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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34279

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**GULF ISLAND FABRICATION, INC.**

(Exact name of registrant as specified in its charter)

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**LOUISIANA**  
(State or other jurisdiction of  
incorporation or organization)

**16225 PARK TEN PLACE, SUITE 280  
HOUSTON, TEXAS**  
(Address of principal executive offices)

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

**77084**  
(Zip Code)

**(713) 714-6100**  
(Registrant's telephone number, including area code)

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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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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 May 5, 2015 was 14,540,132.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

GULF ISLAND FABRICATION, INC.  
CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014 (Note 1)
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 50,115	\$ 36,085
Contracts receivable, net	50,312	80,448
Costs and estimated earnings in excess of billings on uncompleted contracts	26,194	26,989
Prepaid expenses and other	3,613	4,510
Inventory	10,145	10,140
Deferred tax assets	1,422	2,646
Income tax receivable	1,161	1,350
Assets held for sale	10,327	10,327
Total current assets	<u>153,289</u>	<u>172,495</u>
Property, plant and equipment, net	220,379	224,777
Other assets	671	671
Total assets	<u>\$ 374,339</u>	<u>\$ 397,943</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 25,803	\$ 40,272
Billings in excess of costs and estimated earnings on uncompleted contracts	13,208	18,766
Accrued contract losses	167	817
Accrued employee costs	6,791	7,723
Accrued expenses and other liabilities	5,512	5,187
Total current liabilities	<u>51,481</u>	<u>72,765</u>
Deferred tax liabilities	<u>38,007</u>	<u>39,380</u>
Total liabilities	89,488	112,145
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, 14,539,866 issued and outstanding at March 31, 2015 and 14,539,104 at December 31, 2014, respectively	10,133	10,090
Additional paid-in capital	94,220	93,828
Retained earnings	180,498	181,880
Total shareholders' equity	<u>284,851</u>	<u>285,798</u>
Total liabilities and shareholders' equity	<u>\$ 374,339</u>	<u>\$ 397,943</u>

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

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

	Three Months Ended March 31,	
	2015	2014
Revenue	\$99,233	\$134,690
Cost of revenue	94,785	125,917
Gross profit	4,448	8,773
General and administrative expenses	4,293	3,373
Operating income	155	5,400
Other income (expense):		
Interest expense	(37)	(24)
Interest income	6	3
Other income (expense)	3	(104)
	(28)	(125)
Income before income taxes	127	5,275
Income taxes	44	1,740
Net income	<u>\$ 83</u>	<u>\$ 3,535</u>
Per share data:		
Basic earnings per share - common shareholders	<u>\$ —</u>	<u>\$ 0.24</u>
Diluted earnings per share - common shareholders	<u>\$ —</u>	<u>\$ 0.24</u>
Cash dividend declared per common share	<u>\$ 0.10</u>	<u>\$ 0.10</u>

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

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	(in thousands, except share data)				
Balance at January 1, 2015	14,539,104	\$10,090	\$ 93,828	\$181,880	\$ 285,798
Net income	—	—	—	83	83
Vesting of restricted stock	762	—	(1)	—	(1)
Compensation expense restricted stock	—	43	393	—	436
Dividends on common stock	—	—	—	(1,465)	(1,465)
Balance at March 31, 2015	<u>14,539,866</u>	<u>\$10,133</u>	<u>\$ 94,220</u>	<u>\$180,498</u>	<u>\$ 284,851</u>

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

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

	Three Months Ended March 31,	
	2015	2014
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 83	\$ 3,535
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Bad debt expense	400	—
Depreciation	6,599	6,379
Loss on sale of asset	—	85
Deferred income taxes	(149)	1,824
Compensation expense - restricted stock	435	316
Changes in operating assets and liabilities:		
Contracts receivable and retainage	28,536	6,075
Costs and estimated earnings in excess of billings on uncompleted contracts	795	4,035
Prepaid expenses and other assets	897	1,276
Inventory	(5)	134
Accounts payable	(14,469)	(18,363)
Billings in excess of costs and estimated earnings on uncompleted contracts	(5,558)	(6,389)
Accrued employee costs	(932)	(974)
Accrued expenses	325	(111)
Accrued contract losses	(650)	—
Current income taxes	189	(83)
Net cash provided by (used in) operating activities	16,496	(2,261)
Cash flows from investing activities:		
Capital expenditures	(1,001)	(10,589)
Proceeds on the sale of equipment	—	925
Net cash used in investing activities	(1,001)	(9,664)
Cash flows from financing activities:		
Borrowings against line of credit	—	15,000
Payments on line of credit	—	(15,000)
Payments of dividends on common stock	(1,465)	(1,466)
Net cash used in financing activities	(1,465)	(1,466)
Net change in cash and cash equivalents	14,030	(13,391)
Cash and cash equivalents at beginning of period	36,085	36,569
Cash and cash equivalents at end of period	<u>\$ 50,115</u>	<u>\$ 23,178</u>

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

GULF ISLAND FABRICATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE - MONTH  
PERIODS ENDED MARCH 31, 2015 AND 2014

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Gulf Island Fabrication, Inc., together with its subsidiaries (the “Company”, “we” or “our”), is a leading fabricator of offshore drilling and production platforms and other specialized structures. The Company’s principal corporate office is located in Houston, Texas and its fabrication facilities are located in Houma, Louisiana and 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 subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Gulf Island Fabrication, Inc. serves as a holding company and conducts all of its operations through its subsidiaries, which include Gulf Island, L.L.C. and Gulf Marine Fabricators, L.P., both of which perform fabrication of offshore drilling and production platforms and other specialized structures used in the development and production of oil and gas reserves, Gulf Island Marine Fabricators, L.L.C., which performs marine fabrication and construction services, Dolphin Services, L.L.C., which performs offshore and onshore fabrication and construction services, Dolphin Steel Sales, L.L.C., which sells steel plate and other steel products and Gulf Island Resources, L.L.C., which hires laborers with similar rates and terms as those provided by contract labor service companies.

Structures and equipment fabricated by us 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, compressor and utility modules; offshore living quarters; towboats, offshore support vessels, dry docks, liftboats, 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. For definitions of certain technical terms contained in this Form 10-Q, see the Glossary of Certain Technical Terms contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information, the instructions to Form 10-Q, and Article 10 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month periods ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ended December 31, 2015.

