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

FORM 10-Q

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

For the quarterly period ended **June 30, 2003**

OR

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

For the transition period from _____ to _____

Commission File Number 0-22303

GULF ISLAND FABRICATION, INC.

(Exact name of registrant as specified in its charter)

LOUISIANA
(State or other jurisdiction of
incorporation or organization)

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

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

70363
(Zip Code)

(985) 872-2100

(Registrant's telephone number, including area code)

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes No

The number of shares of the Registrant's common stock, no par value per share, outstanding at August 11, 2003 was 11,786,018.

GULF ISLAND FABRICATION, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2003	(Note 1) December 31, 2002
(in thousands)		
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,778	\$ 5,667
Short-term investments	8,987	18,783
Contracts receivable, net	44,146	32,131
Contract retainage	1,749	1,842
Costs and estimated earnings in excess of billings on uncompleted contracts	4,770	4,061
Prepaid expenses	789	1,118
Inventory	2,040	1,430
Total current assets	67,259	65,032
Property, plant and equipment, net	58,921	47,471
Other assets	646	645
Total assets	\$ 126,826	\$ 113,148
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 2,210	\$ 1,718
Billings in excess of costs and estimated earnings on uncompleted contracts	7,549	4,317
Accrued employee costs	3,233	2,769
Accrued expenses	5,397	3,388
Income taxes payable	1,293	513
Total current liabilities	19,682	12,705
Deferred income taxes	6,081	5,467
Total liabilities	25,763	18,172
Shareholders' equity:		
Preferred stock, no par value, 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value, 20,000,000 shares authorized, 11,783,518 and 11,745,414 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	4,315	4,266
Additional paid-in capital	37,058	36,561
Retained earnings	59,690	54,149
Total shareholders' equity	101,063	94,976
Total liabilities and shareholders' equity	\$ 126,826	\$ 113,148

The accompanying notes are an integral part of these statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue	\$ 44,603	\$ 33,053	\$ 84,176	\$ 60,299
Cost of revenue	39,959	29,573	73,558	54,021
Gross profit	4,644	3,480	10,618	6,278
General and administrative expenses	1,156	1,018	2,334	1,926
Operating income	3,488	2,462	8,284	4,352
Other income (expense):				
Interest expense	(14)	(9)	(23)	(18)
Interest income	49	168	131	328
Other	1	—	4	57
	36	159	112	367
Income before income taxes	3,524	2,621	8,396	4,719
Income taxes	1,203	892	2,855	1,605
Net income before cumulative effect of change in accounting principle	2,321	1,729	5,541	3,114
Cumulative effect of change in accounting principle	—	—	—	(4,765)
Net income (loss)	\$ 2,321	\$ 1,729	\$ 5,541	\$ (1,651)
Per share data:				
Basic earnings (loss) per share:				
Net income before cumulative effect of change in accounting principle	\$ 0.20	\$ 0.15	\$ 0.47	\$ 0.27
Cumulative effect of change in accounting principle	—	—	—	(0.41)
Basic earnings (loss) per share	\$ 0.20	\$ 0.15	\$ 0.47	\$ (0.14)
Diluted income (loss) per share:				
Net income before cumulative effect of change in accounting principle	\$ 0.20	\$ 0.15	\$ 0.47	\$ 0.26
Cumulative effect of change in accounting principle	—	—	—	(0.40)
Diluted earnings (loss) per share	\$ 0.20	\$ 0.15	\$ 0.47	\$ (0.14)
Weighted-average shares	11,778	11,728	11,768	11,718
Effect of dilutive securities: employee stock options	122	126	128	96
Adjusted weighted-average shares	11,900	11,854	11,896	11,814

The accompanying notes are an integral part of these statements.

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
	(in thousands, except share data)				
Balance at January 1, 2003	11,745,414	\$ 4,266	\$ 36,561	\$ 54,149	\$ 94,976
Exercise of stock options	38,104	49	432	—	481
Income tax benefit from exercise of stock options	—	—	65	—	65
Net income	—	—	—	5,541	5,541
Balance at June 30, 2003	11,783,518	\$ 4,315	\$ 37,058	\$ 59,690	\$ 101,063

The accompanying notes are an integral part of these statements.

