

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

FORM 10-Q

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

For the quarterly period ended March 31, 2009

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.)*

**567 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 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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated Filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the Registrant's common stock, no par value per share, outstanding as of April 22, 2009 was 14,293,033.

[Table of Contents](#)

GULF ISLAND FABRICATION, INC.

INDEX

	<u>Page</u>
PART I	FINANCIAL INFORMATION
Item 1.	Financial Statements
	Consolidated Balance Sheets at March 31, 2009 (unaudited) and December 31, 2008 3
	Consolidated Statements of Income for the Three Months Ended March 31, 2009 and 2008 (unaudited) 4
	Consolidated Statement of Changes in Shareholders' Equity for the Three Months Ended March 31, 2009 (unaudited) 5
	Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2009 and 2008 (unaudited) 6
	Notes to Consolidated Financial Statements 7-9
	Report of Independent Registered Public Accounting Firm 10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 11-15
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 16
Item 4.	Controls and Procedures 16
PART II	OTHER INFORMATION
Item 1.	Legal Proceedings 17
Item 1A.	Risk Factors 17
Item 6.	Exhibits 17
	SIGNATURES 18
	EXHIBIT INDEX E-1

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) March 31, 2009	December 31, 2008
	(in thousands)	
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 21,689	\$ 13,839
Contracts receivable, net	82,701	97,014
Contract retainage	590	612
Costs and estimated earnings in excess of billings on uncompleted contracts	6,582	14,174
Prepaid expenses	9,367	2,661
Inventory	5,531	5,688
Deferred tax assets	1,485	2,392
Recoverable income taxes	3,585	—
Total current assets	131,530	136,380
Property, plant and equipment, net	203,499	204,695
Other receivables	7,682	9,114
Other assets	703	701
Total assets	<u>\$343,414</u>	<u>\$ 350,890</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 16,565	\$ 18,065
Billings in excess of costs and estimated earnings on uncompleted contracts	32,284	43,966
Accrued employee costs	5,474	5,960
Accrued expenses	5,129	5,049
Income taxes payable	—	1,900
Total current liabilities	59,452	74,940
Deferred income taxes	24,855	21,743
Total liabilities	84,307	96,683
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, 14,293,033 and 14,293,033 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	9,722	9,707
Additional paid-in capital	89,837	89,713
Retained earnings	159,548	154,787
Total shareholders' equity	259,107	254,207
Total liabilities and shareholders' equity	<u>\$343,414</u>	<u>\$ 350,890</u>

The accompanying notes are an integral part of these statements.

[Table of Contents](#)

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

	Three Months Ended March 31,	
	2009	2008
Revenue	\$84,999	\$123,728
Cost of revenue	<u>73,240</u>	<u>100,534</u>
Gross profit	11,759	23,194
General and administrative expenses	<u>2,224</u>	<u>2,718</u>
Operating income	9,535	20,476
Other income (expense):		
Interest expense	(17)	(6)
Interest income	20	109
Other	<u>—</u>	<u>(60)</u>
	<u>3</u>	<u>43</u>
Income before income taxes	9,538	20,519
Income taxes	<u>3,338</u>	<u>7,079</u>
Net income	<u>\$ 6,200</u>	<u>\$ 13,440</u>
Per share data:		
Basic earnings per share	<u>\$ 0.43</u>	<u>\$ 0.95</u>
Diluted earnings per share	<u>\$ 0.43</u>	<u>\$ 0.94</u>
Weighted-average shares	14,293	14,219
Effect of dilutive securities: employee restricted stock and stock options	<u>8</u>	<u>51</u>
Adjusted weighted-average shares	<u>14,301</u>	<u>14,270</u>
Cash dividend declared per common share	<u>\$ 0.100</u>	<u>\$ 0.100</u>

The accompanying notes are an integral part of these statements.

[Table of Contents](#)

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

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at January 1, 2009	14,293,033	\$9,707	\$ 89,713	\$154,787	\$ 254,207
Net income	—	—	—	6,200	6,200
Compensation expense restricted stock	—	12	107	—	119
Compensation expense non-qualified stock options	—	3	17	—	20
Dividends on common stock	—	—	—	(1,439)	(1,439)
Balance at March 31, 2009	<u>14,293,033</u>	<u>\$9,722</u>	<u>\$ 89,837</u>	<u>\$159,548</u>	<u>\$ 259,107</u>

The accompanying notes are an integral part of these statements.

[Table of Contents](#)

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

	Three Months Ended March 31,	
	2009	2008
(in thousands)		
Cash flows from operating activities:		
Net income	\$ 6,200	\$ 13,440
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	4,517	4,176
Deferred income taxes	4,019	3,214
Compensation expense-stock compensation plans	139	145
Excess tax benefit from share-based payment arrangements	—	(67)
Changes in operating assets and liabilities:		
Contracts receivable	14,313	(29,804)
Contract retainage	22	(224)
Costs and estimated earnings in excess of billings on uncompleted contracts	7,592	(2,152)
Prepaid expenses and other assets	(6,706)	1,024
Inventory	157	888
Recoverable income taxes	(3,585)	—
Other receivable	1,432	—
Accounts payable	(1,500)	10,180
Billings in excess of costs and estimated earnings on uncompleted contracts	(11,682)	(6,186)
Accrued employee costs	(486)	(657)
Accrued expenses	80	(35)
Income taxes payable	(1,900)	(2,137)
Net cash (used in) provided by operating activities	12,612	(8,195)
Cash flows from investing activities:		
Capital expenditures, net	(3,823)	(9,451)
Proceeds on the sale of equipment	500	—
Net cash used in investing activities	(3,323)	(9,451)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	206
Excess tax benefit from share-based payment arrangements	—	67
Payments of dividends on common stock	(1,439)	(1,431)
Net cash used in financing activities	(1,439)	(1,158)
Net change in cash and cash equivalents	7,850	(18,804)
Cash and cash equivalents at beginning of period	13,839	24,640
Cash and cash equivalents at end of period	<u>\$ 21,689</u>	<u>\$ 5,836</u>

The accompanying notes are an integral part of these statements.