The balance sheet at December 31, 2014 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.



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For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

**NOTE 2 – CONTRACTS RECEIVABLE AND RETAINAGE**

The principal customers of the Company include major and large independent oil and gas companies, marine companies, and their contractors. Of our contracts receivable balance at March 31, 2015, \$32.8 million, or 65.3%, is with four customers. The significant projects for these four customers consist of a large deepwater jacket, piles and topside for one customer, two separate projects with fabrication and installation of offshore skids for a second customer, shallow water jackets, piles, and topsides for a third customer, and refurbishment of a living quarters for a fourth customer.

At March 31, 2015, there was no allowance for bad debt included in the Company's contract receivable balance.

In connection with work associated with a completed hull and topside project for a large deepwater customer in the first quarter 2014, we had a remaining receivable balance of \$10.0 million at December 31, 2014. In the first quarter, 2015, we entered into a settlement agreement with this customer that included payment of \$8.4 million in cash and title to certain skidway equipment used for project load-outs. The cash settlement was received during the first quarter 2015. The equipment, valued at \$1.2 million, was included in property, plant and equipment at March 31, 2015 with an assigned useful life of 15 years and represents a non-cash change in contracts receivable and property, plant and equipment in the accompanying unaudited statement of cash flows for the three months ended March 31, 2015. The remaining \$0.4 million balance was charged to bad debt expense and was included in general and administrative expenses for the three months ended March 31, 2015.

**NOTE 3 – ASSETS HELD FOR SALE**

Assets held for sale consist of a partially constructed topside, related valves, piling and equipment that we acquired from a customer following its default under a contract for a deepwater project in 2012. Assets held for sale are required to be measured at the lower of their carrying amount or fair value less cost to sell. Management determined fair value of these assets with the assistance of third party valuation specialists, assuming the sale of the underlying assets individually or in the aggregate to a willing market participant, including normal ownership risks assumed by the purchaser, and the sale of certain components at scrap value. We estimated fair value relying primarily on the cost approach and applied the market approach where comparable sales transaction information was readily available. The cost approach is based on current replacement or reproduction costs of the subject assets less depreciation attributable to physical, functional, and economic factors. The market approach involves gathering data on sales and offerings of similar assets in order to value the subject assets. This approach also includes an assumption for the measurement of the loss in value from physical, functional, and economic factors. The fair value of assets held for sale represent Level 3 fair value measurements (as defined by GAAP), based primarily on the limited availability of market pricing information for either identical or similar items. As of March 31, 2015, management estimates that the fair value of these assets held for sale was \$10.3 million.

During the first quarter of 2014, we entered into an agreement with the manufacturer of certain equipment, representing approximately 50% of the fair value of assets held for sale, whereby the manufacturer agreed to assist with restoration and marketing efforts, in return for a percentage of the sale proceeds. The agreement is subject to six-month renewal periods; the next option to renew occurs in October 2015.

To date, we have not sold, licensed, or leased any of this equipment; however, we continue to actively market the equipment, and believe that the fair value of the assets is recoverable through the

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eventual sale of this equipment and the other project deliverables. We continue to engage our engineering consulting group to assist with marketing efforts for the assets held for sale. However, the ultimate amount we are able to recover for these assets is dependent upon market interest in the project deliverables and equipment, which may change in the future. The timing of any sales we are able to consummate and the price we are able to obtain may result in a revision to the recorded fair value amount of any remaining assets held for sale.

**NOTE 4 – LINE OF CREDIT**

The Company has a credit agreement with Whitney Bank and JPMorgan Chase Bank, N.A. that provides the Company with an \$80 million revolving credit facility. The credit facility also allows the Company to use up to the full amount of the available borrowing base for letters of credit. On October 23, 2014, we entered into an amendment to our credit facility to extend the maturity date to December 31, 2015. We intend to renew our line of credit before the maturity date.

The credit facility is secured by substantially all of our assets other than real property located in the state of Louisiana. Amounts borrowed under the credit facility bear interest, at our option, at either the prime lending rate established by JPMorgan Chase Bank, N.A. or LIBOR plus 1.5 percent. We pay a fee on a quarterly basis of one-fourth of one percent per annum on the weighted-average unused portion of the credit facility.

At March 31, 2015, no amounts were outstanding under the credit facility, and we had outstanding letters of credit totaling \$13.5 million, reducing the unused portion of our credit facility to \$66.5 million. We are required to maintain certain financial covenants, including a minimum current ratio of 1.25 to 1, a net worth minimum requirement of \$254.2 million, debt to net worth ratio of 0.5 to 1, and earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense ratio of 4.0 to 1. As of March 31, 2015, we were in compliance with all covenants.

**NOTE 5 – CONTRACT COSTS**

The Company uses the percentage-of-completion accounting method for fabrication contracts. Revenue from fixed-price or unit rate contracts is recognized on the percentage-of-completion method, computed by the efforts-expended method which measures the percentage of labor hours incurred to date as compared to estimated total labor hours to complete each contract. This progress percentage is applied to our estimate of total anticipated gross profit for each contract to determine gross profit earned to date. Revenue recognized in a period for a contract is the amount of gross profit recognized for that period plus labor costs and pass-through costs incurred on the contract during the period. We define pass-through costs as material, freight, equipment rental, and sub-contractor services included in the direct costs of revenue associated with projects. Consequently, pass-through costs are included in revenue but have no impact on the gross profit realized for that particular period.

Pass-through costs as a percentage of revenue were 44.7% and 68.9% for the three-month periods ended March 31, 2015 and 2014, respectively.

Costs and estimated earnings in excess of billings on uncompleted contracts include unbilled costs of \$17.3 million relating to three major customers. Billings in excess of costs and estimated earnings include advances of \$7.6 million from three major customers.

At March 31, 2015, we included in our estimates to complete, \$21.6 million and \$0.2 million, respectively, for change orders on two projects which have been approved as to scope but not price. These projects were 76% and 88% complete at March 31, 2015, respectively. We expect to resolve these change orders before the end of the third quarter of 2015. At March 31, 2014, we included in our estimates to complete

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\$5.0 million for change orders on seven projects which were approved as to scope but not price. All unapproved change orders as of March 31, 2014 were subsequently approved in the normal course of business.