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

	Six Months Ended June 30,	
	2003	2002
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 5,541	\$ (1,651)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	2,534	2,289
Cumulative effect of change in accounting principle	—	4,765
Deferred income taxes	614	231
Changes in operating assets and liabilities:		
Contracts receivable	(12,015)	(16,838)
Contract retainage	93	949
Costs and estimated earnings in excess of billings on uncompleted contracts	(709)	461
Prepaid expenses, inventory and other assets	(281)	388
Accounts payable	492	3,014
Billings in excess of costs and estimated earnings on uncompleted contracts	3,232	6,526
Accrued employee costs	464	177
Accrued expenses	2,009	682
Income taxes payable	845	543
	<u>2,819</u>	<u>1,536</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Capital expenditures, net	(13,985)	(6,802)
Proceeds from the sale of short-term investments	10,000	—
Purchase of short-term investments	(204)	(268)
	<u>(4,189)</u>	<u>(7,070)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from exercise of stock options	481	315
	<u>481</u>	<u>315</u>
Net cash provided by financing activities		
	<u>(889)</u>	<u>(5,219)</u>
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of period	5,667	11,274
	<u>\$ 4,778</u>	<u>\$ 6,055</u>
Cash and cash equivalents at end of period		
Supplemental cash flow information:		
Interest paid	\$ 23	\$ 26
	<u>\$ 1,396</u>	<u>\$ 903</u>
Income taxes paid		

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE MONTH AND SIX MONTH
PERIODS ENDED JUNE 30, 2003 AND 2002**

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

Gulf Island Fabrication, Inc. (the “Company”), together with its subsidiaries, is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. Structures and equipment fabricated by the Company include jackets and deck sections of fixed production platforms; hull and/or deck sections of floating production platforms (such as TLP’s, SPAR’s and FPSO’s); piles; wellhead protectors; subsea templates; various production, compressor and utility modules; and offshore living quarters. The Company, located in Houma, Louisiana, also provides services such as offshore interconnect pipe hook-up; inshore marine construction; manufacture and repair of pressure vessels; and steel warehousing and sales. The Company’s principal markets are concentrated in the offshore regions of the Gulf of Mexico. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and six-month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

The balance sheet at December 31, 2002 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2002.

NOTE 2 – ACCOUNTING FOR STOCK BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 148 (“SFAS No. 148”), “Accounting for Stock-Based Compensation – Transition and Disclosure – An Amendment of SFAS No. 123,” which amends SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS No. 148 provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity’s accounting policy decisions with respect to stock-based employee compensation. Additionally, SFAS No. 148 amends Accounting Principles Board (“APB”) Opinion No. 28, “Interim Financial Reporting,” to require disclosure about those effects in interim financial information.

The Company elected to continue to apply APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans as the exercise price of all stock options granted thereunder is equal to the fair value at the date of grant. Had compensation costs for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income (loss) and net income (loss) per share for the six-months ended June 30, would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	<u>2003</u>	<u>2002</u>
Reported net income (loss)	\$ 5,541	\$ (1,651)
Add back: Stock compensation costs, net of tax included in the determination of net income reported	—	—
Less: Stock compensation costs, net of tax, had option expense been measured at fair value applied to all awards	360	426
Incremental stock option expense per SFAS No. 123 net of tax	<u>(360)</u>	<u>(426)</u>
Pro forma net income (loss)	<u>\$ 5,181</u>	<u>\$ (2,077)</u>
Weighted-average shares (basic) as reported	11,768	11,718
Adjusted weighted-average shares (diluted) as reported	11,896	11,814
Basic earnings-per-share		
Reported net income (loss)	\$ 0.47	\$ (0.14)
Pro forma net income (loss)	\$ 0.44	\$ (0.18)
Diluted earnings-per-share		
Reported net income (loss)	\$ 0.47	\$ (0.14)
Pro forma net income (loss)	\$ 0.44	\$ (0.18)

NOTE 3 – ACCOUNTING FOR CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued Interpretation No. 46, ("FIN 46") "Consolidation of Variable Interest Entities." FIN 46 requires a company to consolidate a variable interest entity ("VIE"), as defined, when the company will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. FIN 46 also requires consolidation of existing, non-controlled affiliates if the VIE is unable to finance its operations without investor support, or where the other investors do not have exposure to the significant risks and rewards of ownership. FIN 46 applies immediately to a VIE created or acquired after January 31, 2003. For a VIE acquired before February 1, 2003, FIN 46 applies in the first fiscal year or interim period beginning after June 15, 2003. During the second quarter 2003, management has concluded that FIN 46 does not have an impact on the Company's results of operations, financial position or cash flows because the Company currently does not have any VIEs.

