through four operating divisions: Fabrication, Shipyard, Services and EPC. Our corporate headquarters is located in Houston, Texas, with fabrication facilities located in Houma, Jennings and Lake Charles, Louisiana.

We recently completed the fabrication of complex modules for the construction of a new petrochemical facility and the newbuild construction and delivery of a technologically-advanced OSV. Current significant projects include the construction of ten harbor tug vessels, two offshore regional class marine research vessels, an ice-breaker tug, and the expansion of a paddle wheel riverboat. We were also recently awarded a contract for the construction of a towing, salvage and rescue ship for the U.S. Navy with options for seven additional vessels. Previous projects include the fabrication of wind turbine pedestals for the first offshore wind power project in the U.S., and construction of one of the largest liftboats servicing the GOM, one of the deepest production jackets in the GOM, and the first SPAR hull fabricated in the U.S. Our customers include U.S. and, to a lesser extent, international energy producers, petrochemical, industrial, power, and marine operators, EPC companies and certain agencies of the U.S. government.

The accompanying unaudited Consolidated Financial Statements include the accounts of Gulf Island Fabrication, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial statements, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

The Consolidated Balance Sheet at December 31, 2017, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. Certain balances at December 31, 2017 have been reclassified within our Consolidated Balance Sheet to conform to our September 30, 2018 presentation. For further information, refer to the Consolidated Financial Statements and notes thereto included in our 2017 Annual Report.

Business Outlook

We continue to strategically position the Company to participate in the fabrication of petrochemical and industrial facilities, pursue offshore wind opportunities, enter the EPC industry, and diversify our customer base within all of our operating divisions. In addition, we continue to focus on maintaining liquidity and securing meaningful new contract awards and backlog in the near-term, and generating operating income and cash flow from operations in the longer-term. We have made significant progress in our efforts to improve our liquidity, including reductions in costs (including reducing our workforce and reducing the cash compensation paid to our directors and the salaries of our executive officers) and the divestiture of underutilized assets.

During the second quarter 2018, we completed the sale our Texas South Yard for $55.0 million, less selling costs of $1.5 million, for total net proceeds during the nine months ended September 30, 2018 of $53.5 million and a gain of approximately $3.9 million. In addition, on September 26, 2018, we entered into an agreement to sell our Texas North Yard and certain associated equipment for $28.0 million. We received $0.5 million during the third quarter 2018 as a deposit on the property, which is refundable under certain circumstances. The sale is anticipated to close in the fourth quarter 2018 and is subject to customary closing conditions, including the purchaser’s right to conduct inspections of the property related to confirmation of title, surveys, environmental conditions, easements and access rights, and third-party consents. See Note 2 for further discussion of the sale of our Texas South Yard and the anticipated sale of our Texas North Yard.

We believe that our cash, cash equivalents and short-term investments at September 30, 2018, and availability under our Credit Agreement, will be sufficient to enable us to fund our operating expenses, meet our working capital and capital expenditure requirements, and satisfy any debt service obligations or other funding requirements, for at least twelve months from the date of this Report.

Cash and cash equivalents

We consider all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Short-term investments

Short-term investments include U.S. Treasuries and other investment-grade commercial paper with maturities of six months or less. We intend to hold these investments until maturity and have stated them at amortized cost. Due to their near-term maturities, amortized cost approximates fair value. All of our short-term investments are traded on active markets with quoted prices and represent level 1 fair value measurements. See Note 4 for further discussion of our fair value measurements.

Income Taxes

At December 31, 2017, we had gross federal NOL carryforwards to offset future taxable income of $62.8 million, of which $4.0 million will expire on December 31, 2035. Our remaining federal NOL carryforwards will expire December 31, 2037. We have provided a valuation allowance against our deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. At September 30, 2018 and December 31, 2017, our net deferred tax assets were fully reserved with a valuation allowance.

During the fourth quarter 2018, we filed our 2017 federal tax return which did not result in any material adjustment to the provisional tax amounts we recorded under Staff Accounting Bulletin 118 at December 31, 2017, related to our evaluation of the Tax Cuts and Jobs Act of 2017. Our overall evaluation of the Tax Cuts and Jobs Act of 2017 is not complete as we expect to file certain remaining state tax returns during the fourth quarter 2018; however, adjustments to our remaining state returns, if any, are not expected to be material.

Revenue Recognition

Revenue for our fixed-price and unit-rate contracts is recognized under the percentage-of-completion method, computed by the significant inputs method, which measures the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract. Revenue for our T&M contracts is recognized at contracted rates when the work is performed, the costs are incurred and collection is reasonably assured. See Note 3 for further discussion of our revenue recognition policy and related accounting for our contracts.

On January 1, 2018, we adopted ASU No. 2014-09, Topic 606 “Revenue from Contracts with Customers”, which supersedes the revenue recognition requirements in FASB ASC Topic 605, “Revenue Recognition.” Topic 606 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Our adoption of Topic 606 included a detailed review of our significant contracts that were not substantially complete as of January 1, 2018. Based on our review, we concluded that revenue recognition for our fixed-price and unit-rate contracts using the percentage-of-completion method, computed by measuring the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract, is still appropriate. Our review also determined that Topic 606 did not impact the timing of revenue recognition for our T&M contracts. Based on the aforementioned, we concluded that the impact of adoption of Topic 606 as of January 1, 2018, was immaterial to our Consolidated Financial Statements and no adjustment was required. See Note 3 for further discussion of our adoption of Topic 606.

New Accounting Standards

Leases - In February 2016, the FASB issued ASU 2016-02, “Leases,” which requires lessees to record most leases on their balance sheet but recognize expense in a manner similar to current guidance. ASU 2016-02 will be effective for us in the first quarter 2019. The new standard is required to be applied using a modified retrospective approach. Upon adoption, we will record a right of use asset and corresponding liability for our operating leases.We continue to evaluate the effect that ASU 2016-02 will have on our financial position, results of operations and related disclosures. We are currently designing and implementing process changes and evaluating the information requirements necessary to properly account for ASU 2016-02.

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

NOTE 2 – ASSETS HELD FOR SALE

A summary of assets included in assets held for sale at September 30, 2018, is as follows (in thousands):

	Texas North Yard Assets			
Assets	**Assets Under Agreement For Sale**	**Remaining Assets**	**Shipyard Division Assets**	**Consolidated**
Land	$ 2,157	$ —	$ —	$ 2,157
Buildings and improvements	31,798	189	—	31,987
Machinery and equipment	13,856	27,754	2,187	43,797
Less: accumulated depreciation	(24,176)	(10,797)	(298)	(35,271)
Total assets held for sale	$ 23,635	$ 17,146	$ 1,889	$ 42,670

South Texas Properties

Texas South Yard - During the second quarter 2018, we completed the sale of our Texas South Yard for $55.0 million, less selling costs of $1.5 million, for total net proceeds during the nine-months ended September 30, 2018 of approximately $53.5 million and a gain of approximately $3.9 million, which is included within other income (expense), net on our Consolidated Statements of Operations.

Texas North Yard - On September 26, 2018, we entered into an agreement to sell our Texas North Yard and certain associated equipment for $28.0 million.We received $0.5 million during the third quarter 2018 as a deposit on the property, which is refundable under certain circumstances, and has been recorded as a liability within accrued expenses and other liabilities on our Consolidated Balance Sheet at September 30, 2018. The sale is anticipated to close in the fourth quarter 2018 and is subject to customary closing conditions, including the purchaser's right to conduct inspections of the property related to confirmation of title, surveys, environmental conditions, easements and access rights, and third-party consents. Based on the sales price and estimated closing and other costs, we expect to realize a gain on the transaction upon closing. We can provide no assurances that we will successfully close the transaction, that closing will occur under our expected timeline or that we will achieve our estimated net proceeds or a gain on the sale. We continue to actively market the remaining Texas North Yard assets held for sale, which primarily consist of three 660-ton crawler cranes, a barge, a plate bending roll machine, and panel line equipment.

As a result of the agreement to sell our Texas North Yard, and the separation of such assets from the other remaining Texas North Yard Assets, we reevaluated the fair values of the assets under agreement for sale and the other remaining assets held for sale, giving consideration to previously recorded impairment amounts for such assets. Based on our assessment, we recaptured previously recorded impairments of the assets under agreement for sale and increased their carrying value. We also reduced the carrying value of the other remaining assets held for sale based upon our estimates of fair value using level 3 inputs, including broker estimates of fair value. Our assessment resulted in the recapture of approximately $5.2 million of previously recorded impairments on the assets under agreement for sale, with a similar amount of impairment on the remaining assets, with no net material change to the carrying value of the Texas North Yard assets held for sale.

During the first half of 2018, we recorded impairments of certain equipment that were classified as held for sale, resulting in a $1.4 million charge during the nine-months ended September 30, 2018, which is included within asset impairments on our Consolidated Statements of Operations. Our impairments were based upon our best estimate of the fair value of the related equipment. During the third quarter 2018, we sold assets that were classified as held for sale for proceeds of $1.1 million, which approximated their carrying values.

Hurricane Harvey Insurance Recoveries - During the third quarter 2017, buildings and equipment located at our South Texas Properties were damaged by Hurricane Harvey. During the second quarter 2018, we agreed to a global settlement with our insurance carriers for total insurance recoveries of $15.4 million, resulting in a net gain on insurance recoveries of $3.6 million during the nine months ended September 30, 2018, which is included within other income (expense), net on our Consolidated Statements of Operations. As of September 30, 2018, all insurance proceeds had been received, including $7.2 million received during the third quarter 2018. In applying the settlement proceeds and determining our net gain for the nine months ended September 30, 2018, we allocated the claim amounts, less agreed upon deductibles, to the respective groups of assets and reimbursement of costs incurred as follows:

- Insurance recoveries of $8.9 million, which offset impairments of damaged assets at our Texas North Yard, resulting in no net gain or loss. Our impairments were based upon our best estimate of the decline in the fair value of the property and related equipment.
- Insurance recoveries of $5.2 million, which offset impairments of two buildings and five damaged cranes that were sold during the second quarter 2018, resulting in the aforementioned net gain on insurance recoveries of $3.6 million.
- Insurance recoveries of $1.3 million, net of deductibles, which offset clean-up and repair related costs incurred directly related to the damage we incurred as a result of Hurricane Harvey.

Other - We do not expect the sale of our South Texas Properties to impact our ability to operate our Fabrication Division. Further, the sale of our Texas South Yard and the Texas North Yard assets held for sale, do not qualify for discontinued operations presentation as we continue to operate our Fabrication Division at our Houma, Louisiana fabrication facility.

Shipyard Division Assets

Our Shipyard Division assets held for sale primarily consist of a 2,500-ton drydock located at our Houma Shipyard. During the nine months ended September 30, 2017, we recorded impairments of $0.4 million for these assets based upon their estimated sales price. During the nine months ended September 30, 2017, we sold two drydocks for proceeds of $2.0 million and recorded a loss of $0.3 million. Our assets held for sale for the Shipyard Division do not qualify for discontinued operations presentation.

NOTE 3 – REVENUE RECOGNITION

Revenue for our fixed-price and unit-rate contracts is recognized using the percentage-of-completion method, computed by the significant inputs method, which measures the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract. Direct materials and subcontract materials and services that represent an insignificant portion of the work to complete a contract or do not reflect an accurate measure of project completion are considered "pass-through costs." Revenue recognized in a period for a contract is the pro rata portion of the contract value (excluding pass-through costs), based upon the labor hour measure of progress, plus pass-through costs incurred during the period. Accordingly, pass-through costs are included in revenue and direct costs of revenue with no impact on gross profit recognized during the period.

Revenue for our T&M contracts is recognized at contracted rates when the work is performed, the costs are incurred and collection is reasonably assured. Our T&M contracts provide for labor and materials to be billed at rates specified within the contract. The consideration from the customer directly corresponds to the value of our performance completed at the time of invoicing. Accordingly, we have elected the “right to invoice” practical expedient under Topic 606 for the recognition of revenue for our T&M contracts. The practical expedient allows us to recognize revenue in the amount we have the right to invoice (at contracted rates when the work is performed and costs are incurred).

Revenue and gross profit for contracts can be significantly affected by variable consideration, which can be in the form of unapproved change orders, claims, incentives, penalties, and liquidated damages that may not be resolved until the later stages of the contract or after the contract has been completed and delivery occurs. We estimate variable consideration based on the most likely amount to which we expect to be entitled and include estimated amounts in the transaction price to the extent it is probable that a significant future reversal of cumulative revenue recognized will not occur or when we conclude that any significant uncertainty associated with the variable consideration is resolved. For the three and nine months ended September 30, 2018 and 2017, we had no material amounts in revenue related to unapproved change orders, claims, or incentives. However certain projects in our Shipyard Division reflect a reduction to our estimated contract price of $11.7 million for variable consideration related to liquidated damages. The reductions in contract price were recorded during the fourth quarter 2017.

Revenue and gross profit for contracts accounted for using the percentage-of-completion method can also be significantly affected by changes in estimated cost to complete such contracts. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our Consolidated Financial Statements and related disclosures.

Adoption of Topic 606

As discussed in Note 1, on January 1, 2018, we adopted ASU No. 2014-09, Topic 606 “Revenue from Contracts with Customers,” which supersedes the revenue recognition requirements in FASB ASC Topic 605, “Revenue Recognition.” Accordingly, the reported results for the three and nine months ended September 30, 2018, reflect the application of Topic 606 guidance while the comparable reported results for 2017 were prepared under the guidance of Topic 605.

Topic 606 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Our adoption of Topic 606 included a detailed review of our significant contracts that were not substantially complete as of January 1, 2018, to assess if revenue should be recognized "over time" (as the work is performed) or "at a point in time" (upon completion of the work). We determined that ownership and control of the work related to our fixed-price and unit-rate contracts transfer to our customers as the work progresses. Additionally, our customers retain the right and ability to change, modify or discontinue further fabrication or construction at any stage of the project. In the event our customers discontinue work, they are required to compensate us for the work performed to date.

Based on our review, we concluded that revenue recognition for our fixed-price and unit-rate contracts using the percentage-of-completion method, computed by measuring the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract, is still appropriate as it most accurately reflects our primary profit generating activity and best represents our efforts to construct the asset for our customer. However, adoption of Topic 606 did require us to include subcontract labor and certain costs from outside services within our measure of progress and determination of our percentage-of-completion. We previously treated certain of these costs as pass-through costs and excluded such costs from our measure of progress. Our review also determined that Topic 606 did not impact the timing of revenue recognition for our T&M contracts. Based on the aforementioned, we concluded that the impact of the adoption of Topic 606 as of January 1, 2018, was immaterial to our Consolidated Financial Statements and no adjustment was required.

Topic 606 requires additional and enhanced disclosures related to the disaggregation of revenue and the anticipated timing and completion of remaining performance obligations, which are included below.

Disaggregation of Revenue - The following tables summarize revenue for each of our operating segments, disaggregated by contract type and timing of revenue recognition, for the three and nine months ended September 30, 2018 and 2017 (in thousands):

	Three Months Ended September 30, 2018					
	Fabrication	**Shipyard**	**Services**	**EPC**	**Eliminations**	**Total**
Contract Type						
Fixed-price and unit-rate (1)	$ 2,311	$ 23,635	$ 12,193	$ —	$ (779)	$ 37,360
T&M (2)	—	857	10,424	—	—	11,281
Other (3)	—	—	—	1,071	—	1,071
Total	$ 2,311	$ 24,492	$ 22,617	$ 1,071	$ (779)	$ 49,712

	Three Months Ended September 30, 2017					
	Fabrication	Shipyard	Services	EPC	Eliminations	Total
Contract Type						
Fixed-price and unit-rate (1)	$ 18,318	$ 13,906	$ 6,147	$ —	$ (1,159)	$ 37,212
T&M (2)	—	1,168	11,504	—	—	12,672
Other	—	—	—	—	—	—
Total	$ 18,318	$ 15,074	$ 17,651	$ —	$ (1,159)	$ 49,884

	Nine Months Ended September 30, 2018					
	Fabrication	Shipyard	Services	EPC	Eliminations	Total
Contract Type						
Fixed-price and unit-rate (1)	$ 28,171	$ 62,116	$ 35,197	$ —	$ (2,550)	$ 122,934
T&M (2)	—	4,561	31,495	—	—	36,056
Other (3)	—	—	—	2,026	—	2,026
Total	$ 28,171	$ 66,677	$ 66,692	$ 2,026	$ (2,550)	$ 161,016

	Nine Months Ended September 30, 2017					
	Fabrication	Shipyard	Services	EPC	Eliminations	Total
Contract Type						
Fixed-price and unit-rate (1)	$ 42,517	$ 47,632	$ 20,969	$ —	$ (4,328)	$ 106,790
T&M (2)	—	4,166	22,789	—	—	26,955
Other	—	—	—	—	—	—
Total	$ 42,517	$ 51,798	$ 43,758	$ —	$ (4,328)	$ 133,745

(1) Revenue is recognized as the contract is progressed over time.
(2) Revenue is recognized at contracted rates when the work is performed and costs are incurred.
(3) Revenue primarily represents early work authorized by SeaOne and is recognized as the contract is progressed over time.

Future Performance Obligations Required Under Contracts - The following tables summarize the remaining revenue to be earned under performance obligations for the portion of contracts not yet completed as of September 30, 2018 (in thousands).

Segment	Performance Obligations at September 30, 2018
Fabrication	$ 44,746
Shipyard (1)	282,912
Services	11,699
EPC	836
Intersegment eliminations	—
Total	$ 340,193

(1) Amount excludes approximately $30.1 million in the aggregate of remaining performance obligations under dispute pursuant to a termination notice from our customer related to contracts for the construction of two MPSVs. See Note 8 for further discussion of these contracts.

We expect to recognize revenue for our remaining performance obligations in the following periods (in thousands):

Year	Total
Remainder of 2018	$ 56,243
2019	199,922
2020	74,976
2021	8,405
2022	647
Total	$ 340,193

Contracts Receivable and Retainage

Our customers include U.S. and, to a lesser extent, international energy producers, petrochemical, industrial, power, and marine operators, EPC companies and certain agencies of the U.S. government. Of our contracts receivable balance at September 30, 2018, $18.4 million was with two customers.

At September 30, 2018, we had an allowance for bad debt of $3.7 million within our contract receivable balance. During the three months ended September 30, 2018, we increased our allowance for bad debts by $2.8 million, which is included in general and administrative expenses on our Consolidated Statements of Operations and primarily relates to a customer within our Fabrication Division.

Contracts in Progress, Advance Billings on Contracts and Accrued Contract Losses

Revenue recognition and customer invoicing for our fixed-price and unit-rate contracts may occur at different times. Revenue recognition is based upon our estimated percentage-of-completion as discussed above; however, customer invoicing will generally depend upon predetermined billing terms which could provide for customer advance payments or invoicing based upon achievement of certain milestones or project progress. Revenue recognized in excess of amounts billed is reflected as contracts in progress on our Consolidated Balance Sheets. Amounts billed in excess of revenue recognized is reflected as advance billings on contracts on our Consolidated Balance Sheets. Contracts in progress totaled $40.2 million at September 30, 2018, with $37.1 million relating to three customers. Advance billings on contracts totaled $14.9 million at September 30, 2018, with $11.2 million relating to one customer. Accrued contract losses totaled $6.0 million and $7.6 million at September 30, 2018 and December 31, 2017, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

We make fair value determinations by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - inputs are based upon quoted prices for identical instruments traded in active markets;
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets and model-based valuation techniques for which all significant assumptions are observable in the market; and
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. These include discounted cash flow models and similar valuation techniques.

Recurring fair value measurements and financial instruments - The carrying amounts reported for financial instruments, including cash and cash equivalents, short-term investments, contracts receivable and accounts payable, approximate their fair values.

Assets held for sale - We measure and record assets held for sale at the lower of their carrying amount or fair value less costs to sell. The determination of fair value generally requires the use of significant judgments. See Note 2 for further discussion of our assets held for sale and their associated fair value measurements.

NOTE 5 – LOSS PER COMMON SHARE

The following table presents the computation of basic and diluted loss per share (in thousands, except for per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Basic and diluted				
Net loss	$ (10,949)	$ (3,110)	$ (15,696)	$ (20,488)
Less: Distributed and undistributed loss (unvested restricted stock)	—	(14)	—	(100)
Net loss attributable to common shareholders	$ (10,949)	$ (3,096)	$ (15,696)	$ (20,388)
Weighted-average shares (1)	15,044	14,852	15,017	14,821
Basic and diluted loss per common share	$ (0.73)	$ (0.21)	$ (1.05)	$ (1.38)

(1) We have no dilutive securities.

NOTE 6 – LINE OF CREDIT

We have a $40.0 million Credit Agreement with Hancock Whitney Bank that can be used for borrowings or letters of credit. On August 27, 2018, we entered into a third amendment to our Credit Agreement, which extended its maturity date from June 9, 2019 to June 9, 2020, and reduced the base tangible net worth requirement from $185.0 million to $180.0 million. The third amendment also removed the inclusion of 50% of Consolidated Net Income (as defined in the Credit Agreement) for each fiscal quarter and the inclusion of 50% of the gain on the sale of our South Texas Properties from our minimum tangible net worth covenant. Accordingly, our amended quarterly financial covenants during the term of the Credit Agreement are as follows:

- Ratio of current assets to current liabilities of not less than 1.25:1.00;
- Minimum tangible net worth of at least the sum of $180.0 million, plus 100% of the proceeds from any issuance of stock or other equity after deducting any fees, commissions, expenses and other costs incurred in such offering; and
- Ratio of funded debt to tangible net worth of not more than 0.50:1.00.

Interest on borrowings under the Credit Agreement may be designated, at our option, as either the *Wall Street Journal* published Prime Rate or LIBOR plus 2.0% per annum. Commitment fees on the unused portion of the Credit Agreement are 0.4% per annum, and interest on outstanding letters of credit is 2.0% per annum. The Credit Agreement is secured by substantially all our assets (other than the assets held for sale at our Texas North Yard).

At September 30, 2018, we had no outstanding borrowings under our Credit Agreement and $2.5 million of outstanding letters of credit, providing $37.5 million of available capacity. At September 30, 2018, we were in compliance with all of our financial covenants.

NOTE 7 - SEGMENT DISCLOSURES

We have structured our operations with four operating divisions, and one corporate non-operating division, which represent our reportable segments. As part of our efforts to strategically reposition the Company as discussed in Note 1, we may change how we manage the business which could result in changes to our reportable segments in future periods. Our reportable segments at September 30, 2018 are discussed below.

Fabrication Division - Our Fabrication Division fabricates offshore drilling and production platforms and other steel structures for customers in the oil and gas industry including jackets and deck sections of fixed production platforms, hull, tendon, and/or deck sections of floating production platforms (such as TLPs, SPARs, FPSOs and MinDOCs), piles, wellhead protectors, subsea templates, and various production, compressor, and utility modules along with pressure vessels. Our Fabrication Division also fabricates structures for alternative energy customers (such as the five jackets and piles we constructed for the first offshore wind power project in the U.S.) as well as modules for petrochemical and industrial facilities. We perform these activities at our fabrication yard in Houma, Louisiana. As of September 30, 2018, our Texas North Yard is held for sale and our Texas South Yard had been sold. See Note 2 for further discussion of our South Texas Properties.