**NOTE 6 – EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	<u>Three Months Ended</u>	
	<u>Mar 31,</u> <u>2015</u>	<u>Mar 31,</u> <u>2014</u>
<b>Basic:</b>		
Numerator:		
Net Income	\$ 83	\$ 3,535
Less: Distributed and undistributed income (unvested restricted stock)	25	38
Net income attributable to common shareholders	<u>\$ 58</u>	<u>\$ 3,497</u>
Denominator:		
Denominator for basic earnings per share-weighted-average shares	<u>14,540</u>	<u>14,496</u>
Basic earnings per share - common shareholders	<u>\$ 0.00</u>	<u>\$ 0.24</u>
<b>Diluted:</b>		
Numerator:		
Net Income	\$ 83	\$ 3,535
Less: Distributed and undistributed income (unvested restricted stock)	25	38
Net income attributable to common shareholders	<u>\$ 58</u>	<u>\$ 3,497</u>
Denominator:		
Denominator for basic earnings per share-weighted-average shares	14,540	14,496
Effect of dilutive securities:		
Employee stock options	—	—
Denominator for dilutive earnings per share-weighted-average shares	<u>14,540</u>	<u>14,496</u>
Diluted earnings per share - common shareholders	<u>\$ 0.00</u>	<u>\$ 0.24</u>

**NOTE 7 – SUBSEQUENT EVENTS**

On April 23, 2015, our Board of Directors declared a dividend of \$0.10 per share on the shares of our common stock outstanding, payable May 29, 2015 to shareholders of record on May 15, 2015.

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**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 such forward-looking statements. Investors are cautioned not to place undue reliance upon such forward-looking statements. Important factors that may cause our actual results to differ materially from expectations or projections include those described in Item 1A. Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2014.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require us to make estimates and assumptions (see Note 1 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014). We believe that our accounting policy on revenue recognition involves a high 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, 2014. There have been no changes in our evaluation of our critical accounting policies since December 31, 2014.

**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 for which a customer has authorized us to begin work or purchase materials pursuant to written contracts, letters of intent or other forms of authorization. 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 a project and the price of a project at completion is likely to change.

All projects currently included in our backlog are generally subject to suspension, termination, or a reduction in scope at the option of the customer, although the customer is ordinarily required to pay us for work performed and materials purchased through the date of termination, suspension, or reduction in scope. In addition, customers have the ability to delay the execution of projects.

As of March 31, 2015, we had a revenue backlog of \$135.1 million and a labor backlog of approximately 1.2 million man-hours remaining to work, including commitments received through April 20, 2015, compared to a revenue backlog of \$184.7 million and a labor backlog of 1.7 million man-hours reported as of December 31, 2014.

Of our backlog at March 31, 2015,

- 71.2% was for the three largest customers compared to 64.2% for the three largest customers at December 31, 2014.

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- \$57.8 million, or 42.8%, represented projects destined for deepwater locations compared to \$70.1 million, or 38.0%, at December 31, 2014.
- \$0.9 million, or 0.7%, represented projects destined for foreign locations compared to \$5.3 million, or 2.9%, at December 31, 2014.

Projects for our three largest customers in terms of revenue backlog consist of (i) a jacket, piles, and topsides for a deepwater Gulf of Mexico project for one customer, which commenced in the second quarter of 2013; (ii) shallow water jackets to be used in association with a wind farm project for a second customer, which commenced in the first quarter of 2015; and (iii) three towing vessels for an inland river customer, the first of which commenced in the second quarter of 2014, the second of which commenced in the fourth quarter of 2014 and the third which is expected to commence during the second quarter 2015. The deepwater project is scheduled to be completed during the third quarter of 2015; the wind farm jackets are expected to be completed during the third quarter of 2015; and the vessels are scheduled to be completed during the third quarter of 2015, the first quarter of 2016, and the third quarter of 2016, respectively.

Depending on the size of the project, the termination, postponement, or reduction in scope of any one project could significantly reduce our backlog, and could have a material adverse effect on revenue, net income and cash flow.

As of March 31, 2015, we expect to recognize revenue from our backlog of approximately:

- \$127.9 million, or 94.7%, during the remaining nine-months of 2015, and
- \$7.2 million, or 5.3%, during the calendar year 2016

The timing of our recognition of the revenue backlog as presented above is based on management's estimates of the application of the direct labor hours to complete the projects in our backlog. Certain factors and circumstances, as mentioned above, could cause changes in timing of the recognition of revenue from our backlog as well as the ultimate amounts recorded.

Based on the activity of the major oil and gas companies and certain engineering companies, we expect some bidding for deepwater projects to be available in the second half of 2015. Bidding activity for non-traditional Gulf of Mexico ("GOM") marine related projects, GOM shallow water projects, and ancillary work associated with deepwater structures is expected to increase somewhat in the second half of 2015. In addition, we expect to see increased activity for marine projects and marine repair work throughout 2015.

### **Workforce**

As of March 31, 2015, we had approximately 1,570 employees and approximately 170 contract employees, compared to approximately 1,700 employees and approximately 247 contract employees as of December 31, 2014.

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Man-hours worked were 745,000 during the three-month period ended March 31, 2015, compared to 953,000 for the three-month period ended March 31, 2014. The major factors contributing to the decrease in man-hours worked for the three-month period ended March 31, 2015 were the completion of the large deepwater projects during the three-month period ended March 31, 2014.

**Results of Operations**

Our revenue for the three-month periods ended March 31, 2015 and 2014 was \$99.2 million and \$134.7 million, respectively, representing a decrease of 26.3%.

The decrease in revenue for the three-month period ended March 31, 2015 is primarily attributable to higher revenue realized in the first quarter 2014 for a large deepwater project and higher levels of revenue from pass-through costs recognized during the three-months ended March 31, 2014. Pass-through costs as a percentage of revenue were 44.7% and 68.9% for the three-month periods ended March 31, 2015 and 2014, respectively. Pass-through costs decreased primarily due to lesser amounts of subcontractor services and direct materials in 2015, as compared to 2014. Higher amounts related to subcontractor services and direct materials were incurred during the first quarter 2014 for work related to a large deepwater hull project. Pass-through costs, as described in Note 5 in the Notes to Consolidated Financial Statements, are included in revenue, but have no impact on the gross profit recognized on a project for a particular period.