Item 2. Management's Discussion and Analysis of Financial Condition And Results of Operations.**Critical Accounting Policies and Estimates**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require the Company to make estimates and assumptions (see Note 1 to the consolidated financial statements included in the annual report on Form 10-K for the year ended December 31, 2002). The Company believes that of its significant accounting policies, the following involve a higher degree of judgement and complexity: revenue recognition and estimating the recoverability of accounts receivable. Critical accounting policies are discussed more fully in the annual report on Form 10-K for the year ended December 31, 2002. There have been no changes in the Company's evaluation of its critical accounting policies since that date.

Results of Operations

The Company's revenue for the three-month and six-month periods ended June 30, 2003 was \$44.6 million and \$84.2 million, an increase of 34.7% and 39.6%, respectively, compared to \$33.1 million and \$60.3 million in revenue for the three-month and six-month periods ended June 30, 2002. The increase in revenue for the three-month and six-month periods ended June 30, 2003 was directly associated with the increase in direct labor hours, 19.1% and 27.9%, applied to contracts in progress compared to the three-month and six-month periods ended June 30, 2002.

Gross profit increased \$1.1 million or 31.4% and \$4.3 million or 68.3% when comparing the three-month and six-month periods ended June 30, 2003 to the comparable periods in 2002. For the three-month and six-month periods ended June 30, 2003, gross profit was \$4.6 million (10.3% of revenue) and \$10.6 million (12.6% of revenue), compared to \$3.5 million (10.6% of revenue) and \$6.3 million (10.4% of revenue) of gross profit for the three-month and six-month periods ended June 30, 2002. Although the volume of direct labor hours applied to contracts in progress for the three-month period ended June 30, 2003 compared to the three-month period ended June 30, 2002 increased, inefficiencies in production hours caused by the reliance on contract labor man-hours resulting from the unfavorable weather conditions kept the gross margin relatively flat for the three months ended June 30, 2003 compared to June 30, 2002. The gross margin for the six-month period ended June 30, 2003 increased by 21.2% compared to the six-month period ended June 30, 2002. This increase for the six-month period was accomplished by a 39.6% increase in revenue from \$60.3 million to \$84.2 million, and a 21.6% increase in gross profit margin from 10.4% to 12.6%. The increased efficiencies and favorable weather conditions of the first quarter of 2003 enabled the Company to overcome the poor weather conditions and resultant inefficiencies it was exposed to during the second quarter of 2003.

The Company's general and administrative expenses were \$1.2 million for the three-month period ended June 30, 2003 and \$2.3 million for the six-month period ended June 30, 2003. This compares to \$1.0 million for the three-month period ended June 30, 2002 and \$1.9 million for the six-month period ended June 30, 2002. As a percentage of revenue, general and administrative

expenses decreased to 2.7% from 3.0% of revenue for the three-month periods ended June 30, 2003 and 2002, respectively, and decreased to 2.7% from 3.2% of revenue for the comparable six-month periods. The increase in absolute dollar costs for general and administrative expenses primarily resulted from increased salary and wage related costs. Also contributing to the lower costs for the six-month period ended June 30, 2002, was the reimbursement of approximately \$70,000 in legal expenses related to a lawsuit that was settled in 2001.

The Company had net interest income of \$35,000 and \$108,000 for the three-month and six-month periods ended June 30, 2003, respectively, compared to \$159,000 and \$310,000 for the three-month and six-month periods ended June 30, 2002. The reduction in interest income was the result of cash utilization associated with the increase in capital expenditure levels for the three-month and six-month periods ended June 30, 2003 compared to those periods ended June 30, 2002.

Liquidity and Capital Resources

Historically the Company has funded its business activities primarily through funds generated from operations. The Company also maintains a revolving line of credit with a commercial bank but has not drawn on it since December 1998. Net cash provided by operating activities was \$2.8 million for the six-months ended June 30, 2003. At June 30, 2003, working capital was \$47.6 million, resulting in a current ratio of 3.4 to 1. Net cash used in investing activities for the six-months ended June 30, 2003, was \$4.2 million, which included \$14.0 million for capital expenditures, \$204,000 for the purchase of short-term investments and \$10.0 million utilized from short-term investments. The majority of the capital expenditures for the first six months of 2003 were related to the purchase of two Manitowoc model M2250 cranes (\$6.5 million) and for the costs associated with the construction of a new fabrication building (\$2.8 million) that was completed in the latter part of the second quarter of 2003.