GULF ISLAND FABRICATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH
PERIODS ENDED MARCH 31, 2009 AND 2008

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING PRINCIPLES

Gulf Island Fabrication, Inc., together with its subsidiaries (the “Company”), is a leading fabricator of offshore drilling and production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. The Company’s corporate offices and two major subsidiaries are located in Houma, Louisiana, and another major subsidiary is located in San Patricio County, Texas. The Company’s principal markets are concentrated in the offshore regions and along the coast of the Gulf of Mexico. The consolidated financial statements include the accounts of Gulf Island Fabrication, Inc. and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Structures and equipment fabricated by the Company include 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; various production, processing, compressor and utility modules; offshore living quarters; brown water towboats; tanks and barges. The Company also provides services such as offshore interconnect pipe hook-up; inshore marine construction; manufacture and repair of pressure vessels; heavy lifts such as ship integration and TLP module integration, loading and offloading jack-up drilling rigs, semi-submersible drilling rigs, TLPs, SPARs or other similar cargo; steel warehousing and sales; onshore and offshore scaffolding and piping insulation services.

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 period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009.

The balance sheet at December 31, 2008 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. Certain items in 2008 have been reclassified to conform to the 2009 financial statement presentation.

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, 2008.

NOTE 2 – CONTINGENT LIABILITIES

In December 2004, we received notice from Louisiana Department of Environmental Quality (“LDEQ”) that the Corrective Action Plan submitted in October 2004 was not acceptable. The Corrective Action Plan was developed to provide remediation to several isolated areas located on

Table of Contents

property we sold in 2001. In mid 2005, the LDEQ approved a sampling plan with the proposed sampling to begin in September of 2005. Due to the hurricanes that struck the Louisiana coast in 2005, the scheduled sampling was cancelled. In mid October 2006, the sampling was completed. This sampling plan was rejected by the LDEQ in April 2008. We submitted a revised sampling plan to LDEQ on June 25, 2008 and it was later approved with stipulations. This sampling plan is expected to be implemented during the second quarter of 2009. At March 31, 2009, we included in Accrued Expenses \$400,000, which is the current remaining estimated cost to remediate the site and includes professional fees such as engineering and consulting costs.

At March 31, 2009, we have recorded \$7.7 million in "Other Receivables" as the result of two insurance claims. The insurance claims are for damages and related costs for an accident at our Texas facility involving four cranes and the damages related to Hurricanes Gustav and Ike. At March 31, 2009, we have recorded a reserve, in accrued liabilities, for various deductibles of \$2.4 million related to these insurance claims. We continue to provide supporting documentation to the insurance company on the remaining \$5.3 million of claims currently being processed. Until all property is restored to pre-damaged condition, we will continue to incur costs for repairs and adjust deductibles accordingly.

NOTE 3 – NEW ACCOUNTING STANDARDS

In June 2008, the FASB issued Staff Position ("FSP") EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities," which states that share-based payment awards with a right to receive nonforfeitable dividends are participating securities. This FSP also provides guidance on how to allocate earnings to participating securities and compute basic earnings per share using the two-class method as described in SFAS No. 128, "Earnings per Share." This FSP is effective for fiscal years beginning after December 15, 2008. We adopted this pronouncement effective January 1, 2009, and the adoption of this new standard did not have a material effect on our consolidated financial position, results of operations or cash flows.

NOTE 4 – LINE OF CREDIT AND NOTES PAYABLE

Effective August 6, 2008, we entered into the Seventh Amendment to the Ninth Amended and Restated Credit Agreement (the "Revolver") which, among other things, increased the amount of the Revolver from \$50 million to \$60 million and extended the term of the Revolver from December 31, 2009 to December 31, 2010. The Revolver is secured by our real estate, machinery and equipment, and fixtures, and amounts borrowed under the Revolver bear interest, at our option, at the prime lending rate established by JPMorgan Chase Bank, N.A. or LIBOR plus 1.25%. We pay a fee on a quarterly basis of three-sixteenths of one percent per annum on the weighted-average unused portion of the Revolver.

At March 31, 2009, no amounts were borrowed under the Revolver, but we had letters of credit outstanding totaling \$23.7 million, which reduced the unused portion of the Revolver. More of our customers, especially in larger fabrication projects, are requiring us to issue letters of credit in lieu of retainage. Thus, the Company is issuing letters of credit for larger amounts and for longer periods of time than it did in past years. We are required to maintain certain covenants, including balance sheet and cash flow ratios. As of March 31, 2009, we were in compliance with these covenants.

NOTE 5 – RIGHTS AGREEMENT

On March 24, 2009, the Board of Directors declared a dividend of one preference share purchase right (a "Right") for each outstanding share of common stock, no par value (the "Common Shares"), of the Company. The dividend was paid on March 25, 2009 to shareholders of record on March 24, 2009 (the "Record Date"). The Company will continue to issue Rights with respect to new

Table of Contents

Common Shares issued after the Record Date. The description and terms of the Rights are set forth in the Rights Agreement dated as of March 25, 2009 (the "Rights Agreement"), between the Company and American Stock Transfer & Trust Company, LLC, as the Rights Agent.

Under the Rights Agreement, each Right entitles the registered holder to purchase from the Company 1/1,000th of a share of Series A Participating Cumulative Preferred Stock, no par value per share of the Company at a price of \$30.00, subject to adjustment.