For the three-month periods ended March 31, 2015 and 2014, gross profit was \$4.4 million (4.5% of revenue) and \$8.8 million (6.5% of revenue), respectively. The decrease in gross profit was primarily due to (i) progress during the first quarter 2015 on a large deepwater project at near break even profit margins for the quarter; (ii) lower activity levels during the first quarter of 2015 as several projects were completed and delivered during the quarter; (iii) less offshore commissioning and hook-up activity performed on a time and material basis during the first quarter 2015 as compared to the first quarter 2014, that generally garner higher profit margins; and (iv) one suspended project during the fourth quarter 2014 and two suspended projects during the first quarter 2015. Backlog revenue related to the three suspended projects was \$2.9 million at the time of suspension. We do not include revenue or labor hours related to suspended projects in our project backlog.

General and administrative expenses were \$4.3 million for the three-month period ended March 31, 2015, compared to \$3.4 million for the three-month period ended March 31, 2014. As a percentage of revenue, general and administrative expenses for the three-month period ended March 31, 2015 was 4.3% compared to 2.5% for the three-month period ended March 31, 2014. The increase in general and administrative expenses for the three-month period ended March 31, 2015 is primarily attributable to the \$0.4 million in bad debt expense related to a settlement with a deepwater customer with respect to a hull and topside project that was completed during the first quarter 2014, \$0.2 million related to third party consulting services and audit fees, and \$0.3 million for expenses related to stock-based compensation.

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The Company had net interest expense of \$31,000 for the three-month period ended March 31, 2015 compared to net interest expense of \$21,000 for the three-month period ended March 31, 2014. The increase in net interest expense for the three-month period ended March 31, 2015 was primarily driven by the charges for the unused portion of our line of credit during the three months of 2015.

The Company had \$3,000 of other income for the three-month period ended March 31, 2015, compared to \$104,000 other expense for the three-month period ended March 31, 2014. Other expenses for the three-month period ended March 31, 2014 primarily represents losses on sales of property, plant, and equipment.

Our effective income tax rate for the three-month period ended March 31, 2015 was 34%, compared to an effective tax rate of 36% for the comparable period of 2014. The decrease in the effective tax rate is due to an increase in our estimated federal qualified production activities income deduction.

### **Liquidity and Capital Resources**

Historically, we have funded our business activities through cash generated from operations. The Company has a credit agreement with Whitney Bank and JPMorgan Chase Bank, N.A. that provides the Company with an \$80 million revolving credit facility. The credit facility also allows the Company to use up to the full amount of the available borrowing base for letters of credit. On October 23, 2014, we entered into an amendment to our credit facility to extend the maturity date from December 31, 2014 to December 31, 2015. The credit facility is secured by substantially all of our assets, other than real property located in the state of Louisiana. Amounts borrowed under the credit facility bear interest, at our option, at either the prime lending rate established by JPMorgan Chase Bank, N.A. or LIBOR plus 1.5 percent. We pay a fee on a quarterly basis of one-fourth of one percent per annum on the weighted-average unused portion of the credit facility.

At March 31, 2015, no amounts were borrowed under the credit facility, and we had outstanding letters of credit totaling \$13.5 million, reducing the unused portion of the credit facility to \$66.5 million. We are required to maintain certain financial covenants, including a minimum current ratio of 1.25 to 1 a minimum net worth requirement of \$254.2 million, debt to net worth ratio of 0.5 to 1, and earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense ratio of 4.0 to 1. As of March 31, 2015, we were in compliance with all covenants, and had no amounts outstanding under the credit facility.

At March 31, 2015, our contracts receivable balance was \$50.3 million of which we have subsequently collected \$19.6 million through April 17, 2015.

At March 31, 2015, our cash and cash equivalents totaled \$50.1 million, compared to \$36.1 million at December 31, 2014. Working capital was \$101.8 million and our ratio of current assets to current liabilities was 2.98 to 1 at March 31, 2015. Our primary use of cash during the period was related to the costs associated with fabrication projects.

In connection with work associated with a completed hull and topside project for a large deepwater customer in the first quarter 2014, we had a remaining receivable

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balance of \$10.0 million at December 31, 2014. In the first quarter, 2015, we entered into a settlement agreement with this customer that included among other things the payment of \$8.4 million in cash and title to certain skidway equipment used for project load-outs. The cash settlement was received during the first quarter 2015. The equipment, valued at \$1.2 million, was included in property, plant and equipment at March 31, 2015 with an assigned useful life of 15 years. The remaining \$0.4 million balance was charged to bad debt expense and was included in general and administrative expenses for the three months ended March 31, 2015.

For the three-month period ended March 31, 2015 net cash provided by operating activities was \$16.5 million, compared to \$2.3 million net cash used in operating activities at March 31, 2014. The increase in cash provided by operations for the three-month period ended March 31, 2015, compared to the three-month period ended March 31, 2014, was primarily due to lower activity levels requiring less cash expenditures on projects during the first three-months of 2015.

Net cash used in investing activities for the three-month period ended March 31, 2015 was \$1.0 million, compared to \$9.7 million for the three-month period ended March 31, 2014. We reduced capital spending during the first quarter of 2015 compared to the first quarter of 2014 in connection with planned reductions in overall spending for the first half of 2015 as a result of the energy industry slowdown and the overall impact of the downturn in oil prices.

We anticipate capital expenditures for the remainder of 2015 to be approximately \$3.8 million including \$1.2 million for yard and facility infrastructure improvements, \$1.2 million for new equipment, and \$1.4 million for maintenance capital expenditures at our facilities.

Net cash used in financing activities for the three-months ended March 31, 2015 and 2014 was \$1.5 million related to payments of dividends.

We believe our cash and cash equivalents generated by operating activities and funds available under the revolver will be sufficient to fund our capital expenditures and meet our working capital needs for the next twelve months. However, job awards may require us to issue additional letters of credit further reducing the capacity available on our revolving line of credit.