The Company's bank credit facility provides for a revolving line of credit of up to \$20.0 million ("the Revolver"), which bears interest on any borrowings equal to, at the Company's option, the prime lending rate established by Bank One Corporation or LIBOR plus 1.5%. The Revolver matures December 31, 2004, and is secured by a mortgage on the Company's real estate, machinery and equipment, and fixtures. In addition the Company pays a fee on a quarterly basis of three-sixteenths of one percent per annum on the weighted-average unused portion of the Revolver. At June 30, 2003, there were no borrowings outstanding under the Revolver, but the Company did have letters of credit outstanding totaling \$4.8 million, which reduces the unused portion of the Revolver. The Company is required to maintain certain covenants, including balance sheet and cash flow ratios. At June 30, 2003, the Company was in compliance with these covenants.

Capital expenditures for the remaining six months of 2003 are estimated to be approximately \$3.5 million, which includes the purchase of machinery and equipment and additional yard and facility expansion improvements. Management believes that its available funds, cash generated by operating activities, and funds available under the Revolver will be sufficient to fund these capital expenditures and its working capital needs. The Company may, however, expand its operations through future acquisitions that may require additional equity or debt financing.

Forward-Looking Statements

Statements under “Results of Operations” and “Liquidity and Capital Resources” and other statements in this report and the exhibits hereto that are not statements of historical fact are forward-looking statements. These statements involve risks and uncertainties that include, among others, the timing and extent of changes in the prices of crude oil and natural gas; the timing of new projects and the Company’s ability to obtain them; competitive factors in the heavy marine fabrication industry; the Company’s ability to successfully complete the testing, production and marketing of the MinDOC (a deepwater floating, drilling and production concept) and other deep water production systems and to develop and provide financing for them; and the Company’s ability to attract and retain qualified production employees at acceptable compensation rates. Changes in these factors could result in changes in the Company’s performance and could cause the actual results to differ materially from those expressed in the forward-looking statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

There have been no material changes from the information included in the Company’s Form 10-K for the year ended December 31, 2002.

Item 4. Controls and Procedures.

The Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2003. The evaluation was carried out under the supervision of and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, required to be included in reports the Company files with or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934. There have been no changes during the fiscal quarter ended June 30, 2003 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 Proceeding.

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

Item 5. Other Information.

On July 7, 2003, the Company announced the scheduled time for the release of its 2003 second quarter earnings and its quarterly conference call. The press release making this announcement is attached hereto as Exhibit 99.1.

On July 23, 2003, the Company announced the expansion of its Board of Directors and election of Ken Tamblyn to fill the newly created seat. The press release making this announcement is attached hereto as Exhibit 99.2.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

- 3.1 By-laws of the Company as Amended and Restated through July 23, 2003.
- 31.1 CEO Certification pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
- 31.2 CFO Certification 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.
- 99.1 Press release issued by the Company on July 7, 2003, announcing the scheduled time for the release of its 2003 second quarter earnings and its quarterly conference call.
- 99.2 Press release issued by the Company on July 23, 2003, announcing the expansion of its Board of Directors and election of Ken Tamblyn to fill the newly created seat.

(b) Reports on Form 8-K.

On April 30, 2003, the Company filed a report on Form 8-K to furnish its press release announcing its first quarter earnings.

SIGNATURES

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

GULF ISLAND FABRICATION, INC.

By: /s/ Joseph P. Gallagher, III

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

Date: August 11, 2003

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	By-laws of the Company as Amended and Restated through July 23, 2003.
31.1	CEO Certification pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.
31.2	CFO Certification 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.
99.1	Press release issued by the Company on July 7, 2003, announcing the scheduled time for the release of its 2003 second quarter earnings and its quarterly conference call.
99.2	Press release issued by the Company on July 23, 2003, announcing the expansion of its Board of Directors and election of Ken Tamblyn to fill the newly created seat.