NOTE 6 – RELATED PARTY TRANSACTIONS

On January 31, 2006, we, through an indirect subsidiary, purchased the facilities, machinery and equipment of Gulf Marine Fabricators, an indirect subsidiary of Technip-Coflexip USA Holdings, Inc. ("Technip"). As consideration for the Acquisition, we paid a combination of cash and common stock. Technip currently owns 789,067 shares or approximately 5.5% of our outstanding common stock.

Since 2006, Technip has awarded us contracts to fabricate various oil and gas industry items totaling \$40.1 million, and as of December 31, 2008, we had recognized all revenue on these contracts. As all contracts with Technip were completed by the end of 2008, there was no revenue to recognize on these contracts during the three-month period ended March 31, 2009. We recognized \$3.9 million of revenue on these contracts during the three-month period ended March 31, 2008. As of March 31, 2009, all contracts awarded by Technip had been completed and all contracts receivable were paid.

NOTE 7 – PASS THROUGH COSTS

Pass-through costs are material and sub-contract costs associated with projects that are included as revenue of a project, but add little or no margin to the project. Pass-through costs, as a percentage of revenue, for the three month period ended March 31, 2009 were 35.8% compared to 39.9% for the three month period ended March 31, 2008.

NOTE 8 – INCOME TAXES

Our effective income tax rate for the three-month period ended March 31, 2009 was 35.0% compared to an effective tax rate of 34.5% for the three-month period ended March 31, 2008. The increase from the previous three-month period relates to the limitations on certain federal manufacturing tax credits available to us based on our estimated tax provision for 2009.

[Table of Contents](#)

Report of Independent Registered
Public Accounting Firm

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

We have reviewed the condensed consolidated balance sheet of Gulf Island Fabrication, Inc. as of March 31, 2009, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 2009 and 2008, and the condensed consolidated statement of changes in shareholders' equity for the three-month period ended March 31, 2009. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Gulf Island Fabrication, Inc. as of December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended (not presented herein) and in our report dated March 5, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

New Orleans, Louisiana
April 22, 2009

[Table of Contents](#)

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

Forward-Looking Statements

Statements under "Backlog," "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 are subject to certain risks and uncertainties that could cause actual results and outcomes to differ materially from the results and outcomes predicted in the statement and investors are cautioned not to place undue reliance upon them. Important factors that may cause our actual results to differ materially from expectations or projections include those described under the heading "Cautionary Statement" in Item 1A. Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2008. Such factors include, among others, the timing and extent of changes in the prices of crude oil and natural gas; changes in our backlog; the timing of new projects and our ability to obtain them; competitive factors in the heavy marine fabrication industry; and our ability to attract and retain qualified production employees at acceptable compensation rates.

In addition to the cautionary statements above, as we mentioned in our Annual Report on Form 10-K for the year ended December 31, 2008, the downturn in the industry that began in late 2008 brought on by the rapid decline in oil and gas prices continues to impact our ability to maintain the higher levels of performance of prior periods. Oil prices are currently in the \$40-\$50 a barrel range, which has resulted in reduced cash flows for oil and gas producers, thus causing most to reduce their capital budgets for 2009. The dollar value of projects, if available in the currently shrinking marine fabrication market, is significantly below last year's levels. Our production man-hour volumes are declining without any significant new project awards to replace our rapidly depleting backlog. More projects have been removed from the bidding process as oil and gas producing companies appear to be waiting for a potential increase in commodity prices. We have undertaken cost reduction measures as appropriate to meet these conditions. We also are pursuing other projects such as fabrication of modules, towboats, barges and other marine vessels. The offshore oil and gas industry will also require some maintenance on existing infrastructure from which we will benefit at some level through time-and-material basis agreements. We will continue to monitor revenue levels and will adjust costs as we deem necessary or prudent. In the longer term, demand for our products and services will continue to depend largely upon prices for oil and gas, which at this time is difficult to predict.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us 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, 2008). We believe that of our significant accounting policies, revenue recognition involves a higher degree of judgment and complexity. Critical accounting policies are discussed more fully in our Annual Report on Form 10-K for the year ended December 31, 2008. There have been no changes in our evaluation of our critical accounting policies since that date.

[Table of Contents](#)

Backlog

Our backlog is based on management's estimate of the direct labor hours required to complete, and the remaining revenue to be recognized with respect to, those projects as to which a customer has authorized us to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. Often, however, management's estimates are based on incomplete engineering and design specifications. As engineering and design plans are finalized or changes to existing plans are made, management's estimate of the direct labor hours required to complete and price at completion for such projects is likely to change. In addition, all projects currently included in our backlog are subject to termination at the option of the customer, although the customer, in that case, is generally required to pay us for work performed and materials purchased through the date of termination and, in some instances, cancellation fees. However, due to the large dollar amount of backlog estimated for a few projects, a termination of any one of these projects could substantially decrease our backlog, and could have a material adverse effect on our revenue, net income and cash flow. In addition, a customer can delay the execution of their project, as ATP has done in connection with the MinDOC II hull. Due to the large dollar amount of backlog estimated for a few projects, a postponement of any one of these projects could materially affect the timing of our revenue, net income and cash flow.

As of March 31, 2009, we had a revenue backlog of \$315.0 million and a labor backlog of approximately 3.4 million man-hours remaining to work, which consists of work remaining at March 31, 2009 and commitments received through the first quarter earnings release issued April 22, 2009, compared to the revenue backlog of \$360.2 million and a man-hour backlog of 3.9 million hours reported in our Form 10-K at December 31, 2008.

Of our \$315.0 million backlog at March 31, 2009, \$165.5 million, or 52.5%, represented projects destined for deepwater locations compared to \$200.8 million, or 55.8%, of projects destined for deepwater locations of the \$360.2 million backlog at December 31, 2008. Included in the backlog are \$1.1 million, or 0.3%, and \$1.5 million, or 0.4%, at March 31, 2009 and December 31, 2008, respectively, related to projects destined for foreign locations.