Shipyard Division - Our Shipyard Division fabricates newbuild vessels and repairs various steel marine vessels including offshore supply vessels, anchor handling vessels and liftboats to support the construction and ongoing operation of offshore oil and gas production platforms, tug boats, towboats, barges, drydocks and other marine vessels. Our marine repair activities include steel repair, blasting and painting services, electrical systems repair, machinery and piping system repairs, and propeller, shaft, and rudder reconditioning. In addition, we perform conversion projects that consist of lengthening vessels, modifying vessels to permit their use for a different type of activity, and other modifications to enhance the capacity or functionality of a vessel. We perform these activities at our shipyards in Houma, Jennings and Lake Charles, Louisiana.

Services Division **-** Our Services Division provides interconnect piping and related services for offshore platforms and inland structures, which includes sending crews to offshore platforms in the GOM to perform welding and other activities required to connect production equipment, service modules and other equipment on a platform. We also contract with oil and gas companies that have platforms and other structures located in the inland lakes and bays throughout the southeastern U.S. for various on-site construction and maintenance activities. In addition, our Services Division fabricates packaged skid units and performs various civil and drainage projects, such as pump stations, levee reinforcement, bulkheads and other work for state and local governments. We perform these services at customer facilities or at our services yard in Houma, Louisiana.

EPC Division - Our EPC Division was created during the fourth quarter 2017 to manage expected work we will perform for the SeaOne Project and other projects that may require EPC project management services. During the fourth quarter 2017, SeaOne selected us as the prime contractor for the engineering, procurement, construction, installation, commissioning and start-up operations for its SeaOne Project. This project will include execution of engineering, construction and installation of modules for an export facility in Gulfport, Mississippi, and import facilities in the Caribbean and South America. Our current activities include pricing, planning and scheduling for the project. SeaOne's selection of the Company is non-binding and commencement of the project remains subject to a number of conditions, including agreement on terms of the engagement with SeaOne. We understand that SeaOne is in the process of securing financing for the project. We continue to enhance our internal project management capabilities through the hiring of additional personnel to service this potential project.

Corporate Division **-** Our Corporate Division represents expenses that do not directly relate to our four operating divisions and are not allocated to our operating divisions. Such expenses include, but are not limited to, costs related to executive management and directors' fees, clerical and administrative salaries, costs of maintaining our corporate office and costs associated with overall governance and being a publicly traded company.

We generally evaluate the performance of, and allocate resources to, our operating divisions based upon revenue, gross profit (loss) and operating income (loss). Division assets are comprised of all assets attributable to each division. Corporate administrative and overhead expenses directly related to our operating divisions, or costs related to shared services incurred by our Corporate Division on behalf of our operating divisions, are allocated to the four operating divisions. Shared services include human resources, insurance, business development, information technology and accounting. Intersegment revenue is priced at the estimated fair value of work performed.

Summarized financial information for each of our divisions for the three and nine months ended September 30, 2018 and 2017, is as follows (in thousands):

	Three Months Ended September 30, 2018						
	Fabrication	**Shipyard**	**Services**	**EPC**	**Corporate**	**Eliminations**	**Consolidated**
Revenue	$ 2,311	$ 24,492	$ 22,617	$ 1,071	$ —	$ (779)	$ 49,712
Gross profit (loss)	(4,032)	(1,764)	3,191	(205)	(402)	—	(3,212)
Operating income (loss)	(7,708)	(2,460)	2,486	(708)	(2,494)	—	(10,884)
Total assets [1]	100,115	92,839	37,201	2,217	30,585	—	262,957
Depreciation and amortization expense	1,023	1,050	365	—	36	—	2,474
Capital expenditures	—	783	545	142	1	—	1,471

	Three Months Ended September 30, 2017						
	Fabrication	**Shipyard**	**Services**	**EPC**	**Corporate**	**Eliminations**	**Consolidated**
Revenue	$ 18,318	$ 15,074	$ 17,651	—	$ —	$ (1,159)	$ 49,884
Gross profit (loss)	1,250	(3,504)	1,912	—	(152)	—	(494)
Operating income (loss)	472	(4,392)	1,217	—	(2,161)	—	(4,864)
Total assets (1)	164,677	96,614	33,024	—	9,065	—	303,380
Depreciation and amortization expense	1,133	1,030	413	—	95	—	2,671
Capital expenditures	1,479	1,054	94	—	25	—	2,652

	Nine Months Ended September 30, 2018						
	Fabrication	**Shipyard**	**Services**	**EPC**	**Corporate**	**Eliminations**	**Consolidated**
Revenue	$ 28,171	$ 66,677	$ 66,692	$ 2,026	$ —	$ (2,550)	$ 161,016
Gross profit (loss)	(5,918)	(5,563)	9,390	30	(1,171)	—	(3,232)
Operating income (loss)	(12,529)	(7,652)	7,189	(1,375)	(7,698)	—	(22,065)
Total assets (1)	100,115	92,839	37,201	2,217	30,585	—	262,957
Depreciation and amortization expense	3,219	3,170	1,141	—	304	—	7,834
Capital expenditures	—	1,442	708	142	70	—	2,362

	Nine Months Ended September 30, 2017						
	Fabrication	**Shipyard**	**Services**	**EPC**	**Corporate**	**Eliminations**	**Consolidated**
Revenue	$ 42,517	$ 51,798	$ 43,758	$ —	$ —	$ (4,328)	$ 133,745
Gross profit (loss)	216	(19,061)	2,335	—	(500)	—	(17,010)
Operating income (loss)	(2,216)	(22,285)	327	—	(6,165)	—	(30,339)
Total assets (1)	164,677	96,614	33,024	—	9,065	—	303,380
Depreciation and amortization expense	5,420	3,034	1,266	—	421	—	10,141
Capital expenditures	2,327	1,872	199	—	117	—	4,515

(1) Intercompany balances have been excluded.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

MPSV Termination Letter

We received notices of termination of the contracts for the construction of two MPSVs from one of our Shipyard Division customers. We dispute the purported terminations and disagree with the customer's reasons for such terminations. Pending the resolution of the dispute, we have ceased all work and the partially completed MPSVs and associated equipment and materials remain at our shipyard in Houma, Louisiana. The customer also notified our Surety of its purported terminations of the construction contracts and made claims under the bonds issued by the Surety in connection with the construction of the two MPSVs. We have notified and met with our Surety regarding our disagreement with, and objection to, the customer's purported termination and its claims. Discussions with the Surety are ongoing. On October 2, 2018, we filed a lawsuit against the customer to enforce our rights and remedies under the applicable construction contracts. Our lawsuit disputes the propriety of the customer's purported termination of the construction contracts and seeks to recover damages associated with the customer's actions. We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contracts. At September 30, 2018, our net balance sheet position for the contracts was $12.5 million.

Project Award Protest

During the first quarter 2018, we executed a contract for the construction and delivery of one towing, salvage and rescue ship vessel with the U.S. Navy for $63.6 million, with an option for seven additional vessels, which was subsequently protested by one of the unsuccessful bidders. On July 16, 2018, we were notified that the award was upheld by the U.S. Government Accountability Office and we were given a notification to proceed. On August 6, 2018, we were notified that the unsuccessful bidder had filed a subsequent protest with the Department of Justice. On August 9, 2018, we were granted a partial stay, which allows us to proceed with pre-construction design development, planning, scheduling and material ordering. Construction of the vessel cannot begin until a final ruling is issued by the U.S. Court of Federal Claims. We are working with the U.S. Navy to re-establish a timeline for construction under this contract.

NOTE 9 – SUBSEQUENT EVENTS

On October 2, 2018, we filed a lawsuit against a customer to enforce our rights and remedies under the applicable construction contracts for the construction of two MPSVs. See Note 8 for further discussion of our dispute and lawsuit.

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

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" is provided to assist readers in understanding our financial performance during the periods presented and significant trends that may impact our future performance. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes thereto.

Cautionary Statement on Forward-Looking Information

This Report contains forward-looking statements in which we discuss our potential future performance, primarily in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements are all statements other than statements of historical facts, such as projections or expectations relating to oil and gas prices, operating cash flows, capital expenditures, liquidity and tax rates. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," "potential" and any similar expressions are intended to identify those assertions as forward-looking statements.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include the cyclical nature of the oil and gas industry, changes in backlog estimates, suspension or termination of projects, timing and award of new contracts, financial ability and credit worthiness of our customers, consolidation of our customers, competitive pricing and cost overruns, entry into new lines of business, ability to raise additional capital, ability to sell certain assets, advancement on the SeaOne Project, ability to resolve the dispute with a customer relating to the purported termination of contracts to build two MPSVs, ability to remain in compliance with our covenants contained in our Credit Agreement, ability to employ skilled workers, operating dangers and limits on insurance coverage, weather conditions, competition, customer disputes, adjustments to previously reported profits or loss under the percentage-of-completion method, loss of key personnel, compliance with regulatory and environmental laws, ability to utilize navigation canals, performance of sub-contractors, systems and information technology interruption or failure and data security breaches and other factors described in Item 1A. "Risk Factors" included in our 2017 Annual Report as may be updated by subsequent filings with the SEC.

Investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the forward-looking statements are made, which we cannot control. Further, we may make changes to our business plans that could affect our results. We caution investors that we do not intend to update forward-looking statements more frequently than quarterly notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes, and we undertake no obligation to update any forward-looking statements.

Overview

We are a leading fabricator of complex steel structures, modules and marine vessels used in energy extraction and production, petrochemical and industrial facilities, power generation, alternative energy and shipping and marine transportation operations. We also provide related project management for EPC projects along with installation, hookup, commissioning and repair and maintenance services. In addition, we perform civil, drainage and other work for state and local governments. Our customers include U.S. and, to a lesser extent, international energy producers, petrochemical, industrial, power, and marine operators, EPC companies and agencies of the U.S. Government. We operate and manage our business through four operating divisions, and one non-operating division, which represent our reportable segments. Our operating divisions include: Fabrication, Shipyard, Services and EPC. Our corporate headquarters is located in Houston, Texas, with fabrication facilities located in Houma, Jennings and Lake Charles, Louisiana. At September 30, 2018, our Texas North Yard is held for sale and our Texas South Yard had been sold.

We continue to strategically position the Company to participate in the fabrication of petrochemical and industrial facilities, pursue offshore wind opportunities, enter the EPC industry and diversify our customer base within all of our operating divisions. In addition, we continue to focus on maintaining liquidity and securing meaningful new contract awards and backlog in the near-term, and generating operating income and cash flow from operations in the longer-term. We have made significant progress in our efforts to improve our liquidity, including reductions in costs (including reducing our workforce and reducing the cash compensation paid to our directors and the salaries of our executive officers) and the divestiture of underutilized assets.

Sales of Assets

Texas South Yard - During the second quarter 2018, we completed the sale of our Texas South Yard for $55.0 million, less selling costs of $1.5 million, for total net proceeds during the nine-months ended September 30, 2018 of approximately $53.5 million and a gain of approximately $3.9 million.

Texas North Yard - On September 26, 2018, we entered into an agreement to sell our Texas North Yard and certain associated equipment for $28.0 million. We received $0.5 million during the third quarter 2018 as a deposit on the property, which is refundable under certain circumstances. The sale is anticipated to close during the fourth quarter 2018 and is subject to customary closing conditions, including the purchaser's right to conduct inspections of the property related to confirmation of title, surveys, environmental conditions, easements and access rights and third-party consents. Based on the sales price and estimated closing and other costs, we expect to realize a gain on the transaction upon closing. We can provide no assurances that we will successfully close the transaction, that closing will occur under our expected timeline or that we will achieve our estimated net proceeds or a gain on the sale. We continue to actively market the remaining Texas North Yard assets held for sale, which primarily consist of three 660-ton crawler cranes, a barge, a plate bending roll machine and panel line equipment.

Hurricane Harvey Insurance Recoveries - During the third quarter 2017, buildings and equipment located at our South Texas Properties were damaged by Hurricane Harvey. During the second quarter 2018, we agreed to a global settlement with our insurance carriers for total insurance recoveries of $15.4 million, resulting in a net gain on insurance recoveries of $3.6 million during the nine months ended September 30, 2018. As of September 30, 2018, all insurance proceeds had been received, including $7.2 million received during the third quarter 2018.

Ongoing Efforts to Increase Our Backlog, Diversify of Our Customer Base and Resolve Customer Dispute

Pursuit of petrochemical and industrial fabrication work - During the second quarter 2018, we completed the fabrication and timely delivery of four modules for a new petrochemical facility. We currently have several bids outstanding for the fabrication of modules and continue to pursue additional fabrication work in the petrochemical and industrial industries.

Pursuit of offshore wind - We believe that future requirements from generators and utilities to provide electricity from renewable and green sources will result in continued growth of offshore wind projects. We fabricated wind turbine pedestals for the first offshore wind power project in the U.S. in 2015, and we believe that we possess the expertise to obtain future work in this sector. During the first quarter 2018, we signed a contract for the fabrication of one meteorological tower and platform for an offshore wind project located off the U.S. coast of Maryland. The fabrication work was completed in the second quarter 2018 and represents our continued ability to provide structures for this emerging industry. We may also partner with other companies to take advantage of growth in this area and have executed a teaming agreement with the EEW Group to pursue future U.S. offshore wind projects. We can provide no assurances that we will be successful obtaining future wind project awards from this arrangement.

Diversification of our customer base - We are continuing to diversify our customer base within our operating divisions. Specifically:

- During the first quarter 2018, we executed a contract for the construction and delivery of one towing, salvage and rescue ship vessel with the U.S. Navy for $63.6 million, with an option for seven additional vessels, which was subsequently protested by one of the unsuccessful bidders. On July 16, 2018, we were notified that the award was upheld by the U.S. Government Accountability Office, and we were given a notification to proceed. On August 6, 2018, we were notified that the unsuccessful bidder had filed a subsequent protest with the Department of Justice. On August 9, 2018, we were granted a partial stay, which allows us to proceed with pre-construction design development, planning, scheduling and material ordering. Construction of the vessel cannot begin until a final ruling is issued by the U.S. Court of Federal Claims. We are working with the U.S. Navy to re-establish a timeline for construction under this contract.
- During the second quarter 2018, we signed change orders with two different customers for the construction of one additional harbor tug boat for each customer. Each change order was approximately $13.0 million. We are now constructing a total of five harbor tug boats for each customer.
- During the third quarter 2018, we signed a contract for the expansion and delivery of a 245-guest paddle wheel riverboat. The paddle wheel boat will be built using the existing hull of a former gaming vessel built in 1995.

Continued growth of our services related work - Demand for services associated with offshore tie-backs, upgrades and maintenance remains strong, and we anticipate it will continue for the remainder of 2018 and into 2019. We will continue to pursue opportunities for offshore and onshore plant expansion and maintenance and have targeted service opportunities within the shale basins in West Texas.

Pursuit of EPC work - During the fourth quarter 2017, SeaOne selected us as the prime contractor for the engineering, procurement, construction, installation, commissioning and start-up operations for their SeaOne Project. This project will include execution of engineering, construction and installation of modules for an export facility in Gulfport, Mississippi, and import facilities in the Caribbean and South America. Our current activities include pricing, planning and scheduling for the project. SeaOne's selection of the Company is non-binding and commencement of the project remains subject to a number of conditions, including agreement on terms of the engagement with SeaOne. We understand that SeaOne is in the process of securing financing for the project. We continue to enhance our internal project management capabilities through the hiring of additional personnel to service this potential project.

MPSV contract dispute - As discussed in Note 8 to our Consolidated Financial Statements, we received notices of termination of the contracts for the construction of two MPSVs from one of our Shipyard Division customers. We dispute the purported terminations and disagree with the customer's reasons for such terminations. Pending the resolution of the dispute, we have ceased all work and the partially completed MPSVs and associated equipment and materials remain at our shipyard in Houma, Louisiana. The customer also notified our Surety of its purported terminations of the construction contracts and made claims under the bonds issued by the Surety in connection with the construction of the two MPSVs. We have notified and met with our Surety regarding our disagreement with, and objection to, the customer's purported termination and its claims. Discussions with the Surety are ongoing. On October 2, 2018, we filed a lawsuit against the customer to enforce our rights and remedies under the applicable construction contracts. Our lawsuit disputes the propriety of the customer's purported termination of the construction contracts and seeks to recover damages associated with the customer's actions. We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contracts.

Outlook

Looking forward, our results of operations will be affected primarily by the overall demand and market for our services. In recent years, a significant portion of our historical customer base has been negatively affected by a decline in offshore oil and gas exploration and development activity as companies focus on onshore development opportunities. As a result, and as discussed above, we have implemented a number of initiatives to strategically reposition the Company to participate in the fabrication of petrochemical and industrial facilities, pursue offshore wind opportunities, enter the EPC industry, and diversify our customers within all of our operating divisions. The success of these initiatives and our future operations will be determined by, among other things:

- The level of new construction and fabrication projects in the new markets we are pursuing, including petrochemical and industrial facilities and offshore wind;

- The ability of SeaOne to obtain financing and our successful execution of an agreement with SeaOne for the SeaOne Project;
- Continued growth within our Shipyard and Services Divisions;
- Our ability to secure contracts through competitive bidding or alliance/partnering arrangements;
- Our ability to execute projects within our cost estimates and successfully manage them through completion; and
- Our ability to resolve our dispute with a customer related to the construction of two MPSVs.

We continue to respond to the competitive environment within our industry and actively compete for additional opportunities. We have increased our backlog within our Shipyard, Fabrication and Services Divisions and believe we will be successful securing new project awards and growing our backlog. However, our operations will be negatively impacted in the near term due to an anticipated lag in the commencement of fabrication activities for our recent and anticipated new awards. Further, our previous project awards were sold during a period of competitive pricing with lower than desired margins.

Safety

We operate in an environment that exposes our employees to risk of injury. We are committed to the safety of our employees and believe it is key to our success. Poor safety performance increases our costs, results in construction delays and limits our ability to compete for project awards within our market. Safety performance metrics are incorporated into our annual incentive compensation measures for our executives and senior management.

Critical Accounting Policies and Estimates

For a discussion of critical accounting policies and estimates used in the preparation of our Consolidated Financial Statements, refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 Annual Report. There have been no changes to our critical accounting policies since December 31, 2017.

New Awards and Backlog

New project awards represent the expected revenue value of new contract commitments received during a given period, as well as scope growth on existing commitments. New contract commitments represent contracts for which a customer has authorized us to begin work or purchase materials pursuant to written agreement, letters of intent or other forms of authorization. Backlog represents the unearned value of our new project awards and may differ from the value of future performance obligations for our contracts required to be disclosed under Topic 606, and presented in Note 3 to our Consolidated Financial Statements. We believe that backlog, a non-GAAP financial measure, provides useful information to investors. Backlog includes our performance obligations at September 30, 2018, plus signed contracts that are temporarily suspended or under protest that may not meet the criteria to be reported as future performance obligations under Topic 606, but represent future work that we believe will be performed. New project awards and backlog may vary significantly each reporting period based on the timing of our major new contract commitments.

Our projects in backlog are generally subject to suspension, termination, or a reduction in scope at the option of the customer, although the customer is required to pay us for work performed and materials purchased through the date of termination, suspension, or reduction in scope. In addition, customers have the ability to delay the execution of projects. We generally exclude suspended projects from backlog when they are expected to be suspended more than twelve months, because resumption of work and timing of revenue recognition for these projects are difficult to predict. Depending on the size of the project, the termination, postponement or reduction in scope of any one contract could significantly reduce our backlog and could have a material adverse effect on future revenue, operating results and cash flows. A reconciliation of our future performance obligations under Topic 606 (the most comparable GAAP measure as presented in Note 3 to our Consolidated Financial Statements) to our reported backlog is provided below (in thousands).

	September 30, 2018					
	Fabrication	Shipyard	Services	EPC	Eliminations	Consolidated
Future performance obligations under Topic 606	$ 44,746	$ 282,912	$ 11,699	$ 836	$ —	$ 340,193
Signed contracts under purported termination (1)	—	30,148	—	—	—	30,148
Backlog	$ 44,746	$ 313,060	$ 11,699	$ 836	$ —	$ 370,341

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(1) Includes backlog within our Shipyard Division pursuant to a purported notice of termination from our customer related to contracts for the construction of two MPSVs. We dispute the purported termination and disagree with the customer's reasons for the same. We can provide no assurances that we will reach a favorable resolution with the customer for completion of the MPSVs. See Note 8 to our Consolidated Financial Statements for further discussion of the dispute.

Our backlog at September 30, 2018 and December 31, 2017, consisted of the following (in thousands):

	September 30, 2018		December 31, 2017	
Division	Amount	Labor hours	Amount	Labor hours
Fabrication	$ 44,746	220	$ 15,771	150
Shipyard	313,060	1,741	184,035	1,104
Services	11,699	158	23,181	290
EPC	836	—	—	—
Intersegment eliminations	—	—	(370)	—
Total (1)	$ 370,341	2,119	$ 222,617	1,544

Backlog at September 30, 2018 is expected to be recognized as revenue in the following periods (in thousands):

Year (2)	Total	Percentage
Remainder of 2018	56,243	15.2%
2019	199,922	54.0%
2020	105,124	28.4%
2021	8,405	2.2%
2022	647	0.2%
Thereafter	—	—%
Total	$ 370,341	100.0%

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(1) At September 30, 2018, six customers represented approximately 89% of our backlog, and at December 31, 2017, four customers represented approximately 73% of our backlog. At September 30, 2018, backlog from the six customers consisted of:

(i) Newbuild construction of five harbor tugs (to be completed in 2018 through 2020);

(ii) Newbuild construction of five harbor tugs (separate from above) (to be completed in 2019 through 2020);

(iii) Newbuild construction of two regional class research vessels (both to be completed in 2021);

(iv) Newbuild construction of one towing, salvage and rescue ship vessel (to be completed in 2021). During the first quarter 2018, we executed a contract with the U.S. Navy for $63.6 million, with an option for seven additional vessels, which was subsequently protested by one of the unsuccessful bidders. Construction of the vessel cannot begin until a final ruling is issued by the U.S. Court of Federal Claims. See Note 8 to our Consolidated Financial Statements for further discussion. We are working with the U.S. Navy to re-establish a timeline for construction under this contract;

(v) Expansion of a 245-guest paddle wheel riverboat (to be competed in 2020); and

(vi) Newbuild construction of two MPSV's. We are currently in dispute with our customer pursuant to a purported notice of termination related to these contracts. We dispute the purported termination and disagree with the customer's reasons for the same. We can provide no assurances that we will reach a favorable resolution with the customer for completion of the MPSVs. See Note 8 to our Consolidated Financial Statements for further discussion of the dispute.

(2) The timing of recognition of the revenue represented in our backlog is based on our current estimates to complete the projects. Certain factors and circumstances could cause changes in the amounts ultimately recognized and the timing of recognition of revenue from our backlog.

Certain of our contracts contain options which grant the right to our customer, if exercised, for the construction of additional vessels at contracted prices. We do not include options in our backlog. If all options under our current contracts were exercised by our customers, our backlog would increase by approximately $534.0 million. We believe disclosing these options provides investors with useful information to evaluate additional potential work that we would be contractually obligated to perform under our current contracts as well as the potential significance of these options, if exercised. We have not received any commitments from our customers related to the exercise of these options, and we can provide no assurances that any of these options will be exercised.

As our backlog increases, we will add personnel with critical project management and fabrication skills to ensure we have the resources necessary to properly execute our projects and support our project risk mitigation discipline for all projects. This may negatively impact near-term results.

Workforce

At September 30, 2018, we had 816 employees compared to 977 employees at December 31, 2017. Labor hours worked were 1.4 million during the nine months ended September 30, 2018, compared to 1.5 million for the nine months ended September 30, 2017. The decrease in labor hours worked is primarily within our Fabrication Division due to completion of complex modules for a new petrochemical facility with no immediate replacement backlog for our Fabrication Division during the 2018 period, as well as the suspension of construction of two MPSVs within our Shipyard Division pending resolution of the dispute with our customer. See Note 8 to our Consolidated Financial Statements for further discussion of the dispute.This decrease was partially offset by improved demand within our Services Division.