**BY-LAWS
OF
GULF ISLAND FABRICATION, INC.
(As Amended and Restated through July 23, 2003)**

**SECTION 1
OFFICERS**

- 1.1 Principal Office.** The principal office of the Corporation shall be located at 583 Thompson Road, Houma, Louisiana 70363.
- 1.2 Additional Offices.** The Corporation may have such offices at such other places as the Board of Directors may from time to time determine or the business of the Corporation may require.

**SECTION 2
SHAREHOLDER MEETINGS**

- 2.1 Place of Meetings.** Unless otherwise required by law or these By-laws, all meetings of the shareholders shall be held at the principal office of the Corporation or at such other place, within or without the State of Louisiana, as may be designated by the board of Directors.
- 2.2 Annual Meetings; Notice Thereof.** An annual meeting of the shareholders shall be held each year on the date and at the time as the Board of Directors shall designate, for the purpose of electing directors and of the transaction of such other business as may be properly brought before the meeting. If no annual shareholders' meeting is held for a period of eighteen months, any shareholder may call such meeting to be held at the registered office of the Corporation as shown on the records of the Secretary of State of the State of Louisiana.
- 2.3 Special Meetings.** Special meetings of the shareholders, for any purpose or purposes, may be called by or at the direction of the Board of Directors. Shareholders may call a special meeting of shareholders in accordance with the applicable provisions of the Articles of Incorporation.
- 2.4 Notice of Meetings.** Except as otherwise provided by law or the Articles of Incorporation, the authorized person or persons calling a shareholders' meeting shall cause written notice of the time, place and purpose of the meeting to be given to all shareholders entitled to vote at such meeting, at least 10 days and not more than 75 days prior to the day fixed for the meeting. Notice of the annual meeting need not state the purpose or purposes thereof, unless action is to be taken at the meeting as to which notice is required by law or the By-laws. Notice of a special meeting shall state the purpose or purposes thereof, and the business conducted at any special meeting shall be limited to the purpose or purposes stated in the notice.

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

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

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

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

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

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

2.11 Lack of Quorum. If a meeting cannot be organized because a quorum has not attended, those present may adjourn the meeting to such time and place as they may determine, subject, however, to the provisions of Section 2.9 hereof. In the case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum as fixed in Section 2.6 hereof, shall nevertheless be deemed to constitute a quorum for the purpose of electing directors.

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

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

SECTION 3

DIRECTORS

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

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

3.3 Classes. The Board of Directors, other than those directors who may be elected by the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation (whose term of office may be determined by the Board of Directors pursuant to Section 3.3), shall be divided, with respect to the time during which they shall hold office, into three classes as nearly equal in number as possible, with the initial term of office of Class I directors expiring at the annual meeting of shareholders to be held in 1998, of Class II Directors expiring at the next succeeding annual meeting of shareholders and of Class III directors expiring at the second succeeding annual meeting of shareholders, with all such directors to hold office until their successors are elected and qualified. At each annual meeting of shareholders, directors chosen to succeed those whose terms then expire shall be elected to hold office for a term expiring at the annual meeting of shareholder held in the third year following the year of their election and until their successors are duly elected and qualified. If the Board of Directors shall appoint any director to fill a vacancy on the Board, whether resulting from an increase in the number of directors or otherwise, such Director shall be assigned to a class by the Board of Directors so that all classes of directors shall be as nearly equal in number as possible. In the event of a decrease in the number of directors, the Board of Directors may reassign the remaining directors to classes so that all classes of directors shall be as nearly equal in number as possible.

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

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

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

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

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

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

SECTION 4

MEETINGS OF THE BOARD

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

4.2 Initial Meetings. Except as otherwise determined by the Board of Directors, the first meeting of each newly-elected Board shall be held immediately following the shareholders' meeting at which the Board, or any class thereof, is elected and at the same place as such

meeting, and no notice of such first meeting shall be necessary for the newly-elected directors in order legally to constitute the meeting.

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

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

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

4.6 Quorum. A majority of the Board shall be necessary to constitute a quorum for the transaction of business, and except as otherwise provided by law, the Articles of Incorporation or these By-laws, the acts of a majority of the directors present at a duly-called meeting at which a quorum is present shall be the acts of the board. If a quorum is not present at any meeting of the Board of Directors, the directors present may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum is present.

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

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

4.9 Meetings by Telephone or Similar Communication. Members of the Board may participate at and be present at any meeting of the Board or any committee thereof by means of conference telephone or similar communications equipment if all persons participating in such meeting can hear and communicate with each other.