From our \$315.0 backlog at March 31, 2009, we expect to recognize revenues of approximately \$107.0 million during the remainder of 2009. This amount does not include any change orders, scope growth or new contracts that may be awarded during the remainder of the year. The remaining \$208.0 million of backlog is expected to be recognized in 2010 and thereafter, and includes \$148.9 million (and 1.6 million man-hours) specific to ATP's MinDOC II project and \$59.1 million of backlog for all other projects. As noted above, our customer has announced that the MinDOC II project will be postponed and will be utilized at another of their locations sometime in the future.

[Table of Contents](#)

Workforce

As of March 31, 2009, we had approximately 1,675 employees and approximately 40 contract employees, compared to approximately 1,850 employees and approximately 150 contract employees as of December 31, 2008.

Results of Operations

Our revenue for the three-month period ended March 31, 2009 was \$85.0 million, a decrease of 31.3% compared to \$123.7 million in revenue for the three-month period ended March 31, 2008.

There were several factors contributing to the reduction of revenues for the three-month period ended March 31, 2009.

- Pass-through costs for the three-month period ended March 31, 2009 were 35.8% of revenue, compared to 39.9% for the three-month period ended March 31, 2008. We consider material and sub-contract costs associated with projects as costs that add to the revenue of a project, but add little or no margin to the project, thus are pass-through costs.
- During the period ended March 31, 2009, the amount of man-hours worked was 847,000 compared to 967,000 man-hours for the period ended March 31, 2008.

At March 31, 2009, we recorded revenue totaling \$1.3 million related to certain change orders, somewhat equally split on two separate projects, which have been approved as to scope but not price. Although we believe the collection of these change orders is probable based on past experience, we are in the process of negotiating resolution of these change orders with the customers and recovery of the revenue is dependent upon these negotiations. If we collect an amount different than the \$1.3 million of revenue that has been recorded, that difference will be recognized as income or loss. We expect to resolve these matters in the second quarter of 2009. At December 31, 2008, we had \$6.9 million of change orders related to re-measure issues primarily involving one customer. These issues have been settled and resulted in the recognition of an additional \$400,000 of revenue.

For the three month periods ended March 31, 2009 and 2008, gross profit was \$11.8 million (13.8% of revenue) and \$23.2 million (18.7% of revenue), respectively. Two factors contributed to the decrease in gross margin for the three months ended March 31, 2009:

- Most of our revenue is recognized by using the percentage-of completion method, computed by the efforts-expended method, which measures the percentage of labor hours incurred compared to the total estimated labors hours to complete a contract. Consequently, the decrease in direct labor man-hours (847,000 compared to 967,000 as mentioned above) resulted in a decrease in gross margin.

Table of Contents

- We are required to undertake certain capital projects in connection with the fabrication process included in some contracts. Since these capital projects provide future benefits to us, the cost to build these projects is capitalized, thus the revenue associated with the capital project directly increases the estimated profit on the contract. For the three-month period ended March 31, 2009, amounts included in revenue from these projects were \$1.6 million, compared to \$3.3 million for the three-month period ended March 31, 2008.

The Company's general and administrative expenses were \$2.2 million for the three-month period ended March 31, 2009. This compares to \$2.7 million for the three-month period ended March 31, 2008. As a percentage of revenue, general and administrative expenses were 2.6% compared to 2.2% of revenue for the three-month period ended March 31, 2008. The absolute dollar reduction in general and administrative expenses for the three-month period ended March 31, 2009 compared to March 31, 2008 was related to wage and wage related costs that generally fluctuate with production volumes.

The Company had net interest income of \$3,000 for the three-month period ended March 31, 2009, compared to net interest income of \$103,000 the three-month period ended March 31, 2008. The reduction in interest income is related to the reduction in the interest rate earned on cash invested.

The Company had no Other Income (Expense) net for the three-month period ended March 31, 2009, compared to a loss of \$60,000 for the three-month period ended March 31, 2008. The loss for the period ended March 31, 2008 was related to the sale of miscellaneous equipment.

Our effective income tax rate for the three-month period ended March 31, 2009 was 35.0%, compared to an effective tax rate of 34.5% for the three-month period ended March 31, 2008. The increase from the previous three-month period relates to the limitations on certain federal manufacturing tax credits available to us based on our estimated tax provision for 2009.

Liquidity and Capital Resources

Historically we have funded our business activities through funds generated from operations. Effective August 6, 2008, we entered into the Seventh Amendment to the Ninth Amended and Restated Credit Agreement (the "Revolver") which, among other things, increased the amount of the Revolver from \$50 million to \$60 million and extended the term of the Revolver from December 31, 2009 to December 31, 2010. The Revolver is secured by our real estate, machinery and equipment, and fixtures, and amounts borrowed under the Revolver bear interest, at our option, at the prime lending rate established by JPMorgan Chase Bank, N.A. or LIBOR plus 1.25%. We pay a fee on a quarterly basis of three-sixteenths of one percent per annum on the weighted-average unused portion of the Revolver. At March 31, 2009, no amounts were borrowed under the Revolver, but we had letters of credit outstanding totaling \$23.7 million, which reduced the unused portion of the Revolver. More of our customers, especially in larger fabrication projects, are requiring us to issue letters of credit in lieu of retainage. Thus, we are issuing letters of credit for larger amounts and for longer periods of time than we

Table of Contents

did in past years. We are required to maintain certain covenants, including balance sheet and cash flow ratios. As of March 31, 2009, we were in compliance with these covenants.