Results of Operations

Three Months Ended September 30, 2018, Compared to Three Months Ended September 30, 2017 (in thousands, except for percentages):

Consolidated

	Three Months Ended September 30,		Increase (Decrease)	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 49,712	$ 49,884	$ (172)	(0.3)%
Cost of revenue	52,924	50,378	2,546	5.1%
Gross loss	(3,212)	(494)	(2,718)	(550.2)%
Gross loss percentage	*(6.5)%*	*(1.0)%*		
General and administrative expenses	7,672	4,370	3,302	75.6%
Operating loss	(10,884)	(4,864)	(6,020)	(123.8)%
Interest income (expense), net	72	(45)	117	260.0%
Other income, net	140	38	102	268.4%
Net loss before income taxes	(10,672)	(4,871)	(5,801)	(119.1)%
Income tax expense (benefit)	277	(1,761)	2,038	115.7%
Net loss	$ (10,949)	$ (3,110)	$ (7,839)	(252.1)%

Revenue - Revenue for the three months ended September 30, 2018 and 2017, was $49.7 million and $49.9 million, respectively, representing a decrease of 0.3%. Revenue for the 2018 period approximated revenue for the 2017 period primarily due to lower revenue for our Fabrication Division of $16.0 million attributable to the completion and delivery of four modules for a petrochemical facility in the second quarter 2018, which was substantially offset by:

- A $5.0 million increase in revenue within our Services Division due to additional demand for onshore and offshore oil and gas service related projects; and
- A $9.4 million net increase in revenue within our Shipyard Division due to additional progress on the construction of ten harbor tug vessels and an ice-breaker tug that was not under construction during the third quarter 2017, offset partially by lower revenue from our two MPSV contracts that were suspended during the first quarter 2018. See Note 8 to our Consolidated Financial Statements for further discussion of the MPSV contracts.

Gross loss - Gross loss for the three months ended September 30, 2018 and 2017, was $3.2 million (6.5% of revenue) and $0.5 million (1.0% of revenue), respectively. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs (including holding costs for our Texas North Yard of $0.7 million) and the impact of lower margin backlog within our Shipyard Division related to previous project awards sold during a period of competitive pricing. The increase in gross loss relative to the prior period was primarily due to a higher gross loss for our Fabrication Division of $5.3 million related to decreased fabrication revenue, offset partially by:

- A decrease in gross loss within our Shipyard Division of $1.7 million due to increased revenue, a reduction in overhead costs, and the prior period including $2.1 million in contract losses related to cost increases on the construction of two MPSVs; and
- Increased gross profit within our Services Division of $1.3 million due to increased revenue and higher recovery of our overhead costs.

General and administrative expenses - General and administrative expenses for the three months ended September 30, 2018 and 2017, were $7.7 million (15.4% of revenue) and $4.4 million (8.8% of revenue), respectively, representing an increase of 75.6%. The increase was primarily due to:

- Bad debt expense of $2.8 million related to a contracts receivable reserve recorded during the third quarter 2018 within our Fabrication Division as we received indications that collectability of the receivable was no longer probable;
- Increased legal and advisory fees related to customer disputes;

- Costs associated with the evaluation of strategic alternatives and initiatives to diversify our business; and
- An increase in administrative personnel for our newly created EPC Division.

These increases were offset partially by headcount reductions.

Interest income (expense), net - Interest income (expense), net for the three months ended September 30, 2018 and 2017, was income of $72,000 and expense of $45,000, respectively. The net interest income for the 2018 period was primarily due to interest earned from cash equivalents and short-term investments.

Other income, net - Other income, net for the three months ended September 30, 2018 and 2017, was income of $0.1 million and $38,000, respectively. Other income, net for the period was primarily due to net gains on the sales of assets.

Income tax expense (benefit) - Income tax expense (benefit) for the three months ended September 30, 2018 and 2017, was expense of $0.3 million and benefit of $1.8 million, respectively. Current expense represents state income taxes. No federal tax benefit was recorded during the 2018 period as a full valuation allowance was recorded against our net NOL deferred tax assets generated during the period. See Note 1 to our Consolidated Financial Statements for further discussion of our NOLs and deferred tax assets.

Operating Segments

The results of our four operating divisions and non-operating corporate division for the three months ended September 30, 2018 and 2017, are presented below (in thousands, except for percentages).

Fabrication	Three Months Ended September 30,		Increase (Decrease)	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 2,311	$ 18,318	$ (16,007)	(87.4)%
Gross profit (loss)	(4,032)	1,250	(5,282)	(422.6)%
Gross profit (loss) percentage	*(174.5)%*	*6.8%*		
General and administrative expenses	3,676	778	2,898	372.5%
Operating income (loss)	(7,708)	472	(8,180)	

Revenue - Revenue for the three months ended September 30, 2018 and 2017, was $2.3 million and $18.3 million, respectively, representing a decrease of 87.4%. The decrease was primarily due to the completion and delivery of four modules for a petrochemical facility during the second quarter 2018, with no significant projects under construction during the third quarter 2018. We were awarded a new project for the expansion of a paddle wheel riverboat during the third quarter 2018 that will be constructed by our Fabrication Division; however, construction did not commence until the fourth quarter 2018.

Gross profit (loss) - Gross profit (loss) for the three months ended September 30, 2018 and 2017, was a gross loss of $4.0 million (174.5% of revenue) and a gross profit of $1.3 million (6.8% of revenue), respectively. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs (including holding costs for our Texas North Yard of $0.7 million). The gross loss for 2018 relative to the prior period gross profit was primarily due to decreased revenue, offset partially by a reduction in overhead costs.

General and administrative expenses - General and administrative expenses for the three months ended September 30, 2018 and 2017, were $3.7 million (159.1% of revenue) and $0.8 million (4.2% of revenue), respectively, representing an increase of 372.5%. The increase was primarily due to bad debt expense of $2.8 million related to a contracts receivable reserve recorded during the third quarter 2018 as we received indications that collectability of the receivable was no longer probable and higher legal and advisory fees related to the pursuit of claims against a customer for disputed change orders for a project completed prior to 2017, offset partially by headcount reductions.

Shipyard	**Three Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue [(1)]	$ 24,492	$ 15,074	$ 9,418	62.5%
Gross loss	(1,764)	(3,504)	1,740	49.7%
Gross loss percentage	*(7.2)%*	*(23.2)%*		
General and administrative expenses	696	888	(192)	(21.6)%
Operating loss [(1)]	(2,460)	(4,392)	1,932	

(1) Revenue for the three months ended September 30, 2018 and 2017, includes $15,000 and $0.5 million, respectively, of non-cash amortization of deferred revenue related to values assigned to contracts acquired in a previous acquisition.

Revenue - Revenue for the three months ended September 30, 2018 and 2017, was $24.5 million and $15.1 million, respectively, representing an increase of 62.5%. The increase was primarily due to additional progress on the construction of ten harbor tug vessels and an ice-breaker tug that was not under construction during the third quarter 2017, offset partially by lower revenue from our two MPSV contracts that were suspended during the first quarter 2018. See Note 8 to our Consolidated Financial Statements for further discussion of the MPSV contracts.

Gross loss - Gross loss for the three months ended September 30, 2018 and 2017, was $1.8 million (7.2% of revenue) and $3.5 million (23.2% of revenue), respectively, representing a decrease of 49.7%. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs and the impact of lower margin backlog related to previous project awards sold during a period of competitive pricing.

The decrease in gross loss relative to the 2017 period was primarily due to higher revenue, a reduction in overhead costs, and the prior period including $2.1 million in contract losses related to cost increases on the construction of two MPSVs.

General and administrative expenses - General and administrative expenses for the three months ended September 30, 2018 and 2017, were $0.7 million (2.8% of revenue) and $0.9 million (5.9% of revenue), respectively, representing a decrease of 21.6%. The decrease was primarily due to headcount reductions.

Services	**Three Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 22,617	$ 17,651	$ 4,966	28.1%
Gross profit	3,191	1,912	1,279	66.9%
Gross profit percentage	*14.1%*	*10.8%*		
General and administrative expenses	705	695	10	1.4%
Operating income	2,486	1,217	1,269	

Revenue - Revenue for the three months ended September 30, 2018 and 2017, was $22.6 million and $17.7 million, respectively, representing an increase of 28.1%. The increase was due to an overall increase in activity resulting from higher demand for our onshore and offshore services.

Gross profit - Gross profit for the three months ended September 30, 2018 and 2017, was $3.2 million (14.1% of revenue) and $1.9 million (10.8% of revenue), respectively, representing an increase of 66.9%. The increase was due to higher revenue and improved recovery of overhead costs.

General and administrative expenses - General and administrative expenses for the three months ended September 30, 2018 and 2017, were $0.7 million (3.1% of revenue) and $0.7 million (3.9% of revenue), respectively, representing an increase of 1.4%.

EPC	Three Months Ended September 30,		Increase (Decrease)	
	2018	2017	Amount	Percent
Revenue	$ 1,071	$ —	$ 1,071	100.0%
Gross loss	(205)	—	(205)	(100.0)%
Gross loss percentage	*(19.1)%*	*n/a*		
General and administrative expenses	503	—	503	100.0%
Operating loss	(708)	—	(708)	

Revenue - Our EPC Division did not exist at September 30, 2017. Revenue for the three months ended September 30, 2018 consists of pricing, planning and scheduling work for the SeaOne Project. See Note 7 to our Consolidated Financial Statements for further discussion of our EPC Division and the SeaOne Project.

Gross loss - Gross loss for the three months ended September 30, 2018, was primarily due to costs incurred that are not yet fully recoverable under our current scope of work authorized by SeaOne.

General and administrative expenses - General and administrative expenses include the addition of administrative personnel and other costs as we invest in this new business.

Corporate	Three Months Ended September 30,		Increase (Decrease)	
	2018	2017	Amount	Percent
Revenue	$ —	$ —	$ —	
Gross loss	(402)	(152)	(250)	(164.5)%
Gross loss percentage	*n/a*	*n/a*		
General and administrative expenses	2,092	2,009	83	4.1%
Operating loss	(2,494)	(2,161)	(333)	

Gross loss - Gross loss for the three months ended September 30, 2018 and 2017, was $0.4 million and $0.2 million, respectively, representing an increase of 164.5%. The increase was primarily due to higher costs to support our strategic initiatives and EPC Division.

General and administrative expenses - General and administrative expenses for the three months ended September 30, 2018 and 2017, were $2.1 million (4.2% of consolidated revenue) and $2.0 million (4.0% of consolidated revenue), respectively, representing an increase of 4.1%.

Nine Months Ended September 30, 2018, Compared to Nine Months Ended September 30, 2017 (in thousands, except for percentages):

Consolidated

	Nine Months Ended September 30,		Increase (Decrease)	
	2018	2017	Amount	Percent
Revenue	$ 161,016	$ 133,745	$ 27,271	20.4%
Cost of revenue	164,248	150,755	13,493	9.0%
Gross loss	(3,232)	(17,010)	13,778	81.0%
Gross loss percentage	*(2.0)%*	*(12.7)%*		
General and administrative expenses	17,473	12,940	4,533	35.0%
Asset impairments	1,360	389	971	249.6%
Operating loss	(22,065)	(30,339)	8,274	27.3%
Interest expense, net	(166)	(262)	96	36.6%
Other income (expense), net	6,954	(209)	7,163	3,427.3%
Net loss before income taxes	(15,277)	(30,810)	15,533	50.4%
Income tax expense (benefit)	419	(10,322)	10,741	104.1%
Net loss	$ (15,696)	$ (20,488)	$ 4,792	23.4%

Revenue - Revenue for the nine months ended September 30, 2018 and 2017, was $161.0 million and $133.7 million, respectively, representing an increase of 20.4%. The increase was primarily due to a $22.9 million increase within our Services Division from additional demand for both onshore and offshore services and a $14.9 million increase within our Shipyard Division primarily due to additional progress on the construction of ten harbor tug vessels, two regional class research vessels and an ice-breaker tug that was not under construction during the prior period. These increases were partially offset by a decrease in revenue of $14.3 million within our Fabrication Division primarily due to the completion and delivery of four modules for a petrochemical facility during the second quarter 2018 and lower revenue from our two MPSV contracts that were suspended during the first quarter 2018.

Gross loss - Gross loss for the nine months ended September 30, 2018 and 2017, was $3.2 million (2.0% of revenue) and $17.0 million (12.7% of revenue), respectively, representing a decrease of 81.0%. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs (including holding costs for our South Texas Properties of $1.6 million) and the impact of lower margin backlog within our Shipyard Division related to previous project awards sold during a period of competitive pricing.

The decrease in gross loss relative to the prior period was primarily due to a decrease in gross loss within our Shipyard Division of $13.5 million due to increased revenue, a reduction in overhead costs, and the prior period including $12.7 million in contract losses related to cost increases on the construction of two MPSVs, and increased gross profit within our Services Division of $7.1 million due to increased revenue and higher recovery of our overhead costs, offset partially by a gross loss for our Fabrication Division of $5.9 million related to decreased fabrication revenue.

General and administrative expenses - General and administrative expenses for the nine months ended September 30, 2018 and 2017, were $17.5 million (10.9% of revenue) and $12.9 million (9.7% of revenue), respectively, representing and increase of 35.0%. The increase was primarily due to:

- Bad debt expense of $2.8 million related to a contracts receivable reserve recorded during the third quarter 2018 within our Fabrication Division as we received indications that collectability of the receivable was no longer probable;
- Higher legal and advisory fees related to customer disputes;
- Costs associated with the evaluation of strategic alternatives and initiatives to diversify our business;

- An increase in administrative personnel for our newly created EPC Division; and
- Higher short term incentive plan costs for certain divisions and higher long-term incentive plan costs.

These increases were offset partially by headcount reductions.

Asset impairments - Asset impairments for the nine months ended September 30, 2018 and 2017, were $1.4 million and $0.4 million, respectively. The impairments were recorded during the first half of 2018 and 2017, respectively, and were related to certain assets that were held for sale within our Fabrication and Shipyard Divisions. See Note 2 to our Consolidated Financial Statements for further discussion of our assets held for sale.

Interest expense, net - Interest expense, net for the nine months ended September 30, 2018 and 2017, was expense of $0.2 million and $0.3 million, respectively. Interest expense, net deceased for the period primarily due to interest earned from cash equivalents and short-term investments, partially offset by interest expense on borrowings outstanding earlier in 2018.

Other income (expense), net - Other income (expense), net for the nine months ended September 30, 2018 and 2017, was income of $7.0 million and expense of $0.2 million, respectively. Other income, net for the 2018 period was primarily due to a gain on the sale of our Texas South Yard of $3.9 million and a gain from insurance recovery proceeds related to Hurricane Harvey of $3.6 million recorded during the first half of 2018.

Income tax expense (benefit) - Income tax expense (benefit) for the nine months ended September 30, 2018 and 2017, was expense of $0.4 million and a benefit of $10.3 million, respectively. Current expense represents state income taxes. No federal tax benefit was recorded during the 2018 period as a full valuation allowance was recorded against our NOL deferred tax assets generated during the period. See Note 1 to our Consolidated Financial Statements for further discussion of our NOLs and deferred tax assets.

Operating Segments

The results of our four operating divisions and non-operating corporate division for the nine months ended September 30, 2018 and 2017, are presented below (amounts in thousands, except for percentages).

Fabrication	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 28,171	$ 42,517	$ (14,346)	(33.7)%
Gross profit (loss)	(5,918)	216	(6,134)	(2,839.8)%
Gross profit (loss) percentage	*(21.0)%*	*0.5%*		
General and administrative expenses	5,251	2,432	2,819	115.9%
Asset impairments	1,360	—	1,360	100.0%
Operating loss	(12,529)	(2,216)	(10,313)	

Revenue - Revenue for the nine months ended September 30, 2018 and 2017, was $28.2 million and $42.5 million, respectively, representing a decrease of 33.7%. The decrease was primarily due to the completion and delivery of four modules for a petrochemical facility during the second quarter 2018 with no other significant projects under construction during the remaining period of 2018. We were awarded a new project for the expansion of a paddle wheel riverboat during the third quarter 2018 that will be constructed by our Fabrication Division; however, construction did not commence until the fourth quarter 2018. In addition, revenue from our South Texas Properties decreased $3.5 million as these properties were either sold and/or marketed for sale during all of 2018. See Note 2 to our Consolidated Financial Statements for further discussion of our South Texas Properties.

Gross profit (loss) - Gross profit (loss) for the nine months ended September 30, 2018 and 2017, was a gross loss of $5.9 million (21.0% of revenue) and a gross profit of $0.2 million (0.5% of revenue), respectively. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs (including holding costs for our South Texas Properties of $1.6 million). The gross loss for 2018 relative to the prior period gross profit was primarily due to decreased revenue, offset partially by a reduction in overhead costs and lower depreciation expense for our South Texas Properties as these assets were classified as held for sale during all of 2018.

General and administrative expenses - General and administrative expenses for the nine months ended September 30, 2018 and 2017, were $5.3 million (18.6% of revenue) and $2.4 million (5.7% of revenue), respectively, representing an increase of 115.9%. The increase is primarily due to:

- Bad debt expense of $2.8 million related to a contracts receivable reserve recorded during the third quarter 2018 as we received indications that collectability of the receivable was no longer probable;
- Legal and advisory fees related to pursuit of claims against a customer for disputed change orders for a project completed prior to 2017; and
- Legal expenses incurred to market and sell our South Texas Properties.

These increases were offset partially by headcount reductions.

Asset impairments - Asset impairments for the nine months ended September 30, 2018 were $1.4 million. The impairments were recorded during the first half of 2018 and were related to certain assets that were held for sale. See Note 2 to our Consolidated Financial Statements for further discussion of our assets held for sale.

Shipyard	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue [(1)]	$ 66,677	$ 51,798	$ 14,879	28.7%
Gross loss [(1)]	(5,563)	(19,061)	13,498	70.8%
Gross loss percentage	*(8.3)%*	*(36.8)%*		
General and administrative expenses	2,089	2,835	(746)	(26.3)%
Asset impairments	—	389	(389)	(100.0)%
Operating loss [(1)]	(7,652)	(22,285)	14,633	

(1) Revenue for the nine months ended September 30, 2018, and 2017, includes $0.5 million and $2.4 million, respectively, of non-cash amortization of deferred revenue related to values assigned to contracts in a previous acquisition.

Revenue - Revenue for the nine months ended September 30, 2018 and 2017, was $66.7 million and $51.8 million, respectively, representing an increase of 28.7%. The increase was primarily due to additional progress on the construction of ten harbor tug vessels, two regional class research vessels and an ice-breaker tug that was not under construction during the prior period, partially offset by lower revenue from our two MPSV contracts that were suspended during the first quarter 2018.

Gross loss - Gross loss for the nine months ended September 30, 2018 and 2017, was $5.6 million (8.3% of revenue) and $19.1 million (36.8% of revenue), respectively, representing a decrease of 70.8%. The gross loss during the 2018 period was primarily due to under recovery of our overhead costs and the impact of lower margin backlog related to previous project awards sold during a period of competitive pricing. The decrease in gross loss relative to the prior period was primarily due to:

- Higher revenue and a reduction in overhead costs;
- Contract losses of $12.7 million during the prior period related to cost increases on the construction of two MPSVs; and
- Holding and closing costs during the prior period of approximately $0.8 million related to our Prospect shipyard, for which our lease of the facility was terminated during the fourth quarter 2017.

General and administrative expenses - General and administrative expenses for the nine months ended September 30, 2018 and 2017, were $2.1 million (3.1% of revenue) and $2.8 million (5.5% of revenue), respectively, representing a decrease of 26.3%. The decrease was primarily due to headcount reductions.

Asset impairments - Asset impairments for the nine months ended September 30, 2017 were $0.4 million. The impairments were recorded during the first half of 2017 and were related to certain assets that were held for sale. See Note 2 to our Consolidated Financial Statements for additional discussion of our assets held for sale.

Services	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 66,692	$ 43,758	$ 22,934	52.4%
Gross profit	9,390	2,335	7,055	302.1%
Gross profit percentage	*14.1%*	*5.3%*		
General and administrative expenses	2,201	2,008	193	9.6%
Operating income	7,189	327	6,862	

Revenue - Revenue for the nine months ended September 30, 2018 and 2017, was $66.7 million and $43.8 million, respectively, representing and increase of 52.4%. The increase was due to an overall increase in activity resulting from higher demand for our onshore and offshore services.

Gross profit - Gross profit for the nine months ended September 30, 2018 and 2017, was $9.4 million (14.1% of revenue) and $2.3 million (5.3% of revenue), respectively, representing an increase of 302.1%. The increase was due to higher revenue and improved recovery of overhead costs.

General and administrative expenses - General and administrative expenses for the nine months ended September 30, 2018 and 2017, were $2.2 million (3.3% of revenue) and $2.0 million (4.6% of revenue), respectively, representing an increase of 9.6%. The increase was due to additional costs to support higher activity and higher employee incentive compensation costs.

EPC	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ 2,026	$ —	$ 2,026	100.0%
Gross profit	30	—	30	100.0%
Gross profit percentage	*1.5%*	*n/a*		
General and administrative expenses	1,405	—	1,405	100.0%
Operating loss	(1,375)	—	(1,375)	

Revenue - Our EPC Division did not exist at September 30, 2017. Revenue for the nine months ended September 30, 2018, consists of pricing, planning and scheduling work for the SeaOne Project. See Note 7 to our Consolidated Financial Statements for further discussion of our EPC Division and the SeaOne Project.

General and administrative expenses - General and administrative expenses include the addition of administrative personnel and other costs as we invest in this new business.

Corporate	**Nine Months Ended September 30,**		**Increase (Decrease)**	
	2018	**2017**	**Amount**	**Percent**
Revenue	$ —	$ —	$ —	
Gross loss	(1,171)	(500)	(671)	(134.2)%
Gross loss percentage	*n/a*	*n/a*		
General and administrative expenses	6,527	5,665	862	15.2%
Operating loss	(7,698)	(6,165)	(1,533)	

Gross loss - Gross loss for the nine months ended September 30, 2018 and 2017, was $1.2 million and $0.5 million, respectively, representing an increase in gross loss of 134.2%. The increase in gross loss was primarily due to higher costs to support our strategic initiatives and EPC Division.

General and administrative expenses - General and administrative expenses for the nine months ended September 30, 2018 and 2017, were $6.5 million (4.1% of consolidated revenue) and $5.7 million (4.2% of consolidated revenue), respectively, representing and increase of 15.2%. The increase was primarily due to increased legal and advisory fees related to customer disputes, costs associated with the evaluation of strategic alternatives and initiatives to diversify our business, and higher long-term incentive plan costs.

Liquidity and Capital Resources

Our primary sources of liquidity are our cash and cash equivalents, scheduled maturities of our short-term investments, potential proceeds from the sale of assets held for sale, and availability under our Credit Agreement (discussed below). Our available liquidity is impacted by changes in our working capital (excluding cash and cash equivalents and short-term investments) and our capital expenditure requirements. At September 30, 2018, our cash and cash equivalents and short-term investments totaled $54.5 million and our working capital was $124.0 million. Working capital includes $9.5 million of short-term investments and $42.7 million of assets held for sale. Fluctuations in our working capital balance, and its components, are not unusual in our business and are impacted by the size of our projects and the mix of our backlog. Our working capital is particularly impacted by the timing of new project awards and related payments in advance of performing work, and the subsequent achievement of billing milestones or progress billings on backlog as we complete certain phases of work. Working capital is also impacted at period-end by the timing of contracts receivable collections and accounts payable payments on our projects.