SECTION 5

COMMITTEES OF THE BOARD

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

5.2 Compensation Committee. The Board shall establish and maintain a Compensation Committee consisting of two or more directors, each of whom (i) shall be qualified to the extent appropriate as a "non-employee director" under Rule 16b-3 of the Securities Exchange Commission and as an "outside director" under Section 162(m) of the Internal Revenue Code and (ii) shall meet any further qualifications designated by the Board. The Compensation Committee shall review and analyze the compensation of the Corporation's executive officers; review and provide general guidance as to compensation of the Corporation's other managers; evaluate the performance of the Corporation's executive officers; administer the Corporation's Long-Term Incentive Compensation Plan, including grants thereunder; and perform such other services as may be designated by the Board.

5.3 Audit Committee. The Board shall establish an Audit Committee consisting of at least two directors, a majority of whom are not officers or employees of the Corporation or any of its affiliates. The Audit Committee shall (i) facilitate communication among the Corporation's directors, management, independent accountants and internal auditing personnel regarding matters relating to financial accounting, reporting and controls, (ii) assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Corporation and all subsidiaries and the sufficiency of auditing practices with respect thereto by, among other things, reviewing the scope of audit coverage, including consideration of the Corporation's accounting practices and procedures and system of internal accounting controls and reporting to the Board with respect thereto, (iii) operate as the Board's principal agent in ensuring the independence of the Corporation's independent accountants, the integrity of management and the adequacy of disclosure to shareholders, and (iv) perform such other services as may be designated by the Board.

SECTION 6

REMOVAL OF BOARD MEMBERS

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

SECTION 7

NOTICES

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

7.2 Waiver. Whenever any notice is required to be given by law, the Articles of Incorporation or these By-laws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto. In addition, notice shall be deemed to have been given to, or waived by, any shareholder or director who attends a meeting of shareholders or directors in person, or is represented at such meeting by proxy, without protesting at the commencement of the meeting the transaction of any business because the meeting is not lawfully called or convened.

SECTION 8

OFFICERS

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

8.2 Term of Office. The officers of the Corporation shall hold office at the pleasure of the Board of Directors. Except as otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of shareholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board, Chairman of the Board, President or Secretary of the Corporation. Such resignation shall take effect at the time specified

therein and acceptance of such resignation shall not be necessary to make it effective. The Board may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officers, if any, with the Corporation, but the election of an officer shall not in and of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired position of the term by the Board at any regular or special meeting.

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

8.4 The President. The President shall, unless otherwise provided by the Board, have general and active responsibility for the management of the business of the Corporation, shall be the chief executive and chief operating officer of the Corporation, shall supervise the daily operations of the business of the Corporation and shall ensure that all orders, policies and resolutions of the Board are carried out.

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

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

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

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

SECTION 9

STOCK

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

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

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

SECTION 10

DETERMINATION OF SHAREHOLDERS

For the purpose of determining shareholders entitled to notice of and to vote at a meeting, or to receive a dividend, or to receive or exercise subscription or other rights, or to participate in

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

SECTION 11

INDEMNIFICATION

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

- (a) “Board”—the Board of Directors of the Corporation.
- (b) “Claim”—any threatened, pending or completed claim, action, suit, or proceeding, whether civil, criminal, administrative or investigative and whether made judicially or extra-judicially, or any separate issue or matter therein, as the context requires.
- (c) “Determining Body”—(i) those members of the Board who are not named as parties to the Claim for which indemnification is being sought (“Impartial Directors”), if there are at least three Impartial Directors, (ii) a committee of at least three Impartial Directors appointed by the Board (regardless whether the members of the Board of Directors voting on such appointment are Impartial Directors) or (iii) if there are fewer than three Impartial Directors or if the Board of Directors or the committee appointed pursuant to clause (ii) of this paragraph so directs (regardless whether the members thereof are Impartial Directors), independent legal counsel, which may be the regular outside counsel of the Corporation.
- (d) “Disbursing Officer”—the President of the Corporation or, if the President is a party to the Claim for which indemnification is being sought, any officer not a party to such Claim who is designated by the President to be the Disbursing Officer with respect to indemnification requests related to the Claim, which designation shall be made promptly after receipt of the initial request for indemnification with respect to such Claim.
- (e) “Expenses”—any expenses or costs, including, without limitation, attorney’s fees, judgments, punitive or exemplary damages, fines and amounts paid in settlement.
- (f) “Indemnitee”—each person who is or was a director or officer of the Corporation.