### **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, 2014. For more information on our contractual obligations, refer to Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2014.

### **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, 2014.



**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There has been no material changes in the Company's market risks during the quarter ended March 31, 2015. 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, 2014.

**Item 4. Controls and Procedures.**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, 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 the end of the period covered by this report.

There have been no changes during the fiscal quarter ended March 31, 2015 in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

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 Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

**Item 6. Exhibits.**

- 3.1 Composite Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed April 23, 2009.
- 3.2 Bylaws of the Company, as amended and restated through April 26, 2012, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed on April 30, 2012.
- 4.1 Specimen Common Stock Certificate, incorporated by reference to the Company's Form S-1/A filed March 19, 1997 (Registration No. 333-21863).
- 10.1 Form of Performance Share Unit Agreement.
- 10.2 Form of Restricted Stock Unit Agreement.
- 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 23, 2015, announcing the scheduled time for the release of its 2015 first quarter earnings and its quarterly conference call, incorporated by reference to Exhibit 99.1 of the Company's Form 8-K filed on April 27, 2015.
- 101 Attached as Exhibit 101 to this report are the following items formatted in XBRL (Extensible Business Reporting Language):
  - (i) Consolidated Balance Sheets,
  - (ii) Consolidated Statements of Income,
  - (iii) Consolidated Statement of Changes in Shareholders' Equity,
  - (iv) Consolidated Statements of Cash Flows and
  - (v) Notes to Consolidated Financial Statements.

**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/ Jeffrey M. Favret

Jeffrey M. Favret

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

Date: May 5, 2015

**GULF ISLAND FABRICATION, INC.**

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description of Exhibit</u></b>
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**PERFORMANCE SHARE UNIT AGREEMENT**

This PERFORMANCE SHARE UNIT AGREEMENT (this "Agreement") is by and between Gulf Island Fabrication, Inc. ("Gulf Island" or the "Company") and <<Participant Name>> (the "Participant").

WHEREAS, Gulf Island has adopted the 2015 Stock Incentive Plan (the "Plan"), under which the Compensation Committee (the "Committee") of the Board of Directors of Gulf Island, or its delegee, may, among other things, grant performance-based restricted stock units payable in shares of Gulf Island common stock, no par value per share (the "Common Stock"), to officers and key employees of Gulf Island or its subsidiaries (collectively, the "Company"); and

WHEREAS, the Committee believes that entering into this Agreement with the Participant is consistent with the purpose for which the Plan was adopted.

NOW, THEREFORE, Gulf Island and the Participant hereby agree as follows:

Section 1. The Plan. The Plan, a copy of which has been made available to the Participant, is incorporated by reference and made a part of this Agreement as if fully set forth herein. This Agreement uses a number of defined terms that are defined in the Plan or in the body of this Agreement. These defined terms are capitalized wherever they are used.

Section 2. Award.

(a) On <<Grant Date>> (the "Grant Date"), Gulf Island granted \_\_\_\_\_ performance-based restricted stock units, referred to herein as performance share units ("PSUs") to the Participant, subject to the terms and conditions of this Agreement and the Plan. The number of PSUs granted represents the target award (the "Target Award Level"). Each PSU granted hereunder represents the right to receive from the Company, on the vesting date set forth in Section 2(e) or such earlier date as provided in Section 3 of this Agreement, one share of common stock, no par value of the Company (the "Common Stock"), free of any restrictions. The Participant shall have no rights, including but not limited to, voting and dividend rights, in the shares of Common Stock underlying the RSUs unless and until such shares are issued to the Participant.

(b) Depending on the Company's achievement of the performance goal specified in Section 2(c) during the period beginning January 1, 2015 and ending December 31, 2016 (the "Performance Period"), the Participant shall receive from the Company the number of shares of Common Stock to which the earned PSUs relate, free of any restrictions, as determined pursuant to Section 2(d), except as otherwise provided in Section 3.

(c) The number of PSUs that are earned and vested shall be based upon the Company's total shareholder return relative to the total shareholder return of the Company's "Peer Group" listed on Schedule A attached hereto ("Relative TSR") in accordance with the following matrix:

**Relative TSR**

<u>Performance Level Compared to Peer Group</u>		<u>Performance Percentage(%)</u>
	Below 25th Percentile	0%
Threshold	25th Percentile	50%
Target	50th Percentile	100%
Maximum	75th Percentile or above	150%

(i) Total shareholder return as applied to the Company or any company in the peer group means stock price appreciation from the beginning to the end of the Performance Period, including monthly reinvestment of dividends and distributions paid during the Performance Period.

(d) The number of shares of Common Stock issuable to Participant under this award shall be a number of shares of Common Stock determined by multiplying the number of PSUs granted under this Agreement by the Performance Percentage earned for the level of achievement of the performance criteria as determined by the Committee. Performance results between the Threshold, Target and Maximum levels will be interpolated based on actual results between the Threshold, Target and Maximum.

(e) The Committee shall, within a reasonably practicable time following the last day of the Performance Period, certify the extent, if any, to which the Relative TSR metric has been achieved with respect to the Performance Period and the number of PSUs, if any, earned as a result of such achievement. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law. Payment in respect of the earned PSUs shall be made promptly following the Committee's certification of the attainment of the Relative TSR metric, but in any event, no later than April 1 of the year following the year in which the Performance Period ends. The Committee retains discretion to decrease the amount payable to the Participant if it deems appropriate, but shall not increase the amount payable to the Participant to an amount that is higher than the amount payable under the formula described herein. Any PSUs that are not earned as a result of the failure to meet the conditions set forth herein shall immediately be forfeited.

(f) All payments in respect of earned and vested PSUs shall be made in freely transferable shares of Common Stock. No fractional shares of Common Stock shall be issued pursuant to this award, and any fractional share resulting from any calculation made in accordance with the terms of this Agreement shall be rounded down to the next whole share.

Section 3. Early Termination; Change of Control.