A summary of our immediately available liquidity at September 30, 2018, is as follows (in thousands):

Available Liquidity	Total
Cash and cash equivalents	$ 45,020
Short-term investments [(1)]	9,494
Total cash, cash equivalents and short-term investments	54,514
Credit Agreement capacity	40,000
Less: Outstanding letters of credit	2,475
Credit Agreement availability	37,525
Total available liquidity	$ 92,039

(1) Includes U.S. Treasuries and other investment-grade commercial paper which can be liquidated quickly in open markets.

Sales of Assets

As discussed in our Overview, we have initiated several strategies to monetize underutilized assets. Specifically, during the second quarter 2018, we completed the sale of our Texas South Yard for $55.0 million, less selling costs of $1.5 million, for total net proceeds during the nine-months ended September 30, 2018 of approximately $53.5 million and a gain of approximately $3.9 million.

In addition, on September 26, 2018, we entered into an agreement to sell the Texas North Yard and certain associated equipment for $28.0 million. We received $0.5 million during the third quarter 2018 as a deposit on the property, which is refundable under certain circumstances. The sale is anticipated to close in the fourth quarter 2018 and is subject to customary closing conditions, including the purchaser’s right to conduct inspections of the property related to confirmation of title, surveys, environmental conditions, easements and access rights, and third-party consents. Based on the sales price and estimated closing and other costs, we expect to realize a gain on the transaction upon closing. We can provide no assurances that we will successfully close the transaction, that closing will occur under our expected timeline or that we will achieve our estimated net proceeds or a gain on the sale. We continue to actively market the remaining Texas North Yard assets held for sale, which primarily consist of three 660-ton crawler cranes, a barge, a plate bending roll machine, and panel line equipment.

Line of Credit

We have a $40.0 million Credit Agreement with Hancock Whitney Bank that can be used for borrowings or letters of credit. On August 27, 2018, we entered into a third amendment to our Credit Agreement, which extended its maturity date from June 9, 2019 to June 9, 2020, and reduced the base tangible net worth requirement from $185.0 million to $180.0 million. The third amendment also removed the inclusion of 50% of Consolidated Net Income (as defined in the Credit Agreement) for each fiscal quarter and the inclusion of 50% of the gain on the sale of our South Texas Properties from our minimum tangible net worth covenant. Accordingly, our amended quarterly financial covenants during the term of the Credit Agreement are as follows:

- Ratio of current assets to current liabilities of not less than 1.25:1.00;
- Minimum tangible net worth of at least the sum of $180.0 million, plus 100% of the proceeds from any issuance of stock or other equity after deducting of any fees, commissions, expenses and other costs incurred in such offering; and
- Ratio of funded debt to tangible net worth of not more than 0.50:1.00.

Interest on borrowings under the Credit Agreement may be designated, at our option, as either the *Wall Street Journal* published Prime Rate or LIBOR plus 2.0% per annum. Commitment fees on the unused portion of the Credit Agreement are 0.4% per annum, and interest on outstanding letters of credit is 2.0% per annum. The Credit Agreement is secured by substantially all our assets (other than the assets held for sale at our Texas North Yard).

At September 30, 2018, we had no outstanding borrowings under our Credit Agreement and $2.5 million of outstanding letters of credit, providing $37.5 million of available capacity. At September 30, 2018, we were in compliance with all of our financial covenants, with a tangible net worth of $203.2 million (as defined by the Credit Agreement) and a ratio of current assets to current liabilities of 3.37 to 1.0.

Cash Flow Activity

During the nine months ended September 30, 2018 and 2017, net cash used in operating activities was $18.7 million and $29.6 million, respectively. During the three months ended September 30, 2018 and 2017, net cash provided by operating activities was $7.8 million, compared to cash used in operating activities of $1.6 million, respectively. The use of cash during the nine months ended September 30, 2018, was primarily due to the following:

- Operating losses for the period, excluding gains from asset sales and insurance recoveries of $6.8 million, bad debt expense of $2.8 million, non-cash amortization of deferred revenue of $0.5 million, and non-cash depreciation and amortization, asset impairments, and stock compensation expense totaling $11.3 million;
- Increase in contracts receivable and retainage of $6.2 million (exclusive of bad debt expense of $2.8 million and a $3.0 million reclassification of retainage to other noncurrent assets during the period as we do not anticipate collection within the next twelve months). The increase in contracts receivable, net of the reclassification, is primarily due to slower collections of receivables for our T&M work;
- Increase in contracts in progress of $11.8 million, primarily related to the net billing positions on projects in our Shipyard Division;
- Increase in prepaid expenses, inventory and other assets of $2.5 million, primarily due to the aforementioned reclassification of retainage to other noncurrent assets; and
- Decrease in accrued contract losses and noncurrent deferred revenue of $3.2 million.

These uses of cash were partially offset by:

- Increase in advance billings on contracts of $9.8 million, primarily related to the net billing position on projects in our Fabrication Division; and
- Increase in accounts payable and accrued expenses of $4.2 million;

During the nine months ended September 30, 2018, net cash provided by investing activities was $55.5 million, compared to net cash used in investing activities of $2.4 million for the nine months ended September 30, 2017. Cash provided by investing activities during the 2018 period was due to proceeds received from asset sales of $57.7 million, primarily related to the sale of our Texas South Yard and insurance proceeds of $9.4 million resulting from hurricane damage to our facilities, offset partially by the purchase of short-term investments of $9.2 million and capital expenditures of $2.4 million.

During the nine months ended September 30, 2018 and 2017, net cash used in financing activities was $0.8 million and $1.4 million, respectively. Cash used in financing activities primarily related to tax payments made on behalf of employees from vested stock withholdings.

Future Liquidity Outlook

As discussed in our Overview, we continue to focus on maintaining liquidity and securing meaningful new contract awards and backlog in the near-term, and generating operating income and cash flow from operations in the longer-term. We have made significant progress in our efforts to improve our liquidity, including reductions in costs (including reducing our workforce and reducing the cash compensation paid to our directors and the salaries of our executive officers) and the divestiture of underutilized assets. The primary uses of our liquidity for the remainder 2018 and the foreseeable future are to fund the underutilization of our fabrication facilities in our Shipyard and Fabrication Divisions until we secure and/or begin to execute sufficient backlog to fully recover our overhead costs, working capital requirements for our projects, capital expenditures and enhancements to our Shipyard facilities, the expansion of our EPC Division, corporate administrative expenses and strategic initiatives. Future capital expenditures will be highly dependent upon the amount and timing of future new project awards. Capital expenditures for the nine months ended September 30, 2018 were $2.4 million and we anticipate capital expenditures of approximately $1.0 million for the remainder of 2018.

If industry conditions for offshore oil and gas do not improve, we are unable to increase our backlog, or we are unable to diversify our customer base, we would take additional measures to reduce costs and preserve our cash until we are able to generate cash flows from operations.

We believe that our cash, cash equivalents and short-term investments at September 30, 2018, and availability under our Credit Agreement, will be sufficient to enable us to fund our operating expenses, meet our working capital and capital expenditure requirements, and satisfy any debt service obligations or other funding requirements, for at least twelve months from the date of this Report. Our evaluation of the sufficiency of our cash and liquidity is primarily based on our financial forecast for the remainder of 2018 and 2019, which is impacted by our existing backlog and estimates of future new project awards. We can provide no assurances that our financial forecast will be achieved or that we will have sufficient cash or availability under our Credit Agreement to meet planned operating expenses and other unforeseen cash requirements. Accordingly, we may be required to obtain additional bank financing, sell additional assets or conduct equity or debt offerings at a time when it is not beneficial to do so.

Contractual Obligations

There have been no material changes from the information included in our 2017 Annual Report. For more information on our contractual obligations, refer to Part II, Item 7 of our 2017 Annual Report.

Off-Balance Sheet Arrangements

There have been no material changes from the information included in our 2017 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the Company’s market risks during the quarter ended September 30, 2018. For more information on market risk, refer to Part II, Item 7A of our 2017 Annual Report.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were effective as of the end of the period covered by this Report.

There have been no changes during the quarter ended September 30, 2018, in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

On October 2, 2018, we filed a lawsuit against our customer to enforce our rights and remedies under the applicable construction contracts for two MPSVs. The lawsuit was filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and is styled *Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC*. See Note 8 to our Consolidated Financial Statements for further information relating to this recent litigation.

Item 1A. Risk Factors.

There have been no material changes from the information included in Item 1A "Risk Factors" included in our 2017 Annual Report.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
3.1	Composite Articles of Incorporation of the Company incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed with the SEC on April 23, 2009 (SEC File No. 001-34279).
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on November 6, 2018 (SEC File no. 001-34279).
10.1	Third Amendment to Credit Agreement dated August 27, 2018. *
10.2	Agreement of Sale between Berry Contracting, L.P. and Gulf Marine Fabricators, L.P. dated as of September 26, 2018. *
31.1	CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
31.2	CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
32	Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350. *
101	Attached as Exhibit 101 to this report are the following items formatted in XBRL (Extensible Business Reporting Language):
	(i) Consolidated Balance Sheets,
	(ii) Consolidated Statements of Operations,
	(iii) Consolidated Statement of Changes in Shareholders' Equity,
	(iv) Consolidated Statements of Cash Flows, and
	(v) Notes to Consolidated Financial Statements.

* Filed herewith.

SIGNATURES

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

GULF ISLAND FABRICATION, INC.

BY: /s/ Westley S. Stockton

Westley S. Stockton

Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)

Date: November 8, 2018

Exhibit 10.1

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "***Amendment***") is entered into as of August 27, 2018, by and among **GULF ISLAND FABRICATION, INC.**, a Louisiana corporation, as borrower ("***Borrower***"), **WHITNEY BANK**, a Mississippi state chartered bank, as administrative agent for the Lenders (in such capacity, "***Administrative Agent***"), and the Lenders. Capitalized terms used but not defined in this Amendment have the meanings given such terms in the Credit Agreement (defined below).

RECITALS

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

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

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

1. Amendments to Credit Agreement.

(a) Section 1.1 of the Credit Agreement is hereby amended by (a) deleting the definition of "***Revolving Credit Termination Date***" in its entirety and replacing it as follows, and (b) adding the defined terms "***Beneficial Ownership Certification***" and "***Beneficial Ownership Regulation***" in their appropriate alphabetical order as follows:

"***Beneficial Ownership Certification*** means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

Revolving Credit Termination Date means the earliest to occur of (a) June 9, 2020, (b) the date of termination of the entire Revolving Commitment by Borrower pursuant to ***Section 2.7***, or (c) the date of termination of the Revolving Commitment pursuant to ***Section 11.2***."

(b) ***Section 7.23*** of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

"**7.23 Anti-Corruption Laws and Sanctions**

. Each Loan Party has implemented and maintains in effect policies and procedures designed to ensure compliance by such Loan Party, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, applicable Sanctions and the Beneficial Ownership Regulation, and such Loan Party, its Subsidiaries and their respective officers and employees and to the knowledge of such Loan Party its directors and agents, are in compliance with Anti-Corruption Laws, applicable Sanctions and the Beneficial Ownership Regulation, in all material respects. None of (a) any Loan Party, any Subsidiary or any of their respective directors, officers or employees, or (b) to the knowledge of any such Loan Party or Subsidiary, any agent of such Loan Party or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Borrowing or Letter of Credit, use of proceeds, Transaction or other transaction contemplated by this Agreement or the other Loan Documents will violate Anti-Corruption Laws or applicable Sanctions."

(c) ***Section 8.1(i)*** of the Credit Agreement is hereby amended by adding a new clause (viii) in its appropriate numerical order as follows:

"(viii) promptly notify Administrative Agent and the Lenders (1) of any change in direct or indirect ownership interests in any Borrower as reported in a "Beneficial Ownership Certification" or other similar certification provided to Administrative Agent or Lenders prior to or in connection with the execution of this Agreement, or (2) if the individual with significant managerial responsibility identified in the certification ceases to have that responsibility or if the information reported about that individual changes. The Loan Parties agree to provide such information and documentation as Administrative Agent or any Lender may request during the term of this Agreement to confirm or update the continued accuracy of the any information provided in connection with the foregoing."

(d) ***Section 10.2*** of the Credit Agreement is hereby amended and restated in its entirety as follows:
"**10.2 <u>Minimum Tangible Net Worth</u>**

. Borrower shall not permit at any time the *sum* of Tangible Net Worth to be less than the *sum* of (i) $180,000,000 *plus* (ii) 100% of all net proceeds of any issuance of any stock or other equity after deducting of any fees, commissions, expenses and other costs incurred in such offering."

(e) ***Section 13.11*** of the Credit Agreement is hereby amended and restated in its entirety as follows:
"**13.11 <u>USA Patriot Act</u>**

. Each Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "***Patriot Act***") and the Beneficial Ownership Regulation, it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow such Lender to identify Borrower in accordance with the Patriot Act and the Beneficial Ownership Regulation."

2. <u>Conditions</u>. This Amendment shall be effective once each of the following have been delivered to Administrative Agent:

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

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

(c) Administrative Agent and Lenders shall have received, at least three (3) Business Days prior to the date hereof (or earlier or later if agreed), all documentation and other information (including, if Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, a Beneficial Ownership Certification) in respect of Borrower and the Guarantors required under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and Beneficial Ownership Regulations, that has been reasonably requested in writing by Administrative Agent and Lenders by prior to the date hereof; *provided that*, in the case of a Beneficial Ownership Certification, upon the request of Administrative Agent or any Lender, Borrower shall return such completed Beneficial Ownership Certification directly to the requesting Lender;

(d) payment by Borrower of all agreed fees and expenses of Administrative Agent and the Lenders in connection with this Amendment and the transactions contemplated hereby, including an amendment fee of $20,000 payable to Administrative Agent, for the benefit of the Lenders. Such fee shall be fully earned and non-refundable as of the date of the effectiveness of this Amendment; and

(e) such other documents as Administrative Agent may reasonably request.

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

execution and delivery of this Amendment. No investigation by Administrative Agent or any Lender is required for Administrative Agent and Lenders to rely on the representations and warranties in this Amendment.

4. Scope of Amendment; Reaffirmation; Release. All references to the Credit Agreement shall refer to the Credit Agreement as amended by this Amendment. Except as affected by this Amendment, the Loan Documents remain unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as amended by this Amendment) and any other Loan Document, the terms of the Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement. Borrower hereby reaffirms its obligations under the Loan Documents to which it is a party and agrees that all Loan Documents to which it is a party remain in full force and effect and continue to be legal, valid, and binding obligations enforceable in accordance with their terms (as the same are affected by this Amendment). Borrower hereby releases Administrative Agent and Lenders from any liability for actions or omissions in connection with the Credit Agreement and the other Loan Documents prior to the date of this Amendment.

5. Miscellaneous.

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

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

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

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

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

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

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

(h) Entirety. **The Loan Documents (as amended hereby) Represent the Final Agreement Among Borrower, Administrative Agent, and Lenders and May Not Be Contradicted by Evidence of Prior, Contemporaneous, or Subsequent Oral Agreements by the Parties. There Are No Unwritten Oral Agreements among the Parties.**

[Signatures appear on the immediately following pages.]

The Amendment is executed as of the date set out in the preamble to this Amendment.

BORROWER:

GULF ISLAND FABRICATION, INC., a Louisiana corporation

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

ADMINISTRATIVE AGENT:

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

By: /s/ Josh Jones
Name: Josh Jones
Title: Senior Vice President

LENDERS:

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

By: /s/ Josh Jones
Name: Josh Jones
Title: Senior Vice President

GUARANTORS' CONSENT AND AGREEMENT
TO
THIRD AMENDMENT TO CREDIT AGREEMENT

As an inducement to the Administrative Agent and each Lender to execute, and in consideration of the Administrative Agent and each Lender's execution of, the Amendment, each of the undersigned hereby consents to this Amendment and agrees that this Amendment shall in no way release, diminish, impair, reduce or otherwise adversely affect the obligations and liabilities of such undersigned under the Guaranty executed by such undersigned in connection with the Credit Agreement, or under any other Loan Documents executed by the undersigned to secure any of the Obligations (as defined in the Credit Agreement), all of which are in full force and effect. Each of the undersigned further represents and warrants to the Administrative Agent and the Lenders that (a) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment, (b) after giving effect to this Amendment, it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (c) after giving effect to this Amendment, no Default or Potential Default has occurred and is continuing. **The undersigned hereby releases, discharges and acquits Administrative Agent and each Lender from any and all claims, demands, actions, causes of action, remedies, and liabilities of every kind or nature (including without limitation, offsets, reductions, rebates, and lender liability) arising out of any act, occurrence, transaction or omission occurring in connection with the Guaranty prior to the date of this Amendment. This Guarantor's Consent and Agreement shall be binding upon the undersigned, and its permitted assigns, if any, and shall inure to the benefit of the Administrative Agent, each Lender and their respective successors and assigns.**

[*Signature Page Follows*]

Signature Page to Guarantor's Consent
and Agreement to Third Amendment
to Credit Agreement

GUARANTORS:

GULF ISLAND WORKS, LLC, a Louisiana limited liability company

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

GULF ISLAND EPC, LLC, a Louisiana limited liability company

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

GULF ISLAND SHIPYARDS, LLC, a Louisiana limited liability company

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

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

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

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President & CEO

EXHIBIT 10.2

AGREEMENT OF SALE

THIS AGREEMENT OF SALE made this 25th day of September 2018 (the "***Effective Date***"), by and between **Berry Contracting, L.P.,** a Texas limited partnership, dba Bay, Ltd. ("***Buyer***"), and **Gulf Marine Fabricators, L.P.**, a limited partnership ("***Seller***").

W I T N E S E T H:

Seller desires to sell to Buyer those certain tracts of land, as further described on Exhibit A attached hereto, together with (a) all buildings, fixtures and other improvements thereon (the "***Buildings***"), (b) any and all heating, cooling, water/sewer, electrical, fire and other systems ordinarily installed in commercial structures in the Buildings for the purpose of providing utility services, ventilation, or other amenities to the Buildings, (c) all parking and other exterior improvements upon the Property, (d) all strips, gores, and land adjacent to the Property (to the extent any may or may not be present), as well as all rights of way, easements, appurtenances, and air and subsurface rights, if any, used or connected with the beneficial use or enjoyment of the Property, and (e) all warranties and guaranties, licenses, approvals, or permits which relate to the ownership, maintenance or operation of the Property, if any and to the extent assignable, all right, title and interest of Seller in all mineral and development rights appurtenant to such Property, if any, and all water rights associated with such Property (collectively, the "***Premises***"). Seller also desires to sell to Buyer the equipment described on Exhibit B attached thereto (the "***Equipment***").

Buyer desires to purchase the Premises and Equipment on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the undersigned, with the intention to be legally bound hereby, and in consideration of the mutual promises herein, agree as follows:

1. Sale of Premises and Equipment. Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase, the Premises and Equipment.

2. Purchase Price and Transaction Costs. The total consideration or purchase price ("***Purchase Price***") for the sale and purchase of the Premises and Equipment shall be Twenty-Eight Million Dollars ($28,000,000.00), payable as follows:

(a) Five Hundred Thousand Dollars ($500,000.00) non-refundable deposit (the "***Deposit***") payable by wire transfer on the Effective Date to Seller's account set forth on Exhibit C, (as may be updated by Seller with written notice to Buyer, "***Seller's Account***").

(b) The balance of the Purchase Price by wire transfer to Seller's Account.

(c) As separate consideration for Seller entering into this Agreement, Buyer has delivered to Seller the sum of One Hundred and no/100 Dollars ($100.00), which consideration shall be provided as of the Effective Date.

(d) At Settlement, Seller agrees to pay (i) the legal fees of the attorneys representing Seller, (ii) document recording fees for release of debt, liens or other encumbrances arising by, through, or under Seller; (iii) one-half of the Title Company's escrow or closing fee; (iv) the basic premium for the Owner's Title Policy to be issued to Buyer upon Settlement. At Settlement, Buyer agrees to pay (i) the legal fees of the attorneys representing Buyer; (ii) the document recording fees for the Deed (as defined below); (iii) recording fees for any documents executed and recorded in connection with Buyer's financing; (iv) premiums and fees for all endorsements to the Owner's Title Policy or any mortgagee's title policy required by Buyer's lender; (v) one-half of the Title Company's escrow or closing fee. Any other costs of closing or Settlement shall be apportioned in the manner of commercial real estate transactions in San Patricio County, Texas.

3. Condition of Property. Buyer accepts the Premises in "AS IS" condition as of the Effective Date, it being hereby expressly understood that Seller has made no representations or warranties with respect to the Premises except as are expressly set forth in this Agreement and in the Deed and other closing documents to be delivered by Seller at Settlement, and that by proceeding to Settlement Buyer acknowledges that it is satisfied therewith.

4. Title; Survey.

(a) Title to the Premises shall be free and clear of all liens, restrictions, easements and other encumbrances and title objections, except for the Permitted Title Exceptions (as hereinafter defined), and shall be insurable as such at ordinary rates by a reputable title insurance company selected by Seller.

(b) (i) Promptly after the execution and delivery of this Agreement, Seller shall order a preliminary title report and/or commitment for title insurance for the Property ("***Title Report***") from Alamo Title Company, Attn: Dave Pitschmann, Tel: 713-993-2998; email: david.pitschmann@alamotitle.com, 1800 Bering Dr Ste 150, Houston, TX 77057-3738 (the "***Title Company***"), which Title Policy shall be in the amount of the Purchase Price and shall guarantee title to the Property to be vested in Buyer subject only to the Permitted Title Exceptions, together with copies of all instruments listed as Exceptions therein. Seller shall provide Buyer the Title Report within ten (10) days after the Effective Date. Within five (5) business days after the Effective Date, Seller shall deliver to Buyer its existing survey of the Property, if any (the "***Existing Survey***"). Buyer, at Buyer' s expense, shall either cause an update of the Existing Survey to be made, or obtain a survey (the "***Survey***") of the Property within thirty (30) days after the Effective Date. Upon approval by Buyer, Seller and the Title Company, any field notes prepared by the surveyor in connection with the Survey shall control any conflicts or inconsistencies with the legal description on Exhibit "A", and shall be incorporated into this Agreement upon their completion and be used in the Deed to be delivered to Buyer at Settlement.

(c) (i) Buyer may notify Seller of any objections Buyer may have with respect to the Exceptions (as hereinafter defined) on or before expiration of the Inspection Period (as defined below). "***Exceptions***" shall mean all liens, restrictions, reservations, outstanding mineral rights, leases, easements, rights-of-way, encroachments, encumbrances, title exceptions or defects and other matters affecting title to the Property which are disclosed in the Title Report or are shown on the Survey.

(ii) If Buyer does not so notify Seller of any objections to the Exceptions on or before expiration of the Inspection Period, then Buyer shall be deemed to have waived any objections to such Exceptions and such Exceptions shall also be deemed "***Permitted Title***

Exceptions," for purposes of the sale of the Premises, and Buyer shall purchase the Premises subject to such Permitted Title Exceptions. Any liens or other items identified on Schedule C of the Title Reports for the Property, except for the lien for the year of closing for taxes and assessments which are not yet due and payable, shall automatically constitute objections.

(iii) For purposes of this Agreement, "***Permitted Title Exceptions***" shall mean and include the following:

(A) Ad valorem real estate taxes due for 2018 and subsequent years.

(B) All applicable zoning ordinances and governmental regulations.