11.2 Indemnity.

(a) To the extent such Expenses exceed the amounts reimbursed or paid pursuant to policies of liability insurance maintained by the Corporation, the Corporation shall indemnify each Indemnitee against any Expenses actually and reasonably incurred by him (as they are incurred) in connection with any Claim either against him or as to which he is involved solely as a witness or person required to give evidence, by reason of his position (i) as a director or officer of the Corporation, (ii) as a director or officer of any subsidiary of the Corporation,

(iii) as a fiduciary with respect to any employee benefit plan of the Corporation, or (iv) as a director, officer, partner, employee or agent of another corporation, partnership, joint venture, trust or other for-profit or not-for-profit entity or enterprise, if such position is or was held at the request of the Corporation, whether relating to service in such position before or after the effective date of this Section, if he (i) is successful in his defense of the claim on the merits or otherwise or (ii) has been found by the Determining Body (acting in good faith) to have met the Standard of Conduct (defined below); provided that (A) the amount otherwise payable by the Corporation may be reduced by the Determining Body to such amount as it deems proper if it determines that the Claim involved the receipt of a personal benefit by Indemnitee, and (B) no indemnification shall be made in respect of any Claim as to which Indemnitee shall have been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for willful or intentional misconduct in the performance of his duty to the Corporation or to have obtained an improper personal benefit, unless, and only to the extent that, a court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses as the court deems proper.

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

(c) Promptly upon becoming aware of the existence of any Claim as to which he may be indemnified hereunder, Indemnitee shall notify the President of the Corporation of the Claim and whether he intends to seek indemnification hereunder. If such notice indicates that Indemnitee does so intend, the President shall promptly advise the Board thereof and notify the Board that the establishment of the Determining Body with respect to the Claim will be a matter presented at the next regularly scheduled meeting of the Board. Such a meeting is to be held within 90 calendar days of the date of Indemnitee's request. If a meeting of the Board of Directors is not regularly scheduled within 120 calendar days of such request, the President shall cause a special meeting of the Board of Directors to be called within such period in accordance with these By-laws. After the Determining Body has been established the President shall inform the Indemnitee thereof and Indemnitee shall immediately provide the Determining Body with all facts relevant to the Claim known to him. No later than the 60th day (the "Determination Date") after its receipt of such information, together with such additional information as the Determining Body may request of Indemnitee, the Determining Body shall determine, and shall advise Indemnitee of its determination, whether Indemnitee has met the Standard of Conduct.

(d) During such 60-day period, Indemnitee shall promptly inform the Determining Body upon his becoming aware of any relevant facts not theretofore provided by him to the Determining Body, unless the Determining Body has obtained such facts by other means. The providing of such facts to the Determining Body shall not begin a new 60-day period.

(e) The Determining Body shall have no authority to revoke a determination that Indemnitee met the Standard of Conduct unless Indemnitee (i) submits fraudulent information to the Determining Body at any time during the 60 days prior to the Determination Date or (ii) fails to comply with the provisions of subsections (c) or (d) hereof, including without limitation Indemnitee's obligation to submit information or documents relevant to the Claim reasonably requested by the Determining Body prior to the Determination Date.

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

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

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

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

(h) After notifying the Corporation of the existence of a Claim, Indemnitee may from time to time request the Corporation to pay the Expenses (other than judgments, fines,

penalties or amounts paid in settlement) that he incurs in pursuing a defense of the Claim prior to the time that the Determining Body determines whether the Standard of Conduct has been met. If the Disbursing Officer believes the amount requested to be reasonable, he shall pay to Indemnitee the amount requested (regardless of Indemnitee's apparent ability to repay such amount) upon receipt of an undertaking by or on behalf of Indemnitee to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation under the circumstances. If the disbursing Officer does not believe such amount to be reasonable, the Corporation shall pay the amount deemed by him to be reasonable and Indemnitee may apply directly to the Determining Body for the remainder of the amount requested.