(a) Subject to Section 3(b) below, in the event of the Participant's termination of employment prior to the end of the Performance Period due to (i) any reason other than termination by the Participant or by the Company for Cause as determined by the Company in its sole discretion, (ii) death, (iii) disability (within the meaning of Section 22(e) (3) of the Internal Revenue Code of 1986, as amended (the "Code")), or (iv) Retirement (as hereinafter defined),

the Participant shall forfeit as of the date of termination a number of PSUs determined by multiplying the number of PSUs by a fraction, the numerator of which is the number of full months following the date of termination, death, disability or Retirement to the end of the Performance Period and the denominator of which is twenty four. The Committee shall determine the number of PSUs forfeited and the number of shares of Common Stock to be issued to the Participant or his beneficiary in accordance with Section 2(e) based on the achievement of the Relative TSR metric for the entire Performance Period. As used herein, "Retirement" is defined as the voluntary termination of employment at or after age 65 with at least five years of service. In the event Participant voluntarily terminates his or her employment or the Company terminates Participant's employment for Cause, Participant shall forfeit, as of the date of termination, all PSUs and any right or claim to any portion of such award.

(b) In the event of a Change of Control, the PSUs shall be converted into a time-based award vesting in full on the last day of the Performance Period at the Target Award Level, subject to Participant's continued employment with the Company through such vesting date. Notwithstanding the foregoing, if, within one year following such Change of Control (but prior to the last day of the Performance Period), the Participant's employment is terminated by the Company without Cause or by such Participant for Good Reason, the Target Award Level of the award shall vest and the Participant shall be entitled to receive an equivalent number of shares of Common Stock as soon as administratively practical following Participant's termination, but no later than 30 days thereafter.

#### Section 4. Forfeiture of Award.

(a) If the Participant engages in grossly negligent conduct or intentional misconduct that either (i) requires the Company's financial statements to be restated at any time beginning on the Date of Grant and ending on the third anniversary of the end of the Performance Period or (ii) results in an increase of the value of the Participant's PSUs upon vesting, then the Committee, after considering the costs and benefits to the Company of doing so, may seek recovery for the benefit of the Company of the after-tax portion of the difference between the value of the shares of Common Stock received upon vesting of the PSUs and the value that would have been received based on the restated financial statements or absent the increase described in part (ii) above (the "Excess Value"). All determination regarding the value of the award shall be made solely by the Committee in good faith.

(b) The PSUs granted hereunder are also subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the SEC or national securities exchanges thereunder.

(c) If the Committee determines that the Participant owes any amount to the Company under Sections 4(a) or 4(b) above, the Participant shall pay to the Company, without interest, the Excess Value (or the amount recoverable under Section 4(b)). The Participant acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct the amount owed from any amounts the Company owes the Participant from time to time for any reason (including without limitation amounts owed to the Participant as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount the Participant owes it, the Participant hereby agrees to pay immediately the unpaid balance to the Company.

Section 5. Miscellaneous.

(a) The Participant understands and acknowledges that he is one of a limited number of employees of the Company who have been selected to receive grants of PSUs and that the grant is considered confidential information. The Participant hereby covenants and agrees not to disclose the award of PSUs pursuant to this Agreement to any other person except (i) the Participant's immediate family and legal or financial advisors who agree to maintain the confidentiality of this Agreement, (ii) as required in connection with the administration of this Agreement and the Plan as it relates to this award or under applicable law, (iii) to the extent the terms of this Agreement have been publicly disclosed by the Company and (iv) as may be required pursuant to Section 16 of the Securities Exchange Act of 1934.

(b) At the time that all or any portion of the PSUs are earned and pay out, the Participant must deliver to Gulf Island the amount of any taxes required by law to be withheld. In accordance with the terms of the Plan, the Participant may satisfy the tax withholding obligation by delivering currently owned shares of Common Stock or by electing to have Gulf Island withhold from the shares of the Participant otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan).

(c) The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement shall be final and binding on all persons.

(d) Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan.

(e) This award is intended to satisfy the short-term deferral exception to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), and shall be interpreted, construed and administered in accordance with such exception. Notwithstanding anything in this Agreement to the contrary, if the PSUs constitute "deferred compensation" under Section 409A and the vesting and payout of any PSUs is accelerated pursuant to Section 3, a distribution of the shares of Common Stock issuable to the Participant shall be delayed for a period of six months after the Participant's termination of employment, if the Participant is a key employee (as defined under Section 409A) and if so required pursuant to Section 409A. If settlement of the PSUs is so delayed, the PSUs shall be settled within 30 days of the date that is the six-month anniversary of the Participant's termination of employment. Notwithstanding any provision to the contrary herein, distributions to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under Section 409A. In no event shall a Participant, directly or indirectly, designate the calendar year of payment.



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(f) Each notice relating to this Agreement shall be in writing and delivered in person or by mail to Gulf Island at its office, 16255 Park Ten Place, Suite 280, Houston, TX, 77084, to the attention of the Secretary or at such other address as Gulf Island may specify in writing to the Participant by a notice delivered in accordance with this Section 5(f). All notices to the Participant shall be delivered to the Participant's address on file with the Company or at such other address as the Participant may specify in writing to the Secretary by a notice delivered in accordance with this Section 5(f) and Section 5(m).

(g) Neither this Agreement nor the rights of Participant hereunder shall be transferable by the Participant during his life other than by will or pursuant to applicable laws of descent and distribution. No rights or privileges of the Participant in connection herewith shall be transferred, assigned, pledged or hypothecated by Participant or by any other person in any way, whether by operation of law, or otherwise, and shall not be subject to execution, attachment, garnishment or similar process. In the event of any such occurrence, this Agreement shall automatically be terminated and shall thereafter be null and void.

(h) Nothing in this Agreement shall confer upon the Participant any right to continue in the employment of the Company, or to interfere in any way with the right of the Company to terminate the Participant's employment relationship with the Company at any time.

(i) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of PSUs or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the courts of Harris County, Texas, or the federal courts for the United States for the Southern District of Texas.

(j) If any term or provision of this Agreement, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, the Participant and Gulf Island intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

(k) The Plan and this Agreement contain the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided herein or in the Plan or as it may be amended from time to time by a written document signed by each of the parties hereto, including by electronic means as provided in Section 5(m). Any oral or written agreements, representations, warranties, written inducements, or other communications with respect to the subject matter contained herein made prior to the execution of the Agreement shall be void and ineffective for all purposes.