At March 31, 2009, our cash and cash equivalents totaled \$21.7 million. Working capital was \$72.1 million at March 31, 2009. The ratio of current assets to current liabilities was 2.21 to 1 at March 31, 2009. Net cash provided by operating activities was \$12.6 million for the three-months ended March 31, 2009, compared to \$8.2 million used in operating activities for the three-months ended March 31, 2008. The increase in cash provided by operations for the period ended March 31, 2009, compared to the decrease in cash used in operating activities for the period ended March 31, 2008, is primarily related to the reduction in production activity. As production volumes decrease, amounts expended for material and labor costs (accounts payable) as well as amounts billed to customers (contracts receivable) decrease. Cash utilization decreases, accompanied by the collection of outstanding contracts receivables, resulting in an increase in our cash position. Also contributing to the increase cash provided by operating activities is the net decrease in costs and estimated earnings in excess of billings and billings in excess of cost and estimated earnings on uncompleted contracts. These decreases are the result of us working off the backlog without any significant new projects being added to the backlog.

Net cash used in investing activities for the three-months ended March 31, 2009, was \$3.3 million, which related to capital expenditures of \$3.8 million for equipment and improvements to our production facilities and \$0.5 million of proceeds on the sale of equipment. Net cash used in financing activities for the three-month period ended March 31, 2009, was \$1.4 million, consisting of cash used to pay dividends on common stock.

Capital expenditures for the remaining nine months of 2009 are estimated to be approximately \$14.0 million, which includes approximately \$1.2 million to complete phase II of the graving dock, \$8.5 million to complete construction of a dry dock, \$350,000 to complete the installation of a panel line and the remainder for the purchase of machinery and equipment and additional yard and facility expansion improvements. The expenditures for the dry dock and the panel line are to facilitate our expansion into additional marine construction areas such as towboats, barges and offshore supply vessels.

Management believes that our available funds, cash generated by operating activities and funds available under the Revolver will be sufficient to fund our capital expenditures and working capital needs through the end of 2009. However, we may expand our operations through acquisitions in the future, which may require additional equity or debt financing. Also, job awards may require us to issue additional letters of credit, further reducing the unused portion of the Revolver.

Contractual Obligations

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2008.

[Table of Contents](#)

Off-Balance Sheet Arrangements

There have been no material changes from the information included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the Company's market risks during the three months ended March 31, 2009. For more information on market risk, refer to Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has 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 such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

There have been no changes during the fiscal quarter ended March 31, 2009 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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 1A. Risk Factors

There have been no material changes from the information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Item 6. Exhibits

- 3.1 Composite Amended and Restated Articles of Incorporation of the Company (including amendments through March 25, 2009).
- 3.2 Bylaws of the Company, as amended and Restated through February 28, 2008, incorporated by reference to the Company's Form 8-K filed on March 4, 2008.
- 4.1 Specimen Common Stock Certificate, incorporated by reference to the Company's Form S-1 filed February 14, 1997 (Registration No. 333-21863).
- 4.2 Rights Agreement between the Company and American Stock Transfer & Trust Company, LLC as Rights Agent, dated as of March 25, 2009, incorporated by reference to the Company's Form 8-K filed March 26, 2009.
- 15.1 Letter regarding unaudited interim financial information.
- 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.
- 99.1 Press release issued by the Company on April 15, 2009, announcing the scheduled time for the release of its 2009 first quarter earnings and its quarterly conference call.

[Table of Contents](#)

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/ Robin A. Seibert

Robin A. Seibert
Vice President – Finance, Chief Financial Officer
and Treasurer
(Principal Financial Officer and Duly Authorized
Officer)

Date: April 23, 2009

GULF ISLAND FABRICATION, INC.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Composite Amended and Restated Articles of Incorporation of the Company (including amendments through March 25, 2009).
3.2	Bylaws of the Company, as amended and Restated through February 28, 2008, incorporated by reference to the Company's Form 8-K filed on March 4, 2008.
4.1	Specimen Common Stock Certificate, incorporated by reference to the Company's Form S-1 filed February 14, 1997 (Registration No. 333-21863).
4.2	Rights Agreement between the Company and American Stock Transfer & Trust Company, LLC as Rights Agent, dated as of March 25, 2009, incorporated by reference to the Company's Form 8-K filed March 26, 2009.
15.1	Letter regarding unaudited interim financial information.
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.
99.1	Press release issued by the Company on April 15, 2009, announcing the scheduled time for the release of its 2009 first quarter earnings and its quarterly conference call.

**COMPOSITE
AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
GULF ISLAND FABRICATION, INC.**
(includes amendments through March 25, 2009)

ARTICLE I
NAME

The name of the corporation is Gulf Island Fabrication, Inc.

ARTICLE II
PURPOSE

The purpose of the Corporation is to engage in any lawful activity for which corporations may be formed under the Business Corporation Law of Louisiana.

ARTICLE III
CAPITAL

A. Authorized Stock. The Corporation shall have the authority to issue an aggregate of 25,000,000 shares of capital stock, of which 20,000,000 shares shall be Common Stock, no par value per share, and 5,000,000 shares shall be Preferred Stock, no par value per share.

B. Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. Authority is hereby vested in the Board of Directors to amend these Articles of Incorporation from time to time to fix the preferences, limitations and relative rights as between the Preferred Stock and the Common Stock, and to fix variations in the preferences, limitations and relative rights as between different series of Preferred Stock.

C. Series A Preferred Stock. The Corporation's Series A Participating Cumulative Preferred Stock shall consist of 15,000 shares of Preferred Stock having the preferences, limitations and relative rights set forth below. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Participating Cumulative Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options or rights or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Participating Cumulative Preferred Stock.

(1) The holders of Series A Participating Cumulative Preferred Stock shall have the following dividend rights.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Participating

Cumulative Preferred Stock with respect to dividends, the holders of shares of Series A Participating Cumulative Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Participating Cumulative Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, no par value, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Participating Cumulative Preferred Stock. In the event the Corporation shall at any time after March 25, 2009 (the "Declaration Date") (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Participating Cumulative Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Participating Cumulative Preferred Stock as provided in paragraph (a) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Participating Cumulative Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Participating Cumulative Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Participating Cumulative Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends of such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Participating Cumulative Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Participating Cumulative Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among

all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Participating Cumulative Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 45 days prior to the date fixed for the payment thereof.