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

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

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

11.3 Enforcement.

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

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

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

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

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

11.5 Non-Exclusivity.

(a) The indemnification and advancement of Expenses provided by or granted pursuant to this Section shall not be deemed exclusive of any other rights to which Indemnitee is or may become entitled under any statute, article of incorporation, by-law, authorization of shareholders or directors, agreement, or otherwise.

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

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

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

SECTION 12

ADOPTION AND AMENDMENT OF BY-LAWS

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

SECTION 13

MISCELLANEOUS

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

13.2 Voting of Shares Owned by Corporation. Unless otherwise directed by the Board, any shares of capital stock issued by a wholly-owned subsidiary of the Corporation may

be voted by the President of the Corporation, or by any person authorized to do so by the President, at any shareholders' meeting of the subsidiary (or in connection with any written consent in lieu thereof).

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

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

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

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

Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kerry J. Chauvin, 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(s) 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)) 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) 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
 - (c) 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(s) 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: August 11, 2003

/s/ Kerry J. Chauvin

Kerry J. Chauvin
President and Chief Executive Officer

* * * * *

Certifications
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph P. Gallagher, III, 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(s) 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)) 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) 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
 - (c) 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(s) 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: August 11, 2003

/s/ Joseph P. Gallagher, III

Joseph P. Gallagher, III
Chief Financial Officer

* * * * *

NEWS RELEASE

For further information contact:

Kerry J. Chauvin
Chief Executive Officer
985.872.2100

Joseph "Duke" Gallagher
Chief Financial Officer
985.872.2100

FOR IMMEDIATE RELEASE
MONDAY, JULY 7, 2003

GULF ISLAND FABRICATION, INC.
TO ANNOUNCE EARNINGS RESULTS
AND QUARTERLY CONFERENCE CALL

Houma, LA—(BUSINESS WIRE)—July 7, 2003—Gulf Island Fabrication, Inc. (NASDAQ: GIF1), will announce 2003 second quarter earnings on Wednesday, July 23, 2003 during morning market hours.

The management of Gulf Island Fabrication, Inc. will hold a conference call on Thursday, July 24, 2003, at 9:00 a.m. Central Time (10:00 a.m. Eastern Time) to discuss the Company's financial results for the quarter ended June 30, 2003.

The call is accessible by webcast through CCBN and by dialing the following:

Dial In: 1.800.838.4403

Webcast: www.gulfisland.com

A digital rebroadcast of the call is available two hours after the call and ending July 31, 2003 by dialing:

Phone Number: 1.800.428.6051

Replay Passcode: 299819

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, offshore living quarters and other specialized structures used in the development and production of offshore oil and gas reserves. The Company also offers offshore interconnect pipe hook-up, inshore marine construction, manufacture and repair of pressure vessels, and steel warehousing and sales.

NEWS RELEASE

For further information contact:

Kerry J. Chauvin
Chief Executive Officer
985.872.2100

Joseph "Duke" Gallagher
Chief Financial Officer
985.872.2100

FOR IMMEDIATE RELEASE
WEDNESDAY, JULY 23, 2003

**GULF ISLAND FABRICATION, INC.
EXPANDS BOARD OF DIRECTORS, ELECTS TAMBLYN TO FILL NEWLY
CREATED SEAT**

Houma, LA—Gulf Island Fabrication, Inc. (NASDAQ: GIFI), announced today that its Board of Directors has expanded the membership to add an additional independent director. Ken C. Tamblyn was elected to the new seat, and was also appointed a member of the audit committee of the Board of Directors.

“We are delighted that a person of the stature of Ken Tamblyn will be joining our Board,” said Kerry Chauvin, CEO and Chairman of the Board of Gulf Island Fabrication. “Given the increasing role of independent directors, Ken Tamblyn’s financial expertise and reputation in the industry will enhance the strength of our Board of Directors.”

Mr. Tamblyn currently serves on the Board of Directors of Offshore Logistics, Inc. (Nasdaq), and is a member of its audit committee.

Mr. Tamblyn spent the first 20 years of his business career as a certified public accountant with Peat Marwick, a predecessor of KPMG. In 1986 he joined Tidewater, Inc. and served as Executive Vice President and Chief Financial Officer, until his retirement in August 2000.

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, offshore living quarters and other specialized structures used in the development and production of offshore oil and gas reserves. The company also offers offshore interconnect pipe hook-up, inshore marine construction, manufacture and repair of pressure vessels, and steel warehousing and sales.