(C) Any and all easements, conditions, restrictions, rights-of-way, survey exceptions, encroachments and other encumbrances listed as Exceptions on the Title Report or identified on the Survey that Buyer does not provide objection in accordance with Section 4(b)(ii) above.

(d) Seller shall have the obligation to use good faith efforts to cure such objections, but Seller shall not be obligated to bring suit or to incur costs or liability to cure same. Further, Seller shall cause all liens securing indebtedness of Seller on the Property arising by, through or under Seller, to be released on or prior to Settlement, except for the lien for the year of closing for taxes and assessments which are not yet due and payable, and Seller shall apply such portion of the Purchase Price as may be required to satisfy such liens should any remain unreleased at Settlement. If Seller has not, within three (3) days prior to Settlement, cured all Exceptions that are not Permitted Title Exceptions and which Buyer made objection pursuant to Section 4(b)(ii) above, other than those to be cured and/or satisfied at the Settlement, Buyer shall have the option of either taking such title as Seller can convey or of canceling this Agreement in which case the Deposit shall be returned to Buyer, and neither Buyer nor Seller shall have any further rights or obligations hereunder. If any revised Title Report or Survey or any amendments thereto disclose any exceptions or encumbrances in addition to those previously included on the Title Report or Survey, those additional items shall be deemed to be title objections.

5. <u>Conditions to Settlement</u>.

(a) Buyer's obligation to complete Settlement under this Agreement is expressly conditioned upon the following, and Buyer shall have the further right, exercisable at any time and from time to time, to waive any one or more of such conditions without affecting any of Buyer's other rights, conditions or obligations:

(i) all representations and warranties of Seller herein being true and correct at the time of Settlement; and

(ii) Seller having performed all of its covenants and obligations hereunder; and

(iii) the delivery of those items to be delivered by Seller at Settlement and during the Inspection Period as provided herein;

(iv) the expiration of the Inspection Period, without Buyer having terminated this Agreement;

(v) the Title Company shall have irrevocably committed to issue a Texas Owner's Policy of title insurance in the amount of the Sales Price and in the form agreed upon pursuant to Section 4;

(vi) the City of Aransas Pass has provided consent to the assignment of the Industrial District Agreement (as defined below), as modified by the Settlement Agreement (as defined below) to Buyer, and any required consents to the assignment of any other permits, approvals or licenses held by Seller pertaining to the operation and maintenance of the Premises; and

(vii) The Port of Corpus Christi Authority of Nueces County, Texas has provided consent to the assignment of its Franchise Agreement with Seller to Buyer.

(b) If any of the conditions of Section 5(a) above are not satisfied in Buyer's reasonable determination (and not waived by Buyer) prior to the Settlement Date, or such other time-period provided, as applicable, then Buyer shall have the option of (i) completing Settlement hereunder at the Purchase Price, or (ii) terminating this Agreement in which case this Agreement shall become null and void, and the Deposit shall be returned to Buyer, and neither Buyer nor Seller shall have any further rights or obligations hereunder.

(c) Seller's obligation to complete Settlement under this Agreement is expressly conditioned upon the following, and Seller shall have the further right, exercisable at any time and from time to time, to waive any one or more of such conditions without affecting any of Seller's other rights, conditions or obligations:

(i) all representations and warranties of Buyer herein being true and correct at the time of Settlement; and

(ii) Buyer having performed all of its covenants and obligations hereunder;

(iii) the City of Aransas Pass has provided consent to the assignment of the Industrial District Agreement (as defined below), as modified by the Settlement Agreement (as defined below) to Buyer, and any required consents to the assignment of any other permits, approvals or licenses held by Seller pertaining to the operation and maintenance of the Premises;

(iv) The Port of Corpus Christi Authority of Nueces County, Texas has provided consent to the assignment of its Franchise Agreement with Seller to Buyer; and

(v) the delivery of those items to be delivered by Buyer at Settlement and during the Inspection Period as provided herein.

(c) Seller and Buyer each hereby agrees to cooperate reasonably with each other, in good faith, in connection with the pursuit of the satisfaction of all conditions to Settlement hereunder and agrees to promptly execute all zoning approval applications and related documentation required to be signed by the owner of the Premises, as well as to attend municipal meetings and to testify thereat, if necessary.

6. Time and Place of Settlement. Subject to Section 5, closing or settlement hereunder ("***Settlement***") shall be held at the offices of the Title Company, via document delivery, on the fifteenth (15th) day of November 2018 or such earlier date as mutually agreed upon by the parties or as extended pursuant to below (the "***Settlement Date***"); provided, however, Seller shall have reasonable access for not more than thirty (30) days following the Settlement Date to remove any personal property and equipment that is not included in the Equipment being transferred to Buyer from the Premises, at Seller's sole cost and expense, and Seller covenants that it will repair any damage to the Property caused by such removal. The foregoing covenant is not subject to the remedy limitations contained in Section 14(b). Any personal property and equipment of Seller remaining on the Premises after such thirty (30) day period may be disposed of by Buyer in Buyer's sole and absolute discretion, and Seller waives all rights or claims thereto.

7. Possession. Subject to the access and removal rights of Section 6 above, exclusive possession of the Property shall be given Buyer by delivery of the Deed at Settlement, at which time the Premises shall be entirely vacant.

8. Inspection Period.

(a) For a period of thirty (30) days after the Effective Date (the "***Inspection Period***"), Buyer shall have the right to conduct, at Buyer's sole expense, whatever inspections, investigations, analyses and studies of the Property (collectively, "Inspections") that Buyer may desire; provided that Buyer provides Seller at least twenty-four (24) hours advance notice prior to conducting any Inspections which requires access to the Property, and should any Inspections require any changes or alterations to the Property (e.g. soil boring, removing any portion of the Property, etc.), Buyer shall first obtain Seller's prior written consent before conducting any such Inspections, which consent may be withheld in Seller's sole discretion.

(b) Buyer hereby agrees to and does indemnify, defend, and hold Seller harmless from all liabilities, damages, claims, costs, or expenses whatsoever (including injury, death, or property damage) resulting from any Inspections conducted by or on behalf of Buyer. If Buyer's Inspections reveal any matters that may require governmental reporting, Buyer hereby acknowledges and agrees that Seller shall solely handle any such reporting, to the extent Seller's attorneys determine that such reporting is required by applicable law. Buyer further agrees to repair any damages to the Property caused by any Inspections performed on the Property by or on behalf of Seller and to return the Property to the condition existing prior to any Inspections. The provisions of this Section shall survive the Settlement Date or the termination or cancellation of this Agreement and shall not be subject to the remedy limitations set forth in Section 14.

(c) Within five (5) business days after the Effective Date, Seller shall deliver to Buyer, at Seller's sole cost and expense, copies of all of the following documents and information within the Seller's possession and to the extent readily available to Seller (collectively, the "Review Documents"): (a) all pleadings in connection with any actual or threatened lawsuits or claims affecting any of the Property; (b) except for instruments recorded in the public records and listed as exceptions on the Title Report, any and all contracts or agreements which in any way bind the Property or bind Seller with respect to the Property and would be binding on Buyer after Settlement, including but not limited to (i) the sale, purchase, lease, or transfer of any interest in the Property, and (ii) the construction, development, management, repair or maintenance of improvements on the Property; (c) any and all permits, approvals, or pending applications for the same with any governmental entity or utility (whether public or private) which relate in any way to the development, ownership, use or operation of the Property, including but not limited to site plans, building permits, certificates of occupancy and subdivision plats; (d) any environmental or similar studies or reports relating to the Property; and (e) property tax bills or statements for the current (if any) and preceding two (2) years. All such Review Documents shall be delivered or made available without any representation or warranty as to the completeness or accuracy of the data or information contained therein, and all such Review Documents are furnished to Buyer solely as a courtesy, and Seller has neither verified the accuracy of any statements or other information therein contained, the method used to compile such information nor the qualifications of the persons preparing such information. The Review Documents are provided on an AS-IS-WHERE-IS BASIS, AND BUYER EXPRESSLY ACKNOWLEDGES THAT SELLER MAKES NO REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE AS TO THE REVIEW DOCUMENTS. Without Seller's prior written consent, Buyer: (i) shall not divulge to any third party any of the Review Documents, except in connection with the evaluation of the acquisition of the Property; (ii) shall ensure that the Review Documents are disclosed only to such of Buyer's officers, directors, employees, consultants, investors and lenders, as have actual need for the information in evaluating the Property and that prior to Settlement all such parties shall treat the Review Documents as confidential and proprietary to Seller; (iii) shall act diligently to prevent any further disclosure of the information; and (iv) shall, if the Settlement does not occur for any reason, promptly return to Seller (without keeping copies) all Review Documents. Seller's obligations to deliver the Review Documents shall be deemed satisfied unless Buyer objects to what Seller provides within fifteen (15) days after the Effective Date.

Except as expressly represented by Seller herein, Purchaser will rely solely on its own investigation of the Property and not on any information provided by Seller, its agents, or its contractors. Seller will not be liable or bound in any way by any oral or written statements, representations or information about the Property or its operation furnished by any party purporting to act on Seller's behalf.

(d) If after Buyer has completed its Inspections, Buyer determines that the Property is not suitable for Buyer, for any reason or for no reason, in Buyer's sole and absolute discretion, Buyer may terminate this Agreement by notifying Seller of such termination before the expiration of the Inspection Period, whereupon both parties shall be released from all further obligations under this Agreement (except as otherwise provided herein).

9. Taxes – Apportionments; Excluded Tax Litigation.

(a) Real estate taxes and water and sewer rents, if any, shall be apportioned pro rata on a (calendar-fiscal) basis as of the date of Settlement. Ad valorem taxes for the year in which the Settlement occurs shall be prorated between Seller and Buyer as of the Settlement Date; provided, however, that Seller shall receive the full credit at the Settlement against Seller's pro rata share of 2018 ad valorem taxes owed pursuant to that certain Settlement Agreement between Seller and the City of Aransas Pass, dated June 17, 2016 (the "***Settlement Agreement***"). If the amount of the ad valorem taxes for the year in which the Settlement Date occurs is not known on the Settlement Date, then the ad valorem taxes for the year in which the Settlement occurs shall be prorated initially on the basis of the ad valorem taxes for the previous year but that, when the amount of the ad valorem taxes for the year in which the Settlement occurs becomes known, such estimated proration shall be adjusted between the parties hereto (if necessary) so that such proration will be finally based upon the actual ad valorem taxes for the year in which the Settlement occurs. In the event that the Premises is taxed as part of a larger tract, taxes shall be allocated on a square footage basis. The provisions of this subparagraph shall survive the Settlement.

(b) Seller (i) is currently in discussions with the City of Aransas Pass regarding the overpayment of taxes on the Property pursuant to the terms of that certain Industrial District Agreement No. 8, effective as of January 1, 2016 (the "***Industrial District Agreement***") for 2018 and all prior years, and (ii) has filed a civil action against San Patricio in the 36th Judicial District, County Docket # S-17-5706CV-A (collectively, the "***Excluded Tax Proceedings***"). Seller and Buyer acknowledge and agree all rights and claims regarding the overpayment of taxes on the Property for years prior to 2019 shall be retained by Seller and excluded from the sale of the Property, including such rights and claims asserted by Seller in the Excluded Tax Proceedings. Seller shall also have the exclusive right to continue the prosecution of the Excluded Tax Proceedings and any tax refund or other abatement application or proceeding after Settlement with respect to taxes applicable to 2018 on behalf of Seller and Buyer and due and payable in 2019 by Buyer; provided, however, that (i) Seller shall keep Buyer apprised of such proceedings and (ii) any settlement shall not reference or include any agreement relating to any taxes applicable to any tax years following taxes applicable to 2018, without obtaining the approval of Buyer to such settlement or compromise, such approval not to be unreasonably withheld, delayed or conditioned. With respect to taxes applicable to 2018 only, the amount of any refund, abatement or reduction actually obtained, less the actual, reasonable third party costs of obtaining the same (including reasonable attorney's fees) (the "***Tax Abatement Amount***"), shall be apportioned between the parties based on their relative periods of ownership of the Property during the 2018 calendar year; and upon Seller receiving a cash refund, Seller shall provide to Buyer its pro rata share of the Tax Abatement Amount within fifteen (15) business days after receipt of such refund.

10. Representations, Warranties and Covenants.

(a) Seller's Authority. As a material inducement to cause Buyer to enter into this Agreement, Seller represents and warrants that this Agreement and all agreements, instruments and documents to be executed by Seller are duly authorized, executed and delivered by the Seller; that Seller is duly authorized and qualified to do all things required of it under this Agreement; and Seller has the capacity and authority to consummate the transactions herein provided and nothing prohibits or restricts the right or ability of Seller to close the transactions contemplated hereunder and carry out the terms hereof.

(b) Buyer's Authority. As a material inducement to cause Seller to enter into this Agreement, Buyer represents and warrants that this Agreement and all agreements, instruments and documents to be executed by Buyer are duly authorized, executed and delivered by the Buyer; that Buyer is duly authorized and qualified to do all things required of it under this Agreement; Buyer has the capacity and authority to consummate the transactions herein provided and nothing prohibits or restricts the right or ability of Buyer to close the transactions contemplated hereunder and carry out the terms hereof.

(c) Foreign Person. Seller represents and warrants that it is not a foreign person as defined in Section 1445(f)(3) of the Code.

(d) Access. From the Effective Date until Settlement, Seller shall afford Buyer and its representatives and consultants the continuing right to inspect the Property at all reasonable hours, subject to the provisions of Section 8 hereof (including without limitation providing Seller at least twenty-four (24) hours advance notice).

(e) Maintenance. From the Effective Date until Settlement, Seller shall (i) maintain the Property in accordance with sound and prudent practices, and not commit or permit to be committed any waste to the Property, (ii) not enter into any agreement or instrument, or amend any existing agreement or instrument, with regard to the Property or take any action which would constitute a lien or other encumbrance of the Property which would not be paid off and released at Settlement, or which would be binding on Buyer after the Settlement Date, or which would be outside the normal scope of maintaining the Property, all without the prior written consent of Buyer, (iii) afford Buyer and its representatives and consultants the continuing right to inspect and have access to the Review Documents; (iv) keep, maintain and repair the Property in the substantially the same manner Seller has done as of the Effective Date, and comply in all material respects with all laws and regulations affecting the Property, and maintain (and renew if necessary) all governmental licenses, permits and approvals held by Seller as of the Effective Date.

(f) Bills. Seller represents and warrants that all bills and other payments then due and owing from Seller with respect to work performed or materials provided for the Property will be paid or satisfied prior to or at Settlement.

(g) Actions and Proceedings. Except for the Excluded Tax Proceedings, Seller represents and warrants that there is no action, proceeding, suit or investigation pending or being prosecuted to which Seller is a party in any court or by or before any governmental entity affecting the Property, or the ownership, operation, use or condition of the Property and to Seller's Knowledge, no action, suit, proceeding or investigation is contemplated or threatened, including, but not limited to any pending, contemplated or threatened action, suit, proceeding or investigation relating to condemnation, eminent domain or offers of just compensation by or on behalf of any governmental or other entity having eminent domain power. "***Seller's Knowledge***" shall mean the current actual knowledge of Kirk J. Meche, without any duty of inquiry or investigation by him.

(h) Conflict with Existing Agreements. Seller represents and warrants that neither the execution, delivery or performance of this Agreement nor compliance herewith conflicts or will conflict with or results or will result in a breach of or constitutes or will constitute a default under (a) the organizational or governing documents of Seller, (b) any law or any order, writ, injunction or decree of any court or governmental authority, or (c) any other contract or agreement to which Seller is a party; or results in the creation or imposition of any lien, charge or encumbrance upon its property pursuant to any such agreement or instrument.

(i) Parties in Possession. Seller represents and warrants that to Seller's Knowledge, there are no parties in possession of any portion of the Property as lessees, licensees, or tenants at sufferance.

(j) Seller Obligations. Seller represents and warrants that to Seller's Knowledge, all obligations of Seller arising from the ownership and operation of the Property, including, but not limited to, salaries, employee compensation, taxes, leasing commissions and the like, have been paid as they became due or will be paid at or prior to Settlement. Except for obligations for which provisions are made herein for assumption by Buyer, proration or other adjustment at Settlement, to Seller's Knowledge, there will be no obligations of Seller with respect to the Property outstanding as of Settlement which could give rise to a lien on the Property.

(k) Attachments; Assignments. Seller represents and warrants that to Seller's Knowledge, there are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy or under any other debtor relief laws contemplated by or pending or threatened against Seller or the Property.

(l) Environmental. Seller represents and warrants that except as may be set forth in the Review Documents or otherwise disclosed to Buyer, to Seller’s Knowledge, Seller has not received written notice from any governmental authorities in the preceding three (3) years that the Property contains hazardous materials in violation of applicable laws, or has been used for the storage or disposal of any hazardous or toxic materials in violation of applicable laws.

(m) Title. The Property has not been assigned or conveyed to any party by Seller. Seller has the right to convey fee simple title to the Property pursuant to the terms of this Agreement. No person (other than Buyer pursuant to this Agreement) has a right to acquire any interest in the Property.

(n) Seller Insolvency Proceedings. Seller represents and warrants that Seller has not: (i) filed any voluntary or had involuntarily filed against it in any court or with any governmental body pursuant to any statute either of the United States or of any State, a petition in bankruptcy or insolvency or seeking to effect any plan or other arrangement with creditors, or seeking the appointment of a receiver; (ii) had a receiver, conservator or liquidating agent or similar person appointed for all or a substantial portion of its assets; (iii) suffered the attachment or other judicial seizure of all, or substantially all of its assets; (iv) given notice to any person or governmental body of insolvency; or (v) made an assignment for the benefit of its creditors or taken any other similar action for the protection or benefit of its creditors. Seller is not insolvent and will not be rendered insolvent by the performance of its obligations under this Agreement.

(o) Buyer Insolvency Proceedings. Buyer represents and warrants that Buyer has not: (i) filed any voluntary or had involuntarily filed against it in any court or with any governmental body pursuant to any statute either of the United States or of any State, a petition in bankruptcy or insolvency or seeking to effect any plan or other arrangement with creditors, or seeking the appointment of a receiver; (ii) had a receiver, conservator or liquidating agent or similar person appointed for all or a substantial portion of its assets; (iii) suffered the attachment or other judicial seizure of all, or substantially all of its assets; (iv) given notice to any person or governmental body of insolvency; or (v) made an assignment for the benefit of its creditors or taken any other similar action for the protection or benefit of its creditors. Buyer is not insolvent and will not be rendered insolvent by the performance of its obligations under this Agreement.

(p) Employees. Seller represents and warrants that there are no employees of Seller at the Property, for whom Buyer will be obligated for the payment of salaries or benefits unless Buyer elects to continue the employment of such employees.

(q) Operational Covenants. Seller shall not, without the prior written consent of Buyer, enter into any written or oral service contract with respect to the Property that will not be fully performed on or before Settlement, or that will not be cancelable by Buyer with thirty (30) days' notice without penalty, fee or liability on or after Settlement. Seller shall promptly advise Buyer of any litigation, arbitration, administrative hearing or legislation before any governmental body or agency in addition to the Excluded Tax Proceedings of which Seller becomes aware, concerning or affecting the Property, which is instituted or threatened after the Effective Date hereof. Seller shall maintain and keep in full force and effect the present fire, casualty and liability insurance maintained by Seller with regard to the Property. Seller shall not further encumber or allow the encumbrance of the title to the Property, or modify the terms or conditions of any existing encumbrances, which will not be released at Settlement without the prior written consent of Buyer.

(r) Material Changes. Seller shall promptly notify Buyer of any material change in any condition with respect to Seller or of any event or circumstance which makes any representation or warranty of Seller to Buyer under this Agreement incorrect and would materially adversely affect the use of the Property. Buyer shall promptly notify Seller of any material change in any condition with respect to Buyer or of any event or circumstance which makes any representation or warranty of Buyer to Seller under this Agreement incorrect and would materially adversely affect Buyer's ability to perform Buyer's obligations under this Agreement.

(s) Waiver or Termination. If either party discovers or is advised by the other in writing that any of such party's warranties and representations are materially incorrect as of the Settlement, then party receiving such notice may either (i) waive objection and any claim thereto and close, without reduction of the Purchase Price; or (ii) terminate this Agreement and pursue its remedies in accordance with Section 14 hereof.

(t) Brokerage. At Settlement, Seller will pay the agreed upon brokerage commission to CBRE who shall pay NAI Partners per a separate agreement (collectively, the "***Brokers***"). Buyer and Seller each represents and warrants to the other that it has had no dealings, negotiations or consultations with respect to the Premises or this transaction with any broker or intermediary other than the Brokers. In the event that any broker or intermediary other than the

Brokers claim a fee or commission in connection with this Agreement based upon the acts of Buyer or Seller, that party will be responsible for and will indemnify and save the other harmless from and against all costs, damages, fees (including, without limitation, reasonable attorney's fees), expenses, liabilities, and claims incurred or suffered by the other as a result thereof.

11. Documents to be Delivered at Settlement. At Settlement, Seller and/or Buyer will deliver to the other and/or the Title Company as applicable the following, executed, acknowledged and in recordable form, as appropriate:

(a) a Special Warranty Deed in the form of Exhibit D attached hereto (the "***Deed***"), that conveys to Buyer the Property;

(b) a No Warranty Bill of Sale in the form of Exhibit E attached hereto (the "***Bill of Sale***"), that conveys to Buyer the Equipment;

(c) assignment and assumption instruments assigning to Buyer the Industrial District Agreement (as modified by the Settlement Agreement), any certificate of occupancy, other permits, approvals or licenses held by Seller pertaining to the operation and maintenance of the Premises to the extent such can be assigned, and the other property interests described in the definition of the "Property" on page 1 hereof;

(d) evidence reasonably satisfactory to the Title Company that Seller and Buyer and persons acting on behalf of Seller and Buyer are fully authorized and have the capacity to consummate the transaction contemplated by this Agreement;

(e) a certificate of Seller in a form acceptable to the Title Company stating that Seller is a U.S. taxpayer and is not a foreign entity or person in accordance with applicable law and the regulations of the Internal Revenue Code of 1986, as amended;

(f) certificates evidencing the payment of ad valorem taxes on the Premises for all years prior to the year in which the Settlement occurs furnished by the Title Company;

(g) such evidence, documents, affidavits and indemnifications executed and/or delivered by Seller as may be reasonably required by the Title Company and in form acceptable to Seller as a precondition to the issuance of the Owner's Title Policy relating to: (i) mechanics' or materialmen's liens; (ii) parties in possession; (iii) the status and capacity of Seller and the authority of the person or persons who are executing the various documents on behalf of Seller in connection with the sale of the Property; or (iv) any other matter reasonably required to enable the Title Company to issue the Title Policy and endorsements thereto;

(h) such evidence, documents, affidavits and indemnifications executed and/or delivered by Buyer as may be reasonably required by the Title Company and in form acceptable to Buyer as a precondition to the issuance of the Title Policy including documents evidencing the status and capacity of Buyer and the authority of the person or persons who are executing the various documents on behalf of Buyer in connection with the sale of the Property, or any other matter reasonably required to enable the Title Company to issue the Title Policy and endorsements thereto; and

(i) such other documents as may be reasonably required by the Title Company to effectuate this Agreement.

At Settlement, Buyer shall deliver the balance of the Purchase Price and such other documents as may reasonably be required to effectuate this Agreement. At Settlement, Seller and Buyer shall deliver resolutions authorizing such party's execution, delivery and performance of this Agreement and the other documents contemplated for this transaction. At Settlement, the amount of prorations and adjustments shall be determined or estimated to the extent practicable, and monetary adjustment shall be made between Seller and Buyer. As the amounts of the respective items become finally ascertained, further adjustment shall be promptly made between the parties in cash, provided however, no reconciliation, re-proration, or adjustment may be made more than one (1) year following the Settlement Date except with respect to the Excluded Tax Proceedings.