(l) Gulf Island's obligation under the Plan and this Agreement is an unsecured and unfunded promise to pay benefits that may be earned in the future. The Participant or any successor in interest shall be and remain a general creditor of Gulf Island in the same manner as any other creditor having a general claim for matured and unpaid compensation.

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(m) Gulf Island may, in its sole discretion, deliver any documents related to the Participant's current or future participation in the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. By accepting the terms of this Agreement, the Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by Gulf Island or a third party designated by Gulf Island.

(n) The Participant acknowledges that a waiver by Gulf Island of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Participant or any other Plan participant.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered on the day and year first above written.

GULF ISLAND FABRICATION, INC.

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
*{Insert name}*  
Award Recipient

**PEER GROUP COMPANIES**

Cal Dive International, Inc.  
Helix Energy Solutions Group Inc.  
McDermott International, Inc.  
Oceaneering International, Inc.  
Subsea 7 SA.  
Technip SA  
TETRA Technologies, Inc..

If any peer group company's Relative TSR shall cease to be publicly available (due to a business combination, receivership, bankruptcy or other event) or if any such company is no longer publicly held, the Committee shall exclude that company from the peer group.

**PLEASE PRINT AND KEEP A COPY FOR YOUR RECORDS**

**RESTRICTED STOCK UNIT AGREEMENT**

This RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”) is by and between Gulf Island Fabrication, Inc. (“Gulf Island” or the “Company”) and <<Participant Name>> (the “Award Recipient”).

WHEREAS, the Committee believes that entering into this Agreement with the Award Recipient is consistent with the purpose for which the Plan was adopted.

NOW, THEREFORE, Gulf Island and the Award Recipient hereby agree as follows:

1.  
AWARD OF RESTRICTED STOCK UNITS

1.1 On <<Grant Date>> (the “Date of Grant”), and upon the terms and conditions of the Plan and this Agreement, and in consideration of services rendered, Gulf Island awarded (the “RSU Award”) to the Award Recipient <<Grant Amount>> restricted stock units (the “RSUs”), that vest, subject to Sections 2 and 4 hereof, as follows:

<u>Scheduled Vesting Date</u>	<u>Amount of RSUs To Vest</u>
First Anniversary of Date of Grant	33%
Second Anniversary of Date of Grant	33%
Third Anniversary of Date of Grant	Remaining balance

2.  
TERMS OF  
RESTRICTED STOCK UNITS

2.1 Each RSU represents the right to receive from Gulf Island, upon vesting, one share of Common Stock, free of any restrictions.

2.2 The RSUs may not be sold, assigned, donated, transferred, exchanged, pledged, hypothecated or otherwise encumbered. The Award Recipient shall have no rights, including but not limited to, voting and dividend rights, in the shares of Common Stock underlying the RSUs unless and until such shares are issued to the Award Recipient, or as otherwise provided in this Agreement.

2.3 If the RSUs have not already vested in accordance with Section 1.1 above, the RSUs shall vest and all restrictions set forth in Section 2.2 shall lapse, if there has been a Change of Control, and within one year following such Change of Control the Award Recipient’s employment with the Company is terminated by the Company without Cause or by such participant with Good Reason, as further described in Section 12.10 of the Plan.

3.  
ISSUANCE OF SHARES UPON VESTING

3.1 As soon as practicable after the vesting of the RSUs, but no later than 30 days from such date, Gulf Island will credit the Award Recipient's brokerage account with the shares of Common Stock issuable upon vesting. If the Award Recipient has not established a brokerage account, the shares will be held by Gulf Island's transfer agent until such time as the Award Recipient opens an account.

3.2 Upon issuance of such shares of Common Stock, the Award Recipient is free to hold or dispose of such shares, subject to applicable securities laws and any internal policy then in effect and applicable to the Award Recipient, such as Gulf Island's Insider Trading Policy.

4.  
TERMINATION OF EMPLOYMENT

If the Award Recipient's employment terminates for any reason prior to the vesting of some or all of the RSUs (except in connection with a Change of Control as described in Section 2.3 above and Section 12.10 of the Plan), all unvested RSUs granted hereunder shall immediately be forfeited.

5.  
FORFEITURE OF AWARD

5.1 If the Award Recipient engages in grossly negligent conduct or intentional misconduct that either (a) requires the Company's financial statements to be restated at any time beginning on the Date of Grant and ending on the third anniversary of the end of the final vesting date set forth in Section 1.1 or (b) results in an increase of the value of the RSUs upon vesting, then the Committee, after considering the costs and benefits to the Company of doing so, may seek recovery for the benefit of the Company of the difference between the shares of Common Stock received upon vesting during the three-year period following such conduct and the shares of Common Stock that would have been received based on the restated financial statements or absent the increase described in part (b) above (the "Excess Shares"). All determinations regarding the amount of the Excess Shares shall be made solely by the Committee in good faith.

5.2 The RSU Award granted hereunder is also subject to any clawback policies the Company may adopt in order to conform to the requirements of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and any resulting rules issued by the United States Securities and Exchange Commission or national securities exchanges thereunder.

5.3 If the Committee determines that the Award Recipient owes any amount to the Company under Sections 5.1 or 5.2 above, the Award Recipient shall return to the Company the Excess Shares (or the shares recoverable under Section 5.2) acquired by the Award Recipient pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Award Recipient, the Award Recipient shall pay to the Company, without interest, all cash, securities or other assets received by the Award Recipient upon the sale or transfer of such shares. The Award Recipient acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such amount owed from any

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amounts the Company owes the Award Recipient from time to time for any reason (including without limitation amounts owed to the Award Recipient as salary, wages, reimbursements or other compensation, fringe benefits, retirement benefits or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount the Award Recipient owes it, the Award Recipient hereby agrees to pay immediately the unpaid balance to the Company.

6.

WITHHOLDING TAXES; TAX TREATMENT

6.1 At the time that all or any portion of the RSUs vest, the Award Recipient must deliver to Gulf Island the amount of any taxes required by law to be withheld. In accordance with the terms of the Plan, the Award Recipient may satisfy the tax withholding obligation by delivering currently owned shares of Common Stock or by electing to have Gulf Island withhold from the shares of the Award Recipient otherwise would receive hereunder shares of Common Stock having a value equal to the minimum amount required to be withheld (as determined under the Plan).