(2) In addition to any voting rights otherwise required by law, the holders of shares of Series A Participating Cumulative Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Participating Cumulative Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Declaration Date (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Corporation's Articles of Incorporation or by law, the holders of shares of Series A Participating Cumulative Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(c) Except as set forth herein, holders of Series A Participating Cumulative Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(3) Any shares of Series A Participating Cumulative Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the shareholders or the Board of Directors, subject to the conditions and restrictions on issuance set forth in the Corporation's Articles of Incorporation.

(4) The Corporation shall abide by the following restrictions:

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Participating Cumulative Preferred Stock as provided for in Section 1 are in arrears or the Corporation shall be in default in payment thereof, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Participating Cumulative Preferred Stock outstanding shall have been paid or set aside for payment in full, and in addition to any and all other rights which any holder of shares of Series A Participating Cumulative Preferred Stock may have in such circumstances, the Corporation shall not:

1. declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Cumulative Preferred Stock;

2. declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Cumulative Preferred Stock, unless dividends are paid ratably on the Series A Participating Cumulative Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

3. redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Cumulative Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Cumulative Preferred Stock; or

4. redeem or purchase or otherwise acquire for consideration any shares of Series A Participating Cumulative Preferred Stock, or any shares of stock ranking on a parity with the Series A Participating Cumulative Preferred Stock (either as to dividends or upon liquidation, dissolution or winding up), except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

(5) Upon any liquidation, dissolution or winding up of the Corporation, the holders of Series A Participating Cumulative Preferred Stock shall have the following rights:

(a) No distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Participating Cumulative Preferred Stock unless, prior thereto, the holders of shares of Series A Participating Cumulative Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that following such payment the holders of Series A Participating Cumulative Preferred Stock shall be further entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the

aggregate amount to be distributed per share to holders of shares of Common Stock or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Participating Cumulative Preferred Stock, except distributions made ratably on the Series A Participating Cumulative Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

(b) In the event, however, that there are not sufficient assets available to permit payment in full of the above-described liquidation preference of the Series A Participating Cumulative Preferred Stock and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Participating Cumulative Preferred Stock, then such remaining assets shall be distributed ratably to the holders of all such parity shares in proportion to their respective liquidation preferences.

(c) In the event the Corporation shall at any time, after the Declaration Date, declare or pay a dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Participating Cumulative Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of paragraph (a) of this Section 5 shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(6) In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or converted into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Participating Cumulative Preferred Stock shall at the same time be similarly exchanged or converted in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is converted or exchanged. In the event the Corporation shall at any time after the Declaration Date (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or conversion of shares of Series A Participating Cumulative Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(7) The shares of Series A Participating Cumulative Preferred Stock shall not be redeemable.

(8) The Series A Participating Cumulative Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all shares or series of shares of any other class of the Corporation's Preferred Stock.

(9) The Articles of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Participating Cumulative Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two thirds of the outstanding shares of Series A Participating Cumulative Preferred Stock, voting separately as a class.

(10) Series A Participating Cumulative Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Participating Cumulative Preferred Stock.

ARTICLE IV **DIRECTORS**

A. Number of Directors. The Board of Directors shall consist of such number of persons as shall be designated from time to time in the by-laws of the Corporation, or, if not so designated, as may be designated from time to time by resolution of the Board of Directors, provided that no decrease in the number of directors shall shorten the term of any incumbent director.

B. Classification. The Board of Directors, other than those 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 terms of office may be determined by the Board of Directors pursuant to Article III(B)), 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 the Class I directors expiring at the annual meeting of shareholders to be held in 1998, of the Class II directors expiring at the next succeeding annual meeting of shareholders, and of the Class III directors expiring at the second succeeding annual meeting, with all such directors to hold office until their successors are elected and qualified. At each subsequent 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 shareholders 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.

C. Vacancies. Except as provided in Article IV(F) hereof, any vacancy on the Board (including any vacancy resulting from an increase in the authorized number of directors or from a 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 vote of at least

two-thirds of the directors remaining in office, provided that the shareholders shall have the right to fill the vacancy at any special meeting called for such purpose prior to any such action by the Board. Vacancies on the Board may be filled only as provided in this Article IV(C).

D. Removal. Except as provided in Article IV(F) hereof, any one or more directors may be removed, at any time, (i) with or without cause, by the affirmative vote of at least two-thirds of the directors then constituting the Board of Directors or (ii) only for cause, by the holders of not less than two-thirds of the Total Voting Power (as defined in Article VII(C) hereof) that is present or represented at a special meeting of shareholders called for such purpose, voting together as a single class. For purposes of this Article IV(D), "cause" shall mean (i) a conviction of a director by a court of competent jurisdiction of a felony involving moral turpitude if such conviction is no longer subject to direct appeal or (ii) an adjudication by a court of competent jurisdiction of liability for gross negligence or gross misconduct in the performance of the director's duty to the Corporation in a matter of substantial importance to the Corporation if such adjudication is no longer subject to direct appeal. At the same meeting in which the directors or shareholders remove one or more directors, a successor or successors may be elected for the unexpired term of the director or directors removed. Except as set forth in this Article IV(D), or in any provision of these Articles of Incorporation relating to removal of directors elected by holders of Preferred Stock, directors shall not be subject to removal.