12. Casualty. All risk of loss with respect to the Property shall be with Seller until Settlement. If on or before the Settlement Date all or any part of the Premises is destroyed or damaged by fire, casualty or any other cause ("***Casualty***"), Seller shall promptly notify Buyer thereof. If the cost to repair the damage (as reasonably estimated by an architect or general contractor mutually-approved by Buyer and Seller) exceeds five percent (5%) of the Purchase Price, Seller or Buyer shall have the right to terminate this Agreement. Should either party terminate this Agreement pursuant to the foregoing, the Deposit shall be returned to Buyer, whereupon both parties shall be released from all further obligations under this Agreement (except as otherwise provided herein). If neither party elects to terminate this Agreement pursuant to its right contained in this Section 12, Buyer shall be bound to purchase the Premises without reduction in the Purchase Price, and Seller shall either (a) cause the repairs to the portions of the Premises that are damaged or destroyed to be made within a commercially reasonable time following the applicable Casualty event, or (b) pay to Buyer at Settlement the estimated costs to repair or remedy the damage to the Premises (as determined by the architect or general contractor selected by Buyer and Seller as set forth above) and Seller shall retain the right to all applicable insurance proceeds payable in connection with such Casualty.

13. Eminent Domain.

(a) In the event Seller receives any notice of any condemnation proceedings, or other proceedings in the nature of eminent domain, it will forthwith send a copy of such notice to Buyer. If all or any fee simple title to the Property is taken by eminent domain and the use of the Premises shall be materially affected as a result thereof, Buyer may, upon written notice to Seller, elect to cancel this Agreement, and in such event the Deposit shall be returned to Buyer and neither party shall have any further liability or obligation hereunder.

(b) If all or any portion of the Premises has been or is hereafter taken or condemned and this Agreement is not cancelled, Buyer shall have the right to negotiate, settle, or litigate the condemnation award related to the Premises. The proceeds of any such award collected prior to Settlement shall be paid or credited to Buyer at Settlement, and Seller shall, at Settlement, credit or assign to Buyer all of Seller’s right, title and interest in and to any awards in condemnation, or damages of any kind, to which Seller may have become entitled or may thereafter be entitled by reason of any exercise of the power of eminent domain with respect to or for the taking of the Premises or any portion thereof.

14. Default.

(a) In the event Buyer fails to consummate the Settlement in accordance with the terms of this Agreement, then Seller, as Seller’s sole remedy, may cancel this Agreement by written notice delivered to Buyer and the Title Company, Seller shall retain the Deposit, and whereupon both parties shall be released from all further obligations under this Agreement (except as otherwise provided herein). The retention of the Deposit as a result of Buyer’s default hereunder is in the nature of liquidated damages (and not as a penalty). It is stipulated that the actual amount of any such damages would be difficult if not impossible to determine because of the uncertainties of the real estate market and fluctuating property values and differences of opinion with reference to such matters and that the Deposit is a reasonable estimate by the parties hereto of the damages which Seller will incur in the event of a default hereunder by Buyer.

(b) Should Seller fail to perform any of Seller’s obligations under this Agreement at or prior to Settlement then Buyer shall have the right to either (i) terminate this Agreement, whereupon the Deposit shall be returned to Buyer and Buyer shall be entitled to recover from Seller Buyer’s actual out-of-pocket expenses incurred in connection with this transaction up to a maximum aggregate amount of Fifty Thousand and no/100 Dollars ($50,000.00), and thereafter neither Seller nor Buyer shall have any further rights or obligations hereunder except as expressly survive the termination of this Agreement; or (ii) proceed with any other rights or remedies available to Buyer, whether legal and/or equitable, including the remedy of specific performance of this Agreement. Buyer shall provide written notice to Seller of any pre-Settlement breach of any of Seller's warranties or representations or pre-Settlement breach of any of Seller's covenants of which Buyer acquires knowledge, through any means, at any time after the Settlement Date, and Buyer may bring an action at law for damages as a consequence thereof, which must be commenced, if at all, prior to the expiration of two (2) years and one (1) day following the Settlement Date. Notwithstanding anything herein to the contrary, Buyer shall not be entitled to make a claim against Seller after the Settlement Date for a violation of Seller’s representations, warranties, and covenants unless the amount of damages to Buyer equals or exceeds Two Hundred and Fifty Thousand and no/100 Dollars ($250,000.00) (but for such claim exceeding $250,000.00, such initial $250,000.00 shall be included in such claim) in the aggregate of all such claims.

15. Survival of Warranties. The representations, warranties, and covenants made under this Agreement shall survive for two (2) years and one (1) day after the Settlement Date, except for any additional time is required solely with respect to the re-subdivision obligations under Section 4(e).

16. Assignment. Buyer shall have the right to assign this Agreement but shall remain liable hereunder regardless of any such assignment, and Seller agrees to convey the Premises to any nominee or assignee of Buyer.

17. Notices. All notices required or permitted to be given hereunder shall be in writing and sent by certified mail, return receipt requested, or by a nationally recognized overnight delivery service, such as Federal Express, or by telecopy or electronic mail, addressed to the intended recipient as follows:

If to Buyer Berry Contracting, L.P., dba Bay, Ltd.
Attn: Chuck Vanaman, Vice President
1414 Valero Way
Corpus Christi, Texas 78409
Tel: 361-693-2100
Fax: 361-693-2822
Email: vanamanc@bayltd.com

with a copy to Jeb Brown
Attorney at Law
3100 Edloe Street Suite 220
Houston, TX 77027
Tel: 713-439-1988
Fax: 832-460-3263
Email: jeb@jebbrownlaw.com

If to Seller Gulf Marine Fabricators, L.P.
16225 Park Ten Place, Suite 280
Houston, TX 77084
Attn: Kirk Meche, President/CEO
Tel: 713-714-6100
Fax: 713-714-6130
Email: kmeche@gifinc.com

with a copy to Jones Walker LLP
201 St. Charles Avenue
P.O. Box 673
New Orleans, LA 70170
Attn: Chris Capitelli
Tel: 504-582-8454
Fax: 504-589-8454
Email: ccapitelli@joneswalker.com

or to such other person or address as the party to be charged with such notice may designate by notice given in the aforesaid manner. Notice may be given by counsel.

18. Parties Bound. This Agreement shall be binding upon the parties hereto and their respective heirs, administrators, executors, successors, and assigns.

19. Captions. The captions contained herein are not a part of this Agreement. They are only for the convenience of the parties and do not in any way modify, amplify, or give full notice of any of the terms, covenants or conditions of this Agreement.

20. Number and Gender. For purpose of this Agreement, the masculine shall be deemed to include the feminine and the neuter, and the singular shall be deemed to include the plural, and the plural the singular, as the context may require.

21. No Recording. Neither this Agreement nor any document referring to this Agreement shall be recorded by Buyer, or by anyone acting on its behalf, in any public office. At Seller's option, any such recording shall be a default by Buyer hereunder.

22. Entire Agreement - Amendment. This Agreement (including the Exhibits attached hereto) contains the entire agreement between Seller and Buyer with respect to the Premises; there are no other terms, covenants, obligations or representations, oral or written, of any kind whatsoever related to the subject matter of this transaction. This Agreement may be amended only by a written instrument executed by the party against whom the amendment is being enforced.

23. Governing Law. The substantive laws of the State of Texas will govern the validity, construction and enforcement of this Agreement. Venue for any action arising under or in connection with this Agreement shall be in the state and federal courts in Harris County, Texas.

24. Construction. The parties acknowledge that each party and each party's counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any Exhibits or amendments hereto.

25. Cooperation. After Settlement, Seller will assist Buyer in an orderly transfer of the Premises. Seller will, on the request of Buyer, provide such information with respect to the Premises as might be reasonably requested by Buyer and is in Seller's possession.

26. Effective Date; Multiple Counterparts. This Agreement may be executed in counterparts, each of which shall be binding against the party whose signature appears thereon. All such counterparts, together, shall consist of one and the same document. For purposes of the foregoing, facsimile signatures shall have the same force and effect as original signatures.

27. Severability. If any provision of this Agreement or the application thereof shall, for any reason be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Buyer and Seller have contributed substantially and materially to the preparation of this Agreement.

28. No Partnership. Nothing herein is intended to, shall, or shall be deemed to, create a joint venture or partnership of any kind between the parties hereto, or any relationship other than that of a seller and purchaser of the Property.

29. Time. Time is of the essence of this Agreement. If the date or deadline for performance of any obligation or delivery of any notice shall fall on a weekend or holiday, performance thereof shall be extended to the next business day.

30. Waiver. The excuse or waiver of the performance by a Party of any obligation of the other Party under this Agreement shall only be effective if evidenced by a written statement signed by the Party so excusing or waiving. No delay in exercising any right or remedy shall constitute a waiver thereof, and no waiver by Seller or Buyer of the breach of any covenant of this Agreement shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Agreement.

31. Attorney's Fees. In the event of a judicial or administrative proceeding or action by one party against the other party with respect to the interpretation or enforcement of this Agreement, the prevailing party shall be entitled to recover reasonable costs and expenses including, without limitation, reasonable attorneys' fees and expenses, whether at the investigative, pretrial, trial or appellate level, but in any event such amounts shall be subject to the limitation on recovery of out-of-pocket expense set forth in Sections 14(a) and (b). The prevailing party shall be determined by the court based upon an assessment of which party's major arguments or position prevailed.

32. No Personal Liability. Buyer and Seller agree that no directors, officers, employees, partners or agents of Seller or Buyer shall have any personal liability hereunder, and that each of Buyer and Seller shall not seek to assert any claim or enforce any rights against such directors, officers, employees, partners or agents in their individual capacities.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be signed and effective as of the Effective Date.

BUYER:

Berry Contracting, L.P., a
Texas limited partnership,
dba Bay, Ltd.

By: /s/ A.L. Berry
Name: A.L. Berry
Title: Vice President

SELLER:

GULF MARINE FABRICATORS, L.P.

By: Gulf Marine Fabricators General Partner, L.L.C., a Texas limited liability company

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President and C.E.O.

EXHIBIT A

Legal Description

See Attached.

TRACT I:

Being a tract of land situated in San Patricio County, Texas, and being composed of LOTS 1, 2 & 3 IN LAND BLOCK Q, ALL OF LAND BLOCK F-F, A PORTION OF LOTS 1, 2, 3 & 4 OF LAND BLOCK E-E, A PORTION OF LOT 4, BAY BLOCK 4, ALL OF BAY BLOCK 5, ALL OF BAY BLOCK 6, Tracts I and II between the east right-of-way of Ocean Drive and the west right-of-way of the Gulf Intracoastal Waterway, and all platted roads within the boundaries of this 149.8662 acre tract of land; all as shown on the BURTON AND DANFORTH SUBDIVISION, San Patricio and Aransas Counties, Texas, as recorded in Volume 1, Pages 62 and 63, Map Records of Aransas County, Texas, a certified true copy of said plat being recorded in Volume 152, Page 1 of Deed Records of San Patricio County, Texas; being the same property as described in the General Warranty Deed to AKER GULF MARINE, recorded in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at a 5/8 inch iron rod set for the most westerly corner of Land Block "Q" in the southeast right-of-way line of FM 2725 whence the centerline of Bishop Road bears South 34° 37' 00" West at 2660.0' for the POINT OF BEGINNING;

THENCE N 33° 07' 57" E, a distance of 1280.00 feet along the southeast right-of-way line of FM 2725 and the northwest boundary of Land Block "Q" to a 5/8 inch iron rod set for the most northerly corner of Land Block "Q" for an outside corner of this tract of land;

THENCE S 56° 52' 03" E, a distance of 970.00 feet along the northeast boundary of Land Block "Q" and the southwest right-of-way line of a 40 foot wide dedicated road to a 5/8 inch iron rod set at the most northerly corner of Land Block F-F for an inside corner of this tract of land;

THENCE N 33° 07' 57" E, a distance of 350.00 feet along the southeast right-of-way line of a 60 foot wide dedicated road and the northwest boundary of Land Block E-E to a 5/8 inch iron rod set for an outside corner of this tract of land;

THENCE S 56° 52' 03" E, a distance of 630.00 feet across Lots 4 and 3 of Land Block E-E to a 5/8 inch iron rod set at a total distance of 630.00 feet in the southeast boundary of Lot 3 and the northwest boundary of Ramos Addition for an inside corner of this tract of land;

THENCE N 33° 07' 57" E, a distance of 165.00 feet along the southeast boundary of Lot 3 and the northwest boundary of Ramos Addition to a 5/8 inch iron rod set for an outside corner of this tract of land;

THENCE S 56° 52' 03" E, a distance of 630.00 feet across the Ramos Addition pass a 5/8 inch iron rod set located in the northwest right-of-way line of a 60 foot wide dedicated road, at a total distance of 690.00 feet to a 5/8 inch iron rod set in the northwest boundary of Lot 3, Bay Block 5 and the southeast right-of-way line of a 60 foot wide dedicated road for an inside corner of this tract of land;

THENCE N 33° 07' 57" E, a distance of 1055.00 feet along northwest boundaries of Bay Blocks 5 and 4 and along the southeast right-of-way line of a 60 foot wide dedicated road to a 1" iron pipe located in the northwest boundary of Lot 4, Bay Block 4 for the most northerly corner of this tract of land;

THENCE S 56° 52' 03" E, across Lot 4, Bay Block 4: at 653.74 feet pass a 5/8 inch iron rod set in the northwest right-of-Way line of Ocean Drive (now closed): at approximately 675 feet pass the end of a fence near the waters edge; and continuing into the water of a dredged basin, a total distance of 903.33 feet to the Patent Line of the Wm. McDonough A-184 for a point in the water and an inside corner of this tract;

THENCE N 37° 29' 58" E, a distance of 100.29 feet along the easterly line of the Wm. McDonough Patent A-184 to a point at the intersection with the easterly extension of the common lot line between Lots 3 and 4, Bay Block 4; said point being near the northerly edge of a dredged basin for an outside corner of this tract of land;

THENCE S 56° 53' 02" E, a distance of 44.00 feet along the easterly extension of the common lot line between Lots 3 and 4, Bay Block 4 to a point at the intersection with the westerly right-of-way line (200 foot reference line) of the Gulf Intracoastal Waterway for the most easterly corner of this tract of land;

THENCE southwesterly (approximately S 30° 41' 40" W), a distance of 410.04 feet along a curve to the left having a radius of 5929.65' and an internal angle of 3° 57' 43" to a point in the water at the point of tangency of said curve;

THENCE S 28° 42' 48" W, a distance of 2548.10 feet along the westerly right-of-way line of the Gulf Intracoastal Waterway to a point in the water for the most southerly corner of this tract of land;

THENCE N 56° 52' 03" W, along the easterly extension of the southwesterly boundary of Bay Block 6 at 148.03 feet pass the existing shoreline of Redfish Bay, at 230.62 feet pass a 5/8 inch iron rod set in the northwest right-of-way line at Ocean Drive (now closed) and said iron rod being located at the most southerly corner of Bay Block 6; continuing along the southwesterly boundaries of Bay Block 6, Land Block F-F and Land Block Q and the northeasterly right-of-way line of a 40 foot dedicated road, a total distance of 3457.92 feet to the POINT OF BEGINNING.

TRACTS II, III, IV, V, VI, VII, VIII, IX, X, XI, AND XII:

Being eleven tracts of land composed of various lots out of the RAMOS ADDITION, as shown by map or plat recorded in Volume 1, Page 5 of Map Records, San Patricio County, Texas, and being out of Lots 1 and 2, Land Block E-E as shown on the Burton and Danforth Subdivision, San Patricio and Aransas Counties, Texas as recorded in Volume 1, Pages 62 and 63, Map Records of Aransas County, Texas, a certified true copy of said plat being recorded in Volume 152, Page 1 of Deed Records of San Patricio County, Texas; and said eleven tracts being more particularly described by metes and bounds as follows:

TRACT II:

Tract II being composed of LOTS 1, 2 AND 3, BLOCK 3, OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set at the north corner of Land Block F-F, Burton and Danforth Subdivision: said corner being an inside corner of Tract I;

THENCE S 56° 52' 03" E, a distance of 660 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 515 feet, across a closed 40 foot road and along the northwest boundary of Block 3, Ramos Subdivision, to a point in the northerly boundary of Tract I and also being the west corner of Lot 3, Block 3. Ramos Addition for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 150 feet along the northwest boundary of Lots 3, 2 and 1 and along the southeast boundary of a 30 foot dedicated road to a point at the north corner of Block 3, Ramos Addition, the north corner of Lot 1, Block 3 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Lot 1, Block 3, Ramos Addition, along the southwest boundary of a 30 foot dedicated road to a point at the east corner of Lot 1, Block 3 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 150 feet along the southeast boundary of Lots 1, 2 and 3 and along the northwest boundary of a 16 foot dedicated alley to a point at the south corner of Lot 3. Block 3 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the southwest boundary of Lot 3 and along the northerly boundary of Tract I to the POINT OF BEGINNING.

TRACT III:

Tract III being composed of LOTS 1, 2, 3, 4, 5, 6 AND 7, BLOCK 1 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set at the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I;

THENCE S 56° 52' 03" E, a distance of 660 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 995 feet across a 40 foot closed road and along the northwest boundary of Block 3 and Block 1, Ramos Addition, to a point at the west corner of Lot 7, Block 1 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 325 feet along the northwest boundary of Block 1 and the southeast boundary of a 30 foot dedicated road to a point at the north corner of Block 1, the north corner of Lot 1, Block 1 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Lot 1, Block 1, along the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 1, Block 1 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 325 feet along the southeast boundary of Lots 1 through 7, Block 1 and along the northwest boundary of a 16 foot dedicated alley to a point at the south corner of Lot 7, Block 1 and the south corner of this tract;

THENCE N 56° 22' 00" W, a distance of 132 feet along the common boundary between Lots 7 and 8, Block 1 to the POINT OF BEGINNING.

TRACT IV:

Tract IV being composed of LOTS 25 AND 26, BLOCK 3 OF RAMOS SUBDIVISION as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod located at the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I;

THENCE S 56° 52' 03" E, a distance of 808 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 565 feet, across a closed 40 foot road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 25, Block 3 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E a distance of 100 feet to a point at the north corner of Lot 26, Block 3 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the southwest boundary of a 30 foot dedicated road to a point at the east corner of Lot 26, Block 3 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 100 feet along the northwest boundary of a 40 foot dedicated road to a point at the south corner of Lot 25, Block 3 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 24 and 25 to the POINT OF BEGINNING.

TRACT V:

Tract V being composed of LOTS 21, 22, 23, 24, 25 AND 26, BLOCK 1 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I;

THENCE S 56° 53' 03" E, a distance of 808 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 1045 feet across a 40 foot closed road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 21, Block 1, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 275 feet along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 26, Block 1 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Block 1 and the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 26, Block 1 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 275 feet along the northwest boundary of a 40 foot dedicated road and the southeast boundary of Lots 21 through 26 to a point at the south corner of Lot 21, Block 1 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 20 and 21 to the POINT OF BEGINNING.

TRACT VI:

Tract VI being composed of LOTS 1, 2 AND 3, BLOCK 4 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above and being the third corner described in Tract I;

THENCE S 56° 52' 03" E, a distance of 980 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 515 feet across a 40 foot closed road, along the northwest boundary of Block 4 and the southeast boundary of a 40 foot dedicated road to a point located at the west corner of Lot 3, Block 4, Ramos Addition, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 150 feet to a point located at the north corner of Block 4, the north corner of Lot 1, Block 4, Ramos Addition, and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Block 4, Ramos Addition, along the southwest boundary of a 30 foot dedicated road to a point at the east corner of Lot 1, Block 4 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 150 feet along the southeast boundary of Lots 1, 2 and 3, Block 4 and along the northwest boundary of a 16 foot dedicated alley to a point at the south corner of Lot 3, Block 4 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the northerly boundary of Tract I and along the common boundary between Lots 3 and 4, Block 4 to the POINT OF BEGINNING.

TRACT VII:

Tract VII being composed of LOTS 3 THROUGH 13, INCLUSIVE, BLOCK 2, OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 53' 03" E, a distance of 980 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 695 feet across a 40 foot closed road, along the northwest boundary of Block 4 and the southeast boundary of a 40 foot dedicated road, across a 30 foot dedicated road to a point located at the west corner of Block 2, Ramos Addition, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 550 feet along the northwest boundary of Lots 13 through 3, Block 2 and along the southeast boundary of a 40 foot dedicated road to a point at the north corner of Lot 3, Block 2 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary of Lots 2 and 3, Block 2 to a point at the east corner of Lot 3, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 550 feet along the southeast boundary of Lots 3 through 13 and along the northwest boundary of a 16 foot dedicated alley to a point at the south corner of Lot 13, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the southwest boundary of Lot 13, Block 2 and along the northeast boundary of a 30 foot dedicated road to the POINT OF BEGINNING.

TRACT VIII:

Tract VIII being composed of LOTS 24, 25 AND 26, BLOCK 4 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 515 feet across a 40 foot closed road, along the southeast boundary of a 16 foot dedicated alley to a point in the northerly boundary of Tract I, said point being located at the west corner of Lot 24, Block 4, Ramos Addition, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 150 feet along the northwest boundary of Lots 24, 25 and 26, Block 4 and along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 26, Block 4 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Lot 26, Block 4 and along the southwest boundary of a 30 foot dedicated road to a point located at the east corner of Block 4 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 150 feet along the southeast boundary of Block 4 and the northwest boundary of a 60 foot dedicated road (Bay Avenue), to a point at the south corner of Lot 24, Block 4 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 23 and 24, Block 4 to the POINT OF BEGINNING.

TRACT IX:

Tract IX being composed of LOTS 14 AND 15, BLOCK 2 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 695 feet across a 40 foot closed road, along the southeast boundary of a 16 foot dedicated alley and across a 30 foot dedicated road to a point located at the west corner of Block 2, Ramos Addition, for the POINT OF BEGINNING of the tract of land herein described:

THENCE continuing N 33° 07' 57" E, a distance of 100 feet along the northwest boundary of Lots 14 and 15, Block 2 and along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 15, Block 2 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 15 and 16, Block 2 to a point at the east corner of Lot 15, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 100 feet along the southeast boundary of Lots 15 and 14, Block 2 and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to a point located at the south corner of Lot 14, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the southwest boundary of Lot 14, Block 2 and the northeast boundary of a 30 foot dedicated road to the POINT OF BEGINNING.

TRACT X:

Tract X being composed of LOTS 21 AND 22, BLOCK 2 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of LandBlock F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 1045 feet across a 40 foot closed road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 21, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 100 feet along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 22, Block 2 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 22 and 23, Block 2 to a point located at the east corner of Lot 22, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 100 feet along the southeast boundary of Lots 22 and 21, Block 2 and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to the south corner of Lot 21, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 20 and 21 to the POINT OF BEGINNING.

TRACT XI:

Tract XI being composed of LOT 24, BLOCK 2 OF RAMOS ADDITION, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above and being the third corner described in Tract I;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 1195 feet across a 40 foot dedicated road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 24, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 50 feet to a point located at the north corner of Lot 24, Block 2 the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 24 and 25 to a point at the east corner of Lot 24, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 50 feet along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to a point located at the south corner of Lot 24, Block 2 and the South corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary of Lots 23 and 24, Block 2 to the POINT OF BEGINNING.