6.2 The RSUs are intended to constitute short-term deferrals under Section 409A of the Code ("Section 409A"), and the regulations and guidance issued thereunder. However, each Award Recipient should consult his or her own tax advisor as to the tax effect of amounts payable to the Award Recipient under the Plan. Gulf Island reserves the right to amend this Agreement to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of the RSU Award in light of Section 409A and any regulations or other guidance promulgated thereunder. Neither the Company nor the members of the Committee shall be liable for any determination or action taken or made with respect to this Agreement or the RSU Award granted thereunder.

7.

ADDITIONAL CONDITIONS

Anything in this Agreement to the contrary notwithstanding, if at any time Gulf Island further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant hereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant hereto, such shares of Common Stock shall not be issued, in whole or in part, or the restrictions thereon removed, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to Gulf Island. Gulf Island agrees to use commercially reasonable efforts to issue all shares of Common Stock issuable hereunder on the terms provided herein.

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8.

NO CONTRACT OF EMPLOYMENT INTENDED

Nothing in this Agreement shall confer upon the Award Recipient any right to continue in the employment of the Company, or to interfere in any way with the right of the Company to terminate the Award Recipient's employment relationship with the Company at any time.

9.

BINDING EFFECT

This Agreement may not be transferred, assigned pledged or hypothecated in any manner at law or otherwise, other than by will or by the laws of descent and distribution, if applicable, and shall not be subject to execution, attachment or similar process. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and permitted successors. Without limiting the generality of the foregoing, whenever the term "Award Recipient" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this award may be transferred by will or by the laws of descent and distribution, the term "Award Recipient" shall be deemed to include such person or persons.

10.

INCONSISTENT PROVISIONS

The RSUs granted hereby are subject to the terms, conditions, restrictions and other provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. The Award Recipient acknowledges that a copy of the Plan and a prospectus summarizing the Plan was distributed or made available to the Award Recipient and that the Award Recipient was advised to review such materials prior to entering into this Agreement. The Award Recipient waives the right to claim that the provisions of the Plan are not binding upon the Award Recipient and the Award Recipient's heirs, executors, administrators, legal representatives and successors.

11.

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the grant of the RSU Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the courts of Harris County, Texas, or the federal courts for the United States for the Southern District of Texas, and no other courts, where this grant is made and/or to be performed.

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## MISCELLANEOUS

12.1 The Award Recipient understands and acknowledges that he is one of a limited number of employees of the Company who have been selected to receive grants of RSU Awards and that the grant is considered confidential information. The Award Recipient hereby covenants and agrees not to disclose the award of RSU Awards pursuant to this Agreement to any other person except (a) the Award Recipient's immediate family and legal or financial advisors who agree to maintain the confidentiality of this Agreement, (b) as required in connection with the administration of this Agreement and the Plan as it relates to this award or under applicable law, (c) to the extent the terms of this Agreement have been publicly disclosed by the Company and (d) as may be required pursuant to Section 16 of the Securities Exchange Act of 1934.

12.2 The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement shall be final and binding on all persons.

12.3 Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan.

12.4 Each notice relating to this Agreement shall be in writing and delivered in person or by mail to Gulf Island at its office, 16225 Park Ten Place, Suite 280, Houston, Texas 77084, to the attention of the Secretary or at such other address as Gulf Island may specify in writing to the Award Recipient by a notice delivered in accordance with this Section 12.4. All notices to the Award Recipient shall be delivered to the Award Recipient's address on file with the Company or at such other address as the Award Recipient may specify in writing to the Secretary by a notice delivered in accordance with this Section 12.4 and Section 12.6.

12.5 Gulf Island's obligation under the Plan and this Agreement is an unsecured and unfunded promise to pay benefits that may be earned in the future. Gulf Island shall have no obligation to set aside, earmark or invest any fund or money with which to pay its obligations under this Agreement. The Award Recipient or any successor in interest shall be and remain a general creditor of Gulf Island in the same manner as any other creditor having a general claim for matured and unpaid compensation.

12.6 Gulf Island may, in its sole discretion, deliver any documents related to the Award Recipient's current or future participation in the Plan by electronic means or request the Award Recipient's consent to participate in the Plan by electronic means. By accepting the terms of this Agreement, the Award Recipient hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an online or electronic system established and maintained by Gulf Island or a third party designated by Gulf Island.

12.7 The Award Recipient must expressly accept the terms and conditions of this Agreement by executing this Agreement in a timely manner. If the Award Recipient does not accept the terms of this Agreement, this RSU Award is subject to cancellation.

The Plan and this Agreement contain the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan, as it may be amended from time to time in the manner provided therein, or in this Agreement, as it may be amended from time to time by a written document signed by each of the parties hereto, including by electronic means as provided in Section 12.6. Any oral or written agreements, representations, warranties, written inducements, or other communications with respect to the subject matter contained herein made prior to the acceptance of the Agreement shall be void and ineffective for all purposes.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered on the day and year first above written.

GULF ISLAND FABRICATION, INC.

By: \_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
*{Insert name}*  
Award Recipient

**Certifications**

I, Kirk J. Meche, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am 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

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- (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: May 5, 2015

/s/ Kirk J. Meche

Kirk J. Meche

President, Chief Executive Officer and Director

(Principal Executive Officer)

**Certifications**

I, Jeffrey M. Favret, 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. I am 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

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- 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: May 5, 2015

/s/ Jeffrey M. Favret

Jeffrey M. Favret  
Executive Vice President, Chief Financial Officer, Treasurer, and  
Secretary  
(Principal Financial and Accounting 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, 2015, 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/ Kirk J. Meche  
Kirk J. Meche  
President, Chief Executive Officer And Director (Principal  
Executive Officer)  
May 5, 2015

By: /s/ Jeffrey M. Favret  
Jeffrey M. Favret  
Executive Vice President, Chief Financial Officer, Treasurer,  
and Secretary (Principal Financial and Accounting Officer)  
May 5, 2015

*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.*