E. Board Nominations. Except as provided in Article IV(F) hereof, only persons who are nominated in accordance with the procedures set forth in this Article IV(E) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of shareholders by or at the direction of the Board of Directors or by any shareholder of record of the Corporation entitled to vote at such meeting for the election of directors who complies with the notice procedures set forth in this Article IV(E). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal office of the Corporation not less than 45 days nor more than 90 days prior to the meeting, provided, however, that in the event that less than 55 days notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received at the principal executive offices of the Corporation no later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder's notice shall set forth or include the following:

1. as to each person whom the shareholder proposes to nominate for election or re-election as a director, (a) the name, age, business address and residential address of such person, (b) the principal occupation or employment of such person, (c) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), (d) such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected and (e) any other information relating to such person that would be required to be disclosed in solicitations of proxies for the election of directors, or would be otherwise required, in each case pursuant to Regulation 14A promulgated under the Exchange Act; and

2. as to the shareholder of record giving the notice, (a) the name and address of such shareholder and (b) the class and number of shares of capital stock of the Corporation of which such shareholder is the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act). If requested in writing by the Secretary of the Corporation at least 15 days in advance of the meeting, such shareholder shall disclose to the Secretary, within ten days of such request, whether such person is the sole beneficial owner of the shares held of record by him, and, if not, the name and address of each other person known by the shareholder of record to claim or have a beneficial interest in such shares.

At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholders notice of nomination which pertains to the nominee. If a shareholder seeks to nominate one or more directors, the Secretary shall appoint two inspectors, who shall not be affiliated with the Corporation, to determine whether the shareholder has complied with this Article IV(E). If the inspectors shall determine that the shareholder has not complied with this Article IV(E), the defective nomination shall be disregarded and the inspectors shall direct the Chairman of the meeting to declare at the meeting that such nomination was not made in accordance with the procedures prescribed by the Articles of Incorporation.

F. Directors Elected by Preferred Shareholders. Notwithstanding anything in these Articles of Incorporation 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 these 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.

ARTICLE V **BY-LAWS**

A. Adoption, Amendment and Repeal. By-laws of the Corporation may be adopted only by a majority vote of the Board of Directors. By-laws may be amended or repealed only by (i) a two-thirds vote of all directors who constitute the Board of Directors, or (ii) the affirmative vote of the holders of at least eighty percent of that portion of the Total Voting Power, as defined in Article VII(C) hereof, voting together as a single class, that is present or represented at any regular or special meeting of shareholders, the notice of which meeting of shareholders expressly states that the proposed amendment or repeal is to be considered at the meeting.

B. New Matters. Any purported amendment to the By-laws which would add thereto a matter not expressly covered in the By-laws prior to such purported amendment shall be deemed to constitute the adoption of a By-law provision and not an amendment to the By-laws.

ARTICLE VI
APPLICATION OF CERTAIN LAWS

The Corporation hereby elects not to be governed by Sections 132, 133 and 134 of the Louisiana Business Corporation Law (La.R.S. 12:132, La.R.S. 12:133 and La.R.S. 12:134).

ARTICLE VII
SPECIAL SHAREHOLDER VOTING REQUIREMENTS

A. Amendments. Unless approved by vote of at least two-thirds of the directors constituting the Board of Directors, Articles IV, V, VI, VII, VIII and X of the Articles of Incorporation may be amended only by the affirmative vote of not less than eighty percent of the Total Voting Power of the Corporation.

B. Other Corporate Actions. If a vote of shareholders is required to authorize an agreement of merger or consolidation of the Corporation, the sale of all or substantially all of the assets of the Corporation or the voluntary dissolution of the Corporation, then, unless such action has been approved by vote of at least two-thirds of the directors constituting the Board of Directors, such action may be authorized only by the affirmative vote of eighty percent of the Total Voting Power of the Corporation.

C. Total Voting Power. The term "Total Voting Power" means the total number of votes that shareholders, and holders of any bonds, debentures or other obligations granted voting rights by the Corporation pursuant to La.R.S. 12:75(H), are generally entitled to cast with respect to the election of directors or, if such term is used with reference to any other particular matter properly brought before the shareholders or such other holders for their consideration and vote, means the total number of such votes that are entitled to be cast with respect to such matter.

ARTICLE VIII
LIMITATION OF LIABILITY AND INDEMNIFICATION

A. Limitation of Liability. No director or officer of the Corporation shall be liable to the Corporation or to its shareholders for monetary damages for breach of his fiduciary duty as a director or officer, provided that the foregoing provision shall not eliminate or limit the liability of a director or officer for (1) any breach of his duty of loyalty to the Corporation or its shareholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) liability for unlawful distributions of the Corporation's assets to, or redemptions or repurchases of the Corporation's shares from shareholders of the Corporation, under and to the extent provided in La.R.S. 12:92(D); or (4) any transaction from which he derived an improper personal benefit. If, after the date hereof, the Louisiana Business Corporation Law is amended to authorize further elimination or limitation the personal liability of directors or officers, then the liability of a director or an officer of the Corporation shall be eliminated or limited to the fullest extent permitted by the Louisiana Business Corporation Law, as so amended.

B. Indemnification. Subject to such limitations as may be determined by the Board of Directors (provided that no change in such limitations may adversely affect any claim to indemnification that arises prior to such change), the Corporation shall indemnify each of its

directors to the full extent from time to time permitted by law, and may so indemnify each of its officers, against any expenses or costs, including attorney's fees, actually or reasonably incurred by him in connection with any threatened, pending or completed claim action, suit or proceeding, whether criminal, civil, administrative or investigative against such person or as to which he is involved solely as a witness or person required to give evidence.

C. Authorization of Further Actions. The Board of Directors may (1) cause the Corporation to enter into contracts with its directors and officers providing for the limitation of liability set forth in this Article to the fullest extent permitted by law, (2) adopt By-laws or resolutions, or cause the Corporation to enter into contracts, providing for indemnification of directors and officers of the Corporation and other persons (including but not limited to directors and officers of the Corporation's direct and indirect subsidiaries) to the fullest extent permitted by law and (3) cause the Corporation to exercise the powers set forth in La.R.S. 12:83F, notwithstanding that some or all of the members of the Board of Directors acting with respect to the foregoing may be parties to such contracts or beneficiaries of such By-laws or resolutions or the exercise of such powers. No repeal or amendment of any such By-laws or resolutions limiting the right to indemnification thereunder shall affect the entitlement of any person to indemnification whose claim thereto results from conduct occurring prior to the date of such repeal or amendment.