TRACT XII:

Tract XII being comprised of that PORTION OF BAY AVENUE lying between portions of Lots 2 and 3, Bay Block 5, Burton and Danforth Subdivision and Lots 24 through 26, inclusive, Block 4 and Lots 14 and 15, Block 2, Ramos Addition, said Bay Avenue having been closed by action of the Commissioner's Court of San Patricio County, Texas, as recorded in the Minutes of said Court in Volume 22, at Page 352, as described in Clerk's File No. 399876, Official Public Records of San Patricio County, Texas; and in Clerk's File No. 784117, Volume 2327, Page 874 of the Deed Records of Nueces County, Texas, and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of the heretofore described Tract I;

THENCE S 56° 52' 03" E, a distance of 1260 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 515 feet, across a 40 foot wide closed roadway, along the southeast boundary of the Ramos Addition to the south corner of Lot 24, Block 4, Ramos Addition for the POINT OF BEGINNING and west corner of this tract;

THENCE continuing N 33° 07' 57" E, along the southeast boundary of Block 4, Ramos Addition, a 30 foot dedicated roadway, and a portion of Block 2, Ramos Addition, a distance of 280 feet to a point for the north corner of this tract;

THENCE S 56° 52' 03" E, across the former dedicated Bay Avenue a distance of 60.0 feet to a point in the northwest line of Lot 2, Bay Block 5, Burton & Danforth Subdivision for the east corner of this tract;

THENCE S 33° 07' 57" W, along the northwest line of Lots 2 and 3, Bay Block 5, Burton and Danforth Subdivision a distance of 280.0 feet to a point for the south corner of this tract;

THENCE N 56° 52' 57" W, a distance of 60.0 feet to the POINT OF BEGINNING.

TRACT XIII, PARCEL A:

Parcel A being composed of LOTS 8 THROUGH 13, INCLUSIVE, BLOCK 1 OF RAMOS ADDITION, as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas;and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 660 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 695 feet across a 40 foot closed road and along the northwest boundary of Block 3 to the west corner of Block 1, Ramos Addition, to a point at the west corner of Lot 13, Block 1, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 200 feet along the northwest boundary of Block 1 and the southeast boundary of a 30 foot dedicated road, the north corner of Lot 8, Block 1 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Lot 8, Block 1, along the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 8, Block 1 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 300 feet along the southeast boundary of Lots 8 through 13, Block 1 and along the northwest boundary of a 16 foot dedicated alley to a point at the south corner of Lot 13, Block 1 and the south corner of this tract; said point lying in the northeast right-of-way of a 30 foot dedicated road;

THENCE N 56° 52' 03" W, a distance of 132 feet along the southwest boundary of Lot 13, Block 1 and the 30 foot road right-of-way to the POINT OF BEGINNING

TRACT XIII, PARCEL B:

Parcel B being composed of LOTS 14 THROUGH 20, INCLUSIVE, BLOCK 1 OF RAMOS ADDITION, as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 808 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 695 feet across a 40 foot closed road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 14, Block 1 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 350 feet along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 20, Block 1 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 20 and 21, Block 1, to the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 20, Block 1, and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 350 feet along the northwest boundary of a 40 foot dedicated road and the southeast boundary of Lots 20 through 14 to a point at the south corner of Lot 14, Block 1 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the southwest boundary of Lot 14 to the POINT OF BEGINNING.

TRACT XIII, PARCEL C:

Parcel C being composed of LOTS 16, 17 AND 18, BLOCK 2 OF RAMOS ADDITION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above and being the third corner described in Tract I;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 795 feet across a 40 foot closed road, along the southeast boundary of a 16 foot dedicated alley and across a 30 foot dedicated road and along the northwest line of Lots 14 and 15, Block 2, Ramos Addition to a point located at the west corner of Lot 16, Block 2, Ramos Addition, for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 150 feet along the northwest boundary of Lots 16, 17 and 18, Block 2 and along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 18, Block 2 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 18 and 19, Block 2 to a point at the east corner of Lot 18, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 150 feet along the southeast boundary of Lots 18, 17 and 16, Block 2 and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to a point located at the south corner of Lot 16, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 16 and 15, Block 2 to the POINT OF BEGINNING.

TRACT XIII, PARCEL D:

Parcel D being composed of LOT 23, BLOCK 2 OF RAMOS ADDITION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 1145 feet across a 40 foot closed road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 23, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 50 feet along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 23, Block 2 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 23 and 24, Block 2 to a point located at the east corner of Lot 23, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 50 feet along the southeast boundary of Lot 23, Block 2 and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to the south corner of Lot 23, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 22 and 23 to the POINT OF BEGINNING.

TRACT XIII, PARCEL E:

Parcel E being composed of LOT 24, BLOCK 3 OF RAMOS SUBDIVISION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 808 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 515 feet, across a closed 40 foot road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 24, Block 3 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 50 feet to a point at the north corner of Lot 24, Block 3 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 24 and 25 to a point at the east corner of Lot 24, Block 3 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 50 feet along the northwest boundary of a 40 foot dedicated road to a point at the south corner of Lot 24, Block 3 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 24 and 23 to the POINT OF BEGINNING.

TRACT XIV - PARCEL A

Parcel A being composed of LOTS 19 AND 20, BLOCK 2 OF RAMOS ADDITION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 945 feet across a 40 foot closed road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 19, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 100 feet along the southeast boundary of a 16 foot dedicated alley to a point at the north corner of Lot 20, Block 2 for the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the common boundary between Lots 20 and 21, Block 2 to a point located at the east corner of Lot 20, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 100 feet along the southeast boundary of Lots 19 and 20, Block 2, and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to the south corner of Lot 19, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 18 and 19 to the POINT OF BEGINNING containing 13,200 square feet (0.3030 acres), more or less.

TRACT XIV-PARCEL B

Parcel B being composed of LOTS 25 AND 26, BLOCK 2 OF RAMOS ADDITION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a 5/8 inch iron rod set for the north corner of Land block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above and being the third corner described in Tract I;

THENCE S 56° 52' 03" E, a distance of 1128 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 33° 07' 57" E, a distance of 1245 feet across a 40 foot dedicated road and along the southeast boundary of a 16 foot dedicated alley to a point at the west corner of Lot 25, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 33° 07' 57" E, a distance of 75 feet to a point located at the north corner of Lot 26, Block 2 and the north corner of this tract;

THENCE S 56° 52' 03" E, a distance of 132 feet along the northeast boundary of Block 2, Ramos Addition and the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 26, Block 2 and the east corner of this tract;

THENCE S 33° 07' 57" W, a distance of 75 feet along the southeast boundary of Lots 26 and 25, Block 2 and along the northwest boundary of a 60 foot dedicated road (Bay Avenue) to the south corner of Lot 25, Block 2 and the south corner of this tract;

THENCE N 56° 52' 03" W, a distance of 132 feet along the common boundary between Lots 24 and 25 to the POINT OF BEGINNING containing 9.900 square feet (0.2273 acres), more or less.

TRACT XIV - PARCEL C

Parcel C being composed of LOTS 1 AND 2, BLOCK 2 OF RAMOS ADDITION as shown by map or plat recorded in Volume 1, Page 5, Map Records, San Patricio County, Texas; and being more particularly described by metes and bounds as follows:

COMMENCING at a one inch iron pipe located at the north corner of Land Block F-F, Burton and Danforth Subdivision; said corner being an inside corner of Tract I described above and being the third corner described in Tract I;

THENCE S 55° 23' 00" E, a distance of 980 feet along the northeast boundary of Land Block F-F to a point;

THENCE N 34° 37' 00" E, a distance of 1245 feet across a 40 foot closed road, along the northwest boundary of Block 4 and Block 2, Ramos Addition, and along the southeast boundary of a 40 foot dedicated road to a point located at the west corner of Lot 2, Block 2 for the POINT OF BEGINNING of the tract of land herein described;

THENCE continuing N 34° 37' 00" E, a distance of 75 feet along the northwest boundary of Block 2 and the southeast boundary of a 40 foot dedicated road to a point in the north corner of Lot 1, Block 2 and the north corner of this tract;

THENCE S 55° 23' 00" E, a distance of 132 feet along the northeast boundary of Block 2, Ramos Addition and the southwest boundary of a 40 foot dedicated road to a point at the east corner of Lot 1, Block 2 and east corner of this tract;

THENCE S 34° 37' 00" W, a distance of 75 feet along the southeast boundary of Lots 1 and 2, Block 2 and along the northwest boundary of a 16 foot dedicated alley to the south corner of Lot 2, Block 2 and the south corner of this tract;

THENCE N 55° 23' 00" W, a distance of 132 feet along the common boundary between Lots 2 and 3, Block 2 to the POINT OF BEGINNING containing 9,900 square feet (0.2273 acres), more or less.

TRACT XV - PARCEL A

A tract of land containing approximately 4.1139 acres of land being all of the SOUTHWEST ONE-HALF OF FARM LOT FOUR (4), LAND BLOCK "Q," BURTON & DANFORTH SUBDIVISION, an Addition in San Patricio County, Texas, as shown by map or plat thereof recorded in Volume 1, Pages 62-63, Map Records of Aransas County, Texas, a photocopy of said map or plat also being recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas, to which reference is here made for all pertinent purposes, and being more particularly described by metes and bounds as follows:

BEGINNING at the Southeast corner of said Lot Four (4), Block "Q" said point lying in the West right-of-way line of FM 2725 and the North right-of-way line of a 40-foot wide dedicated roadway, for the POINT OF BEGINNING and Southeast corner of this tract;

THENCE, North 56° 44' 09 West along the northeast right of-way line of a foot dedicated road and the south line of said Lot Four (4), Block "Q" a distance of 280 feet to a 5/8 inch iron rod set for the east corner of this tract;

THENCE, North 33° 15' 51" East, a distance of 640 feet along the northwest boundary of Lot 4, Section "Q" and the southeast boundary of Lot 5, Section "Q" to a point for the north corner of this tract;

THENCE, South 56° 44' 09" East, a distance of 280 feet to an iron rod set for the north right-of-way line of FM 2725 for the east corner of this tract;

THENCE, South 33° 15' 51 West, along the northwest right-of-way of FM 2725, a distance of 640 feet to the POINT OF BEGINNING of this tract, containing 4.1139 acres of land, more or less.

TRACT XV - PARCEL B

A tract of land containing approximately 3.0854 acres of land, being all of the southerly 480.0 feet of the NORTHERLY ONE-HALF OF FARM LOT FOUR (4), LAND BLOCK "Q" BURTON & DANFORTH SUBDIVISION, San Patricio County, Texas, as shown by map or plat thereof recorded in Volume 1, Pages 62-63, Map Records of Aransas County, Texas, a photocopy of said map or plat also being recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas, to which reference is here made for all pertinent purposes, and being more particularly described by metes and bounds as follows:

STARTING at the common Northwest corner of Farm Lot Three (3), Land Block "Q," and the Northeast corner of Farm Lot Four (4), Land Block "Q" of said subdivision, said point being in the centerline of Farm to Market Road 2725;

THENCE, North 56° 44' 09" West, a distance of 50.0 feet to a point on the westerly right-of-way line of said FM 2725;

THENCE, South 33° 15' 52" West, along said westerly right-of-way line, a distance of 160.0 feet to a 5/8-inch iron rod set for the POINT OF BEGINNING and Northeast corner of this tract;

THENCE, South 33° 15' 52" West continuing along said right-of-way line, a distance of 482.39 feet to a 5/8-inch iron rod set for the Southeast corner of this tract;

THENCE, North 56° 44' 09" West, a distance of 280.0 feet to a 5/8-inch iron rod set on the common boundary line between Farm Lots Four (4) and Five (5) of said Block "Q" for the Southwest corner of this tract;

THENCE, North 33° 21' 35" East, along said common boundary line, a distance of 482.39 feet to a 5/8-inch iron rod set for the Northwest corner of this tract;

THENCE, South 56° 44' 09" East, 280.0 feet to the POINT OF BEGINNING of this tract, containing 3.0854 acres of land, more or less.

TRACT XVI

LOT FIVE (5), BLOCK "Q" BURTON AND DANFORTH SUBDIVISION, in San Patricio County, Texas, as shown by the map or plat thereof prepared by P. L. Telford, dated December 9, 1909, recorded in Volume 1, Pages 62-63, Map Records, Aransas County, Texas; a certified photostatic copy which is recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas; to which reference is hereby made for all pertinent purposes.

TRACT XVII

LOTS SIX (6) AND SEVEN (7), SECTION "Q", BURTON AND DANFORTH SUBDIVISION, situated in San Patricio County, Texas, as shown by map or plat thereof prepared by P. L. Telford, dated December 9, 1900, recorded in Volume 1, Pages 62-63, Map Records, Aransas County, Texas; a certified photostatic copy thereof, recorded in Volume 152, Page 1, Deed Records of San Patricio County, Texas; to which reference is hereby made for all pertinent purposes.

EXHIBIT B

Equipment List

See Attached.

GMF Equipment Listing

Equipment	Description	Other Information
Sullair Rotary Screw Air Compressor	SN # 34133 Model 20-150HP Skid Mounted	Pipemill
Sullair Rotary Screw Air Compressor	SN # 46960FGL Model 20-150HP Skid Mounted	Brought from SY
Compressor Air Sullair Model 20-150H Skid Mounted	SN# 003-125491 Rotary Screw	
(9) Grove TB80 Manlifts	Not in use	
1 lubriants and Fuel truck		
1 Propane Shop Forklift		
Vaccum Truck		
5 yard company trucks	For use within the Yard	
Electic Stand up Forklift W/Charger		
Equipment Warehouse 262 Pallet Storage Racks	Some damage from Harvey	
Yale Dbl Girder OH Bridge Crane	SN#NA 72' Span in Pipe Mill	20 Ton Capacity Pendent Control
Kranco Dbl Girder OH Bridge Crane	SN#8255 72' Span in Fab Shop 1	10Ton Capacity Pendent Control
Gaffey Single Girder OH Bridge Crane	SN#NA in Fab Shop 2	20 Ton Capacity Pendent Control
Demag Dbl Girder OH Bridge Crane	SN#NA in Roto Blast Area	20 Ton Capacity Pendent Control
Single Girder OH Bridge Crane	SN# NA 16' Span in Brace Rack Area	Coffing 3 Ton Capacity Pendent Cont
Single Girder OH Bridge Crane	SN#NA 16' Span in Brace Rack Area	Coffing 3 Ton Capacity Pendent Cont
Pipe Mill Craneway 100' Span	M&E 6003 Landel OH Bridge Crane 15-1330	30 Ton Capacity
Pipe Mill Extension Craneway 72' Span	M&E 6004 Yale OH Bridge Crane 15-9947	20 Ton
Fab Shop 1 Craneway 52' Span	M&E 6005 Yale OH Bridge Crane 15-1718	15 Ton
Fab Shop 1 Craneway 72' Span	M&E 6006 Demag OH Bridge Crane 15-1782	30 Ton
Pipe Shop Craneway 50' Span	M&E 6013 Gaffney OH Bridge Crane 15-2377	3 Ton
Pipe Mill Overhead Gantry Type Crane	SN# NA 25' Span 20Ton Demag Wire Rope Hoist	Pendent Control 250' Rail
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6324285 4 Welding Heads Horizontal&Vertical	Lincoln Idealarc DC1000 Power
Pipe Mill Landel Overhead Traveling Bridge Crane	SN# A1465 A1466 20Ton Wire Rope Hoist	Pendent Control , Top Running
Pipe Mill Column Mounted JIB Crane 20' Arm	SN# NA 8" I Beam W Harrington 3Ton Chain Hoist	
Pipe Mill Landel Gantry OH Double Girder Crane	SN# NA 20 Ton Wire Rope Hoist Pendent Control	Track Mounted 4HP Gantry Drive Mtr
Pipe Mill Demag Dbl Girder OH Bridge Crane	SN# NA 100' Span Demag 20Ton Wire Rope Hoist	Pendent Control , Top Running
Fab Shop 1 Demag Dbl Girder OH Bridge Crane	SN# NA 72'Span 15Ton Demag Wire Rope Hoist	
Fab Shop 1 Demag Single Girder Bridge Crane	SN# 85863 52' Span Dmag Underslung Hoist	10Ton Capacity Pendent Control
Fab Shop 1 Proserve DBL Girder Bridge Crane	SN# 880019152 52'Span Underslung Wire Hoist	20 Ton Capacity Pendent Control
Fab Shop 1 Kranco Dbl Girder OH Bridge Crane	SN#NA 72'Span Kranco 15Ton Wire Rope Hoist	
Fab Shop 1 Proserve Single Girder OH Bridge Crane	Sn#NA 880039581 72' Span Under Slung Wire Hoist	10Ton Capacity Pendent Control
New Fab Building Kranco Dbl Girder OH Bridge Crane	SN#4988 134' Span 35Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
New Fab Building Kranco DBL Girder OH Crane	SN# 4996 122' Span 20 Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
New Fab Building Kranco Dbl Girder OH Crane	SN# 4997 122' Span 20 Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
Pipe Shop Single Girder OH Bridge Crane	SN#NA 50' Span Shawbox Liftech Under Slung Hoist	Wire Rope 3Ton Capacity
Pipe Shop Single Girder OH Crane 50' Span	SN#NA Budget Under Slung Hoist	3 Ton Capacity Pendent Control
Fab Shop 2 Demag Single Girder OH Crane	SN# 85125 35' Span Underslung Wire Rope Hoist	10Ton Capacity Pendent Control
Roto Blast Area 1998 Panborn Descaling System	SN# 980417 Reclamation System #981033	Roller Infeed Conveyor 65'X35'
Roto Blast Sullair Air Compressor LS25S-350HAC	SN#003-125490 Pneumatech Air Dryer ADS-1700	Skid Mounted Piping & Wiring
Roto Blast Yale DBL Girder OH Bridge Crane	SN# NA 35' Span Yale 20Ton Wire Rope Hoist	5Ton Auxillary Hoist Pendent Contrl
Paint Building Equipment 4 Metalizing Machines	SN#NA Lincoln Welding/Power Source Graco Pumps	CLEMCO Sandblasting &Pressure Paint
Paint Building Drive thru Paint Booth 25'X128'	SN#NA Fluid Air System Exhaust Recovery System	McQuay Dehimidifying System
Pipe Mill DBL Girder OH Bridge Crane 75' Span	SN#NA 30Ton Demag Wire Rope Hoist	Top Running 600" Rail
Ice House with 5 ice machines.		
Pipe Mill Bertsch Plate Bending Rolls Model 30	Sn# NA Horsburgh Speed Reducer	2 Rolls 15"X18"X10' Operator Contrl
Lincoln Power Wave AC/DC U1140102103		
Lincoln Power Wave AC/DC U1131010807		
Pipe Mill Bertsch 34 Plate Roll		
Roto-Blast Conveyor System		
Brace Rack Fit Up Line #1 Kicker Arms	Modify to add 4 241/4"X6" 3000 PSI Cylinders	
Paint Still Finish Thompson Model L55IIE	Serial # 13490 K08	
Pipe MIll Station 25 Kicker Arm	12 CE-031 100 Ton Kicker/Turning Roll/Idler	
(4) N7500 Gouging Systems		
Pipe Mill Ransome Welding Manipulator	SN# 6224168 & 6624280 Single Welding Head	
Pipe Mill 1979 Ransome Welding Manipulator	SN# 6324279 Four Welding Heads	
Pipe Mill Ransome Welding Fit Up Car 50 Ton	SN# NA 8.5'X27' 4 Sets Steel Idler Rolls Size D	
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6244284 Trimmimg 27' 4 O2 Acetylene Torch Head	
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224178&6624177 1978 Ransome Fit Up Car	
Pipe Mill 1978 Ransome Welding Manipulator Mod SHD	SN# 9424119&6624176 W/Fit Up Car 45' Rail	
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224120&6624121 W Ransome Fit Up Car	Lincoln Idealarc DC1000 Power
Pipe Mill 1978 Ransome Welding Manipulator	Sn# 6224175&6624122 Models NA3N & NA4	Lincoln Idealarc DC1000 Power
Ransome Welding Fit-Up Car Model XHD 50Ton	SN# NA 4 Sets Steel Idler Rolls 2 Sets Power Rolls	Hydraulic Conveyor Lifting Arms
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224172 & 6724283 Horizontal &Vertical Travel	Pipe Mill Lincoln Idealarc DC1000
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6324285 4 Welding Heads Horizontal&Vertical	Lincoln Idealarc DC1000 Power
Fab Shop 1 1985 AccuPress Brake 1000Ton	SN# 7791 Model 71000 12.5' Bed Elcetronics	
Fab Shop 1 Giddings&Lewis Bickford Model 956	Sn# 910576 18" Diameter Column 7'Arm	L Shaped Base 2 Box Tables
Fab Shop1 1972 Pacific Hydraulic Squaring Shear	SN# NA Model 750R10 3X4X10'	
Fab Shop 1Scotchman Iron Worker Model 12012 5HP	SN# NA 120Ton Punch 12"Throat Bar Shear 24"	Angle Attachment Foot Switch
Brace Rack 1995 Vernon Profiling Machine	SN#6057 Pak 45 Plasma Cutting System	13 Roll Pipe Rack System
Brace Rack 2004 Vernon Profiling Machine	SN# 6126 Turning Roll & Conveyor Table	Power Infeed & Discharge Conveyors
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Fab Shop #2 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
WHS #1 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #2 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #4 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #3	Electrical spare parts,misc. spare parts,and motors sm tool repair.	
Rigging Shack	Misc. wire slings,nylon straps, and shackles	
Millwrights Shop	Small tools,spare parts for equipment	
Lift, Floor Mounted Automobile Electric	SN# NA Hydraulic Chain Drive	Maintenance Garage Equipment
Freon Recovery Recharging System Snap-On	SN# NA Model ATC3340	Maintenance Garage Equipment
Crane, Gantry Shop A-Frame Portable	SN# NA 8' Span 1Ton Electric Chain Hoist	Maintenance Garage Equipment

GMF Equipment Listing

Equipment	Description	Other Information
Sullair Rotary Screw Air Compressor	SN # 34133 Model 20-150HP Skid Mounted	Pipemill
Sullair Rotary Screw Air Compressor	SN # 46960FGL Model 20-150HP Skid Mounted	Brought from SY
Compressor Air Sullair Model 20-150H Skid Mounted	SN# 003-125491 Rotary Screw	
(9) Grove TB80 Manlifts	Not in use	
1 lubriants and Fuel truck		
1 Propane Shop Forklift		
Vaccum Truck		
5 yard company trucks	For use within the Yard	
Electic Stand up Forklift W/Charger		
Equipment Warehouse 262 Pallet Storage Racks	Some damage from Harvey	
Yale Dbl Girder OH Bridge Crane	SN#NA 72' Span in Pipe Mill	20 Ton Capacity Pendent Control
Kranco Dbl Girder OH Bridge Crane	SN#8255 72' Span in Fab Shop 1	10Ton Capacity Pendent Control
Gaffey Single Girder OH Bridge Crane	SN#NA in Fab Shop 2	20 Ton Capacity Pendent Control
Demag Dbl Girder OH Bridge Crane	SN#NA in Roto Blast Area	20 Ton Capacity Pendent Control
Single Girder OH Bridge Crane	SN# NA 16' Span in Brace Rack Area	Coffing 3 Ton Capacity Pendent Cont
Single Girder OH Bridge Crane	SN#NA 16' Span in Brace Rack Area	Coffing 3 Ton Capacity Pendent Cont
Pipe Mill Craneway 100' Span	M&E 6003 Landel OH Bridge Crane 15-1330	30 Ton Capacity
Pipe Mill Extension Craneway 72' Span	M&E 6004 Yale OH Bridge Crane 15-9947	20 Ton
Fab Shop 1 Craneway 52' Span	M&E 6005 Yale OH Bridge Crane 15-1718	15 Ton
Fab Shop 1 Craneway 72' Span	M&E 6006 Demag OH Bridge Crane 15-1782	30 Ton
Pipe Shop Craneway 50' Span	M&E 6013 Gaffney OH Bridge Crane 15-2377	3 Ton
Pipe Mill Overhead Gantry Type Crane	SN# NA 25' Span 20Ton Demag Wire Rope Hoist	Pendent Control 250' Rail
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6324285 4 Welding Heads Horizontal&Vertical	Lincoln Idealarc DC1000 Power
Pipe Mill Landel Overhead Traveling Bridge Crane	SN# A1465 A1466 20Ton Wire Rope Hoist	Pendent Control , Top Running
Pipe Mill Column Mounted JIB Crane 20' Arm	SN# NA 8" I Beam W Harrington 3Ton Chain Hoist	
Pipe Mill Landel Gantry OH Double Girder Crane	SN# NA 20 Ton Wire Rope Hoist Pendent Control	Track Mounted 4HP Gantry Drive Mtr
Pipe Mill Demag Dbl Girder OH Bridge Crane	SN# NA 100' Span Demag 20Ton Wire Rope Hoist	Pendent Control , Top Running
Fab Shop 1 Demag Dbl Girder OH Bridge Crane	SN# NA 72'Span 15Ton Demag Wire Rope Hoist	
Fab Shop 1 Demag Single Girder Bridge Crane	SN# 85863 52' Span Dmag Underslung Hoist	10Ton Capacity Pendent Control
Fab Shop 1 Proserve DBL Girder Bridge Crane	SN# 880019152 52'Span Underslung Wire Hoist	20 Ton Capacity Pendent Control
Fab Shop 1 Kranco Dbl Girder OH Bridge Crane	SN#NA 72'Span Kranco 15Ton Wire Rope Hoist	
Fab Shop 1 Proserve Single Girder OH Bridge Crane	Sn#NA 880039581 72' Span Under Slung Wire Hoist	10Ton Capacity Pendent Control
New Fab Building Kranco Dbl Girder OH Bridge Crane	SN#4988 134' Span 35Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
New Fab Building Kranco DBL Girder OH Crane	SN# 4996 122' Span 20 Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
New Fab Building Kranco Dbl Girder OH Crane	SN# 4997 122' Span 20 Ton Wire Rope Hoist	Pendent Cntrl 5Ton Auxillary Hoist
Pipe Shop Single Girder OH Bridge Crane	SN#NA 50' Span Shawbox Liftech Under Slung Hoist	Wire Rope 3Ton Capacity
Pipe Shop Single Girder OH Crane 50' Span	SN#NA Budget Under Slung Hoist	3 Ton Capacity Pendent Control
Fab Shop 2 Demag Single Girder OH Crane	SN# 85125 35' Span Underslung Wire Rope Hoist	10Ton Capacity Pendent Control
Roto Blast Area 1998 Panborn Descaling System	SN# 980417 Reclamation System #981033	Roller Infeed Conveyor 65'X35'
Roto Blast Sullair Air Compressor LS25S-350HAC	SN#003-125490 Pneumatech Air Dryer ADS-1700	Skid Mounted Piping & Wiring
Roto Blast Yale DBL Girder OH Bridge Crane	SN# NA 35' Span Yale 20Ton Wire Rope Hoist	5Ton Auxillary Hoist Pendent Contrl
Paint Building Equipment 4 Metalizing Machines	SN#NA Lincoln Welding/Power Source Graco Pumps	CLEMCO Sandblasting &Pressure Paint
Paint Building Drive thru Paint Booth 25'X128'	SN#NA Fluid Air System Exhaust Recovery System	McQuay Dehimidifying System
Pipe Mill DBL Girder OH Bridge Crane 75' Span	SN#NA 30Ton Demag Wire Rope Hoist	Top Running 600" Rail
Ice House with 5 ice machines.		
Pipe Mill Bertsch Plate Bending Rolls Model 30	Sn# NA Horsburgh Speed Reducer	2 Rolls 15"X18"X10' Operator Contrl
Lincoln Power Wave AC/DC U1140102103		
Lincoln Power Wave AC/DC U1131010807		
Pipe Mill Bertsch 34 Plate Roll		
Roto-Blast Conveyor System		
Brace Rack Fit Up Line #1 Kicker Arms	Modify to add 4 241/4"X6" 3000 PSI Cylinders	
Paint Still Finish Thompson Model L55IIE	Serial # 13490 K08	
Pipe MIll Station 25 Kicker Arm	12 CE-031 100 Ton Kicker/Turning Roll/Idler	
(4) N7500 Gouging Systems		
Pipe Mill Ransome Welding Manipulator	SN# 6224168 & 6624280 Single Welding Head	
Pipe Mill 1979 Ransome Welding Manipulator	SN# 6324279 Four Welding Heads	
Pipe Mill Ransome Welding Fit Up Car 50 Ton	SN# NA 8.5'X27' 4 Sets Steel Idler Rolls Size D	
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6244284 Trimmimg 27' 4 O2 Acetylene Torch Head	
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224178&6624177 1978 Ransome Fit Up Car	
Pipe Mill 1978 Ransome Welding Manipulator Mod SHD	SN# 9424119&6624176 W/Fit Up Car 45' Rail	
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224120&6624121 W Ransome Fit Up Car	Lincoln Idealarc DC1000 Power
Pipe Mill 1978 Ransome Welding Manipulator	Sn# 6224175&6624122 Models NA3N & NA4	Lincoln Idealarc DC1000 Power
Ransome Welding Fit-Up Car Model XHD 50Ton	SN# NA 4 Sets Steel Idler Rolls 2 Sets Power Rolls	Hydraulic Conveyor Lifting Arms
Pipe Mill 1978 Ransome Welding Manipulator	SN# 6224172 & 6724283 Horizontal &Vertical Travel	Pipe Mill Lincoln Idealarc DC1000
Pipe Mill 1978 Ransome Welding Manipulator Gantry	SN# 6324285 4 Welding Heads Horizontal&Vertical	Lincoln Idealarc DC1000 Power
Fab Shop 1 1985 AccuPress Brake 1000Ton	SN# 7791 Model 71000 12.5' Bed Elcetronics	
Fab Shop 1 Giddings&Lewis Bickford Model 956	Sn# 910576 18" Diameter Column 7'Arm	L Shaped Base 2 Box Tables
Fab Shop1 1972 Pacific Hydraulic Squaring Shear	SN# NA Model 750R10 3X4X10'	
Fab Shop 1Scotchman Iron Worker Model 12012 5HP	SN# NA 120Ton Punch 12"Throat Bar Shear 24"	Angle Attachment Foot Switch
Brace Rack 1995 Vernon Profiling Machine	SN#6057 Pak 45 Plasma Cutting System	13 Roll Pipe Rack System
Brace Rack 2004 Vernon Profiling Machine	SN# 6126 Turning Roll & Conveyor Table	Power Infeed & Discharge Conveyors
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
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Pipe Mill 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
Fab Shop #2 1998 Romar Welding Manipulator	SN#NA Model Rm5040SHD ESAB UEC-8 Wire Feed	Lincoln Idealarc DC1000 Power
WHS #1 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #2 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #4 Small tools,consumables items,and spare parts	Small tools,consumables items,and spare parts	
WHS #3	Electrical spare parts,misc. spare parts,and motors sm tool repair.	
Rigging Shack	Misc. wire slings,nylon straps, and shackles	
Millwrights Shop	Small tools,spare parts for equipment	
Lift, Floor Mounted Automobile Electric	SN# NA Hydraulic Chain Drive	Maintenance Garage Equipment
Freon Recovery Recharging System Snap-On	SN# NA Model ATC3340	Maintenance Garage Equipment
Crane, Gantry Shop A-Frame Portable	SN# NA 8' Span 1Ton Electric Chain Hoist	Maintenance Garage Equipment

EXHIBIT C

Seller Account Information

ACH INSTRUCTIONS:

Bank: Hancock Whitney National Bank

Routing #: 065400153

Account No.: 49811516

Account Name: Gulf Marine Fabricators, L.P.

Contact: Robert Wallis, Controller

Federal Tax ID: 20-4153734

Swift Code: WHITUS44

EXHIBIT D

Form of Deed

See Attached.

{N3644631.17}

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

SPECIAL WARRANTY DEED

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF SAN PATRICIO §

THAT, **Gulf Marine Fabricators, L.P.,** a Texas limited partnership (hereinafter referred to as "Grantor"), for the sum of Ten and No/100 ($10.00) Dollars and other good and valuable cash consideration in hand paid by **Berry Contracting, L.P.,** a Texas limited partnership, dba Bay, Ltd. (hereinafter referred to as "Grantee"), whose mailing address is 5005 Riverway, Suite 440, Houston, Texas, 77056, the receipt and sufficiency of which are hereby acknowledged, has granted, sold and conveyed, and by these presents does grant, sell and convey, unto Grantee that certain tract or parcel of land, more particularly described on <u>Exhibit "A"</u> attached hereto and made a part hereof for all purposes together with all improvements thereon and all rights, privileges, and appurtenances pertaining to the land, including all right, title and interest of Grantor in and to any adjacent streets, alleys, strips, gores, easements, and air and subsurface rights, and rights-of-way (hereinafter referred to collectively as the "Property").

This Special Warranty Deed and the conveyance hereinabove is made and accepted subject to those matters listed on <u>Exhibit "B"</u> attached hereto (collectively, the "Permitted Exceptions"). Ad valorem taxes for the current year have been prorated as of the date hereof based on current tax information and are hereby assumed by Grantee.

Grantee acknowledges that Grantee has independently and personally inspected the Property. The Property is hereby conveyed to and accepted by Grantee in its present condition, "**AS IS, WITH ALL FAULTS, AND EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED HEREIN, AND AS SET FORTH IN THAT CERTAIN AGREEMENT OF SALE BETWEEN GRANTOR AND GRANTEE DATED _________, 2018, IS WITHOUT ANY WARRANTY WHATSOEVER, EXPRESS OR IMPLIED AS TO THE PHYSICAL CONDITION OF THE PROPERTY, SUITABILITY FOR ANY PARTICULAR PURPOSE, OR MERCHANTABILITY**." **GRANTEE HEREBY EXPRESSLY WAIVES ANY AND ALL IMPLIED WARRANTIES UNDER TEXAS LAW**.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, GRANTEE HEREBY EXPRESSLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED HEREIN, AND AS SET FORTH IN THAT CERTAIN AGREEMENT OF SALE BETWEEN GRANTOR AND GRANTEE DATED _________, 2018, NEITHER GRANTOR, NOR ANY PARTY, WHOMSOEVER, ACTING OR PURPORTING TO ACT IN ANY CAPACITY WHATSOEVER ON BEHALF OF

GRANTOR, HAS MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, AS TO: (A) THE PROPERTY BEING FREE FROM ANY DEFECTS OR VICES; (B) THE CONDITION OR STATE OF REPAIR OF THE PROPERTY (INCLUDING BUT NOT LIMITED TO THE ENVIRONMENTAL CONDITION OF THE PROPERTY); (C) ANY HAZARDOUS SUBSTANCES OR MATERIALS (WHICH INCLUDES ALL SUBSTANCES AND MATERIALS LISTED AS SUCH BY APPLICABLE LAW, ANY POLLUTANTS OR CONTAMINANTS, WHETHER HARMFUL OR NOT, MOLD, ASBESTOS AND NATURALLY-OCCURRING BUT HARMFUL SUBSTANCES (SUCH AS METHANE OR RADON) NOT HAVING BEEN RELEASED OR NOT EXISTING ON, IN, UNDER, ABOVE, UPON OR IN THE VICINITY OF THE PROPERTY; (D) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF THE PROPERTY, INCLUDING BUT NOT LIMITED TO, THE SOILS AND GEOLOGY; (E) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITIONS OF ANY ELECTRICAL, MECHANICAL, PLUMBING, SEWAGE AND UTILITY SYSTEMS AND FACILITIES SERVING THE PROPERTY; (F) THE HABITABILITY OF THE PROPERTY; (G) THE MERCHANTABILITY OF TITLE TO THE PROPERTY, (H) THE FITNESS, SUITABILITY OR ADEQUACY OF THE PROPERTY FOR ITS ORDINARY USE OR ANY INTENDED USE OR PARTICULAR PURPOSE; (I) THE DEVELOPMENT POTENTIAL OF THE PROPERTY, (J) ANY ACCESS TO THE PROPERTY; (K) THE ZONING OR OTHER LEGAL STATUS OF THE PROPERTY; AND (L) THE PROPERTY'S COMPLIANCE WITH ANY APPLICABLE CODES, LAWS, REGULATIONS, STATUTES, ORDINANCES, COVENANTS, CONDITIONS, AND RESTRICTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL ENTITY OR OF ANY OTHER PERSON OF ENTITY.

GRANTEE HEREBY RELEASES GRANTOR FROM ANY CLAIMS, DEMANDS, LIABILITIES, COSTS OR SUITS UNDER OR PURSUANT TO 42 U.S.C. § 9601, ET SEQ., 42 U.S.C. § 7401, ET SEQ., 42 U.S.C. § 6901, ET SEQ., 33 U.S.C. §1251, ET SEQ., AND 15 U.S.C. §2601 ET SEQ., TOGETHER WITH ANY AND ALL CLAIMS, DEMANDS, SUITS OR LITIGATION UNDER ANY OTHER APPLICABLE LAWS, STATUTES, RULES OR REGULATIONS AS THE SAME MAY FROM TIME TO TIME BE AMENDED, RELATING TO ANY CONTAMINATION ON, IN OR UNDER THE PROPERTY, AND ALL OTHER ENVIRONMENTAL OR HAZARDOUS SUBSTANCE LIABILITIES OF ANY KIND AND NATURE, WHATSOEVER, INCLUDING, WITHOUT LIMITATION, (A) ALL FORESEEABLE AND UNFORESEEABLE DAMAGES OF ANY KIND OR NATURE AND (B) THE COSTS OF ANY REQUIRED OR NECESSARY INVESTIGATION, STUDY, REPAIR, CLEAN-UP AND/OR DETOXIFICATION UNDER ANY LAW, STATUTE, RULE, REGULATION, ORDINANCE OR DECREE. GRANTEE HEREBY AGREES TO COMPLY WITH ALL SUCH LAWS, STATUTES, RULES, REGULATIONS, ORDINANCES OR DECREES IN SUCH MANNER THAT NO SUCH LIABILITY OR CLAIMS WILL BE ASSERTED AGAINST GRANTOR.

TO HAVE AND TO HOLD the Property, together with all and singular the rights and appurtenances thereto in anywise belonging, unto Grantee and Grantee's successors and assigns, and subject to the Permitted Exceptions, Grantor does hereby bind Grantor, and Grantor's successors and assigns, to Warrant and Forever Defend all and singular the Property unto Grantee and Grantee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor by not otherwise.

Grantee appears here and expressly agrees that it is acquiring the Property from Grantor under the terms and conditions set forth in this Special Warranty Deed.

[signature on the following page]

EXECUTED effective as of the ___ day of ___________, 2018.

GRANTOR: Gulf Marine Fabricators, L.P.,
a Texas limited partnership

By: Gulf Marine Fabricators General Partner, L.L.C.,
a Texas limited liability company

By: ____________
Name: ______________________________
Title: _______________________________

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF _______________ §

This instrument was acknowledged before me on _________________, 2018 by _____________________________, the ______________ of Gulf Marine Fabricators General Partner, L.L.C., a Texas limited liability company, the general partner of Gulf Marine Fabricators, L.P., a Texas limited partnership.

____
Notary Public

My Commission Expires:

{N3644631.17}

GRANTEE: BERRY CONTRACTING, L.P.,
a Texas limited partnership, dba Bay, Ltd.

By: ____________

Name: _________________________________
Title: __________________________________

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF _______________ §

This instrument was acknowledged before me on ___________________, 2018 by _____________________________, the ______________ of Berry Contracting, L.P., a Texas limited partnership.

____
Notary Public

My Commission Expires:

{N3644631.17}

EXHIBIT E

Form of Bill of Sale

See Attached.

{N3644631.17}

BILL OF SALE

THIS BILL OF SALE (this "Bill of Sale") is made and entered into as of September 26, 2018 (the "Effective Date'") by Gulf Marine Fabricators, L.P., a Texas limited partnership ("Seller"), and Berry Contracting, L.P., a Texas limited partnership, dba Bay, Ltd. ("Buyer").

RECITALS

WHEREAS, Seller and Buyer have agreed that Buyer will acquire from Seller the equipment (the "Equipment") described on Exhibit A attached hereto and made a part hereof, pursuant to that Agreement of Sale dated as of September 26, 2018 ("Agreement of Sale"); and

WHEREAS, to consummate such transaction, Seller and Buyer have agreed to enter into this Bill of Sale on the terms and conditions set forth below.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, Seller and Buyer, intending to be legally bound, hereby agree as follows:

Section (1) **Transfer of Equipment**. For and in consideration of TEN DOLLARS AND NO/100 ($10.00) and other good and valuable consideration stated in the Agreement of Sale, the receipt and sufficiency of which is hereby acknowledged, Seller hereby grants, sells, transfers, conveys, assigns and delivers unto Buyer, to have and to hold forever, all of Seller's right, title and interest in and to the Equipment together with all distributor's or manufacturer's warranties and service contracts related to the Equipment. Buyer shall bear the risk of loss on the Equipment from the Effective Date.

Section 2. **Disclaimer and Waiver of Warranties; Releases.** BUYER TAKES THE EQUIPMENT **"AS IS" AND "WHERE IS,"** WITH ALL FAULTS, AND WITHOUT ANY WARRANTIES OR REPRESENTATIONS FROM SELLER WHATSOEVER, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES WITH RESPECT TO TITLE, CONDITION, OPERATION, DESIGN, MAINTENANCE, REPAIR OR USEFULNESS OF THE EQUIPMENT OR THAT THE EQUIPMENT IS FIT FOR ANY PARTICULAR PURPOSE OR ANY ORDINARY OR INTENDED USE. BUYER HEREBY ACKNOWLEDGES AND AGREES THAT IT HAS EXAMINED, INSPECTED AND EVALUATED THE EQUIPMENT AS OF THE EFFECTIVE DATE AND THAT IT IS RELYING SOLELY ON ITS OWN EXAMINATION, INSPECTION AND EVALUATION OF THE EQUIPMENT AND NOT UPON ANY WARRANTIES OR REPRSENTATIONS OF SELLER OR ANY OTHER PERSON OR ENTITY ACTING ON BEHALF OF SELLER. SELLER HEREBY EXPRESSLY DISCLAIMS, AND BUYER HEREBY WAIVES AND RELEASES SELLER FROM, ANY AND ALL IMPLIED WARRANTIES UNDER TEXAS LAW WITH RESPECT TO TITLE, CONDITION, OPERATION, DESIGN, MAINTENANCE, REPAIR OR USEFULNESS OF THE EQUIPMENT.

FURTHER TO THE FOREGOING, BUYER HEREBY FOREVER RELEASES AND DISCHARGES SELLER, ITS AFFILIATES AND THE OWNERS, MEMBERS, MANAGERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND

REPRESENTATIVES OF EACH OF THE FOREGOING (COLLECTIVELY, THE "SELLER PARTIES"), FROM ANY CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS OR EXPENSES THAT BUYER MAY INCUR OR HAVE AGAINST SELLER OR ANY OF THE OTHER SELLER PARTIES, IN CONNECTION WITH, ARISING OUT OF, OR RELATED TO, DIRECTLY OR INDIRECTLY, THE USE, OWNERSHIP, MAINTENANCE, REPAIR, DISPOSAL, SCRAPPING, CONDITION, OR DESIGN OF THE EQUIPMENT, WHETHER IN CONTRACT OR TORT. BUYER HEREBY AGREES TO DEFEND, INDEMNIFY, AND HOLD HARMLESS SELLER AND THE OTHER SELLER PARTIES, FROM AND AGAINST, ANY AND ALL CLAIMS (INCLUDING ANY THIRD PARTY CLAIMS OR ANY CLAIMS FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSS OF PROFIT OR LOSS OF BUSINESS OPPORTUNITY), DAMAGES, DEMANDS, LIABILITIES, LOSSES, COSTS OR EXPENSES (INCLUDING REASONABLE ATTORNEY'S FEES) OF ANY KIND OR NATURE WHATSOEVER, ACCRUING FROM AND AFTER THE DATE HEREOF, IN CONNECTION WITH, ARISING OUT OF, OR RELATED TO, DIRECTLY OR INDIRECTLY, (A) THE USE, OWNERSHIP, MAINTENANCE, REPAIR, DISPOSAL, SCRAPPING, CONDITION, OR DESIGN OF THE EQUIPMENT, (B) ANY PERSONAL INJURY (INCLUDING DEATH) TO OR DAMAGE TO PROPERTY OF BUYER OR ANY THIRD PARTY CAUSED BY OR INVOLVING THE EQUIPMENT, OR (C) ANY ENVIRONMENTAL POLLUTION OR CONTAMINATION OF ANY KIND OR NATURE WHATSOEVER, AS SPECIFIED UNDER ANY LAW, STATUTE, RULE OR REGULATION OF THE UNITED STATES OF AMERICA, ANY STATE, OR ANY POLITICAL SUBDIVISION THEREOF, RESULTING FROM ANY USE, DISPOSAL OR SCRAPPING OF THE EQUIPMENT.

Section 3. Further Assurances. Seller and Buyer each hereby agree to execute and deliver to each other such other instruments or documents and to do such other acts and things, as the other may reasonably request for the purpose of carrying out the intent and purposes of this Bill of Sale.

Section 4. Successors and Assigns. This Bill of Sale is binding upon, inures to the benefit of, and is enforceable by Seller and Buyer and their successors and assigns.

Section 5. Governing Law. This Bill of Sale shall be governed by the laws of the State of Texas.

Section 6. Counterparts. This Bill of Sale may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signatures delivered by a party by facsimile transmission or by e-mail transmission of an adobe file format document (also known as a PDF file) shall be deemed an original signature hereto.

IN WITNESS WHEREOF, the parties hereto have entered into this Bill of Sale effective as of the Effective Date.

SELLER:

Gulf Marine Fabricators, L.P., a Texas limited partnership

By: Gulf Marine Fabricators General Partner, L.L.C., a Texas limited liability company

By: /s/ Kirk J. Meche
Name: Kirk J. Meche
Title: President and C.E.O.

BUYER:

Berry Contracting, L.P., a Texas limited partnership, dba Bay, Ltd.,

By: /s/ A.L. Berry
Name: A.L. Berry
Title: Vice President

Exhibit 31.1

Certifications

I, Kirk J. Meche, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 8, 2018

/s/ Kirk J. Meche

Kirk J. Meche
President, Chief Executive Officer and Director (Principal Executive Officer)

Exhibit 31.2

Certifications

I, Westley S. Stockton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: November 8, 2018

/s/ Westley S. Stockton

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

Exhibit 32

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

In connection with the Quarterly Report on Form 10-Q of Gulf Island Fabrication, Inc. (the "Company") for the quarter ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, who are the Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to U.S.C. Section 1350, as adopted pursuant to of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

By: /s/ Kirk J. Meche

Kirk J. Meche
President, Chief Executive Officer and Director
(Principal Executive Officer)

November 8, 2018

By: /s/ Westley S. Stockton

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

November 8, 2018

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