D. Subsidiaries. The Board of Directors may cause the Corporation to approve for its direct and indirect subsidiaries limitation of liability and indemnification provisions comparable to the foregoing.

E. Amendment. In addition to any other votes required by law or these Articles of Incorporation (and notwithstanding the fact that a lesser percentage may be specified by law or these Articles of Incorporation), the affirmative vote of the holders of at least 80% of the Total Voting Power shall be required to repeal this Article or to amend this Article so as to reduce the limitation of liability set forth herein or the rights to indemnification or the powers of the Board of Directors provided in this Article, and any amendment or repeal of this Article shall not adversely affect any indemnification or limitation of liability of a director or officer of the Corporation under this Article with respect to any action or inaction occurring prior to the time of such amendment or repeal.

ARTICLE IX **REVERSION**

Cash, property or share dividends, shares issuable to shareholders in connection with a reclassification of stock, and the redemption price of redeemed shares, that are not claimed by the shareholders entitled thereto within one year after the dividend or redemption price became payable or the shares became issuable, despite reasonable efforts by the Corporation to pay the dividend or redemption price or deliver the certificates for the shares to such shareholders within such time, shall at the expiration of such time, revert in full ownership to the Corporation, and the Corporation's obligation to pay such dividend or redemption price or issue such shares, as the case may be, shall thereupon cease, provided, however, that the Board of Directors may, at any time, for any reason satisfactory to it, but need not, authorize (1) payment of the amount of any cash or property dividend or redemption price or (2) issuance of any shares, ownership of which has reverted to the Corporation pursuant to this Article, to the person or entity who or which would be entitled thereto had such reversion not occurred.

ARTICLE X
SPECIAL MEETINGS OF SHAREHOLDERS

A. Special meetings of shareholders, for any purpose or purposes, may be called in any manner set forth in the By-laws, provided that the power of shareholders as such to call or cause to be called special meetings shall be governed exclusively by paragraph B of this Article.

B. At any time, upon the written request of any shareholder or group of shareholders holding in the aggregate at least a majority of the Total Voting Power, the Secretary of the Corporation shall call a special meeting of shareholders to be held at the registered office of the Corporation at such time as the Secretary may fix not less than 15 nor more than 60 days after the receipt of said request, and if the Secretary shall neglect or refuse to fix such time or to give notice of the meeting, the shareholder or shareholders making the request may do so. Such requests must state the specific purpose or purposes of the proposed special meeting, and the business to be conducted thereat shall be limited to such purpose or purposes.

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

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 333-46155) pertaining to the Long-Term Incentive Plan, the Registration Statement (Form S-8 No. 333-88466) pertaining to the 2002 Long-Term Incentive Plan, and the Registration Statement (Form S-3 No. 333-144673) of Gulf Island Fabrication, Inc., of our report dated April 22, 2009, relating to the unaudited condensed consolidated interim financial statements of Gulf Island Fabrication, Inc. that are included in its Form 10-Q for the quarter ended March 31, 2009.

/s/ Ernst & Young LLP

New Orleans, Louisiana
April 22, 2009

Certifications

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 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: April 23, 2009

/s/ Kerry J. Chauvin

Kerry J. Chauvin

Chief Executive Officer

Certifications

I, Robin A. Seibert, 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: April 23, 2009

/s/ Robin A. Seibert

Robin A. Seibert
Chief Financial Officer

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 period ended March 31, 2009, 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 Section 906 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/ Kerry J. Chauvin
Kerry J. Chauvin
Chief Executive Officer
April 23, 2009

By: /s/ Robin A. Seibert
Robin A. Seibert
Chief Financial Officer
April 23, 2009

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.

NEWS RELEASE

For further information contact:

Kerry J. Chauvin
Chief Executive Officer
985.872.2100

Robin A. Seibert
Chief Financial Officer
985.872.2100

FOR IMMEDIATE RELEASE
APRIL 14, 2009

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

Houma, LA — (BUSINESS WIRE) — April 14, 2009—Gulf Island Fabrication, Inc. (NASDAQ: GIF1), will announce 2009 first quarter earnings after the market close on Wednesday, April 22, 2009.

The management of Gulf Island Fabrication, Inc. will hold a conference call on Thursday, April 23, 2009, at 9:00 a.m. Central Time (10:00 a.m. Eastern Time) to discuss the Company's financial results for the quarter ended March 31, 2009.

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

Dial In: 1.800.753.0420

Webcast: www.gulfisland.com

A digital rebroadcast of the call is available two hours after the call and ending May 8, 2009 by dialing:

Phone Number: 1.888.203.1112

Replay Passcode: 8219349

Gulf Island Fabrication, Inc., based in Houma, Louisiana, is a leading fabricator of offshore drilling and production platforms, hull and/or deck sections of floating production platforms and other specialized structures used in the development and production of offshore oil and gas reserves. These structures include jackets and deck sections of fixed production platforms; hull and/or deck sections of floating production platforms (such as tension leg platforms ("TLPs")), "SPARs, FPSOs", piles, wellhead protectors, subsea templates and various production, compressor and utility modules, offshore living quarters, tanks and barges. The Company also provides offshore interconnect pipe hook-up, inshore marine construction, manufacture and repair of pressure vessels, heavy lifts such as ship integration and TLP module integration, loading and offloading of jack-up drilling rigs, semi-submersible drilling rigs, TLPs, SPARs, or other similar cargo, onshore and offshore scaffolding, piping insulation services, and steel warehousing and sales.