

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

**FORM 10-Q**

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

For the quarterly period ended  
**June 30, 2021**

or

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

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



**GULF ISLAND FABRICATION, INC.**

(Exact name of registrant as specified in its charter)

LOUISIANA

72-1147390

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

16225 PARK TEN PLACE, SUITE 300  
HOUSTON, TEXAS

(Address of principal executive offices)

77084  
(Zip Code)

(713) 714-6100

(Registrant's telephone number, including area code)

Securities registered pursuant to 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock        | GIFI              | NASDAQ                                    |

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

|                         |                                     |                           |                                     |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
|                         |                                     | Emerging Growth Company   | <input type="checkbox"/>            |

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

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

The number of shares of the registrant's common stock, no par value per share, outstanding as of August 10, 2021, was 15,535,225.

GULF ISLAND FABRICATION, INC.

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## GLOSSARY OF TERMS

As used in this report on Form 10-Q for the quarter ended June 30, 2021 (“this Report”), the following abbreviations and terms have the meanings as listed below. In addition, the terms “Gulf Island,” “the Company,” “we,” “us” and “our” refer to Gulf Island Fabrication, Inc. and its consolidated subsidiaries, unless the context clearly indicates otherwise. Certain terms defined below may be redefined separately within this Report when we believe providing a definition upon the first use of the term will assist users of this Report. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments in each case as amended, restated, supplemented or otherwise modified to the date of filing this Report.

|                                    |   |
|------------------------------------|---|
| <i>2020 Annual Report</i>          | Our annual report for the year ended December 31, 2020, filed with the SEC on Form 10-K on March 30, 2021.  |
| <i>ASU</i>                         | Accounting Standards Update.  |
| <i>Balance Sheet</i>               | Our Consolidated Balance Sheets, as filed in this Report.   |
| <i>CARES Act</i>                   | The Coronavirus Aid, Relief and Economic Security Act, as amended.  |
| <i>Closing Adjustment</i>          | The \$8.0 million payment received on the Closing Date associated with the Shipyard Transaction, representing an estimate of the change in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date.                                 |
| <i>Closing Adjustment True-up</i>  | A post-closing reconciliation and true-up of the Closing Adjustment associated with the Shipyard Transaction based on actual changes in working capital for the Divested Shipyard Contracts from December 31, 2020 through the Closing Date compared to the Closing Adjustment. |
| <i>Closing Date</i>                | The closing date of the Shipyard Transaction of April 19, 2021.   |
| <i>contract assets</i>             | Costs and estimated earnings recognized to date in excess of cumulative billings.   |
| <i>contract liabilities</i>        | Cumulative billings in excess of costs and estimated earnings recognized to date and accrued contract losses.   |
| <i>contracts in progress</i>       | Net contract assets and contract liabilities on projects.   |
| <i>Covered Period</i>              | The eight-week period following the date of the PPP Loan of April 17, 2020.   |
| <i>COVID-19</i>                    | The ongoing global coronavirus pandemic.  |
| <i>deck</i>                        | The component of a platform on which drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.   |
| <i>Deferred Transaction Price</i>  | The portion of the Transaction Price totaling \$2.2 million that will be received upon Bollinger's collection of certain customer payments associated with the Divested Shipyard Contracts.   |
| <i>Divested Shipyard Contracts</i> | Contracts and related obligations for our three research vessel projects and five towing, salvage and rescue ship projects that were included in the Shipyard Transaction.  |
| <i>DTA(s)</i>                      | Deferred Tax Asset(s).  |
| <i>EPC</i>                         | Engineering, procurement and construction phases of a complex project that requires project management and coordination of these significant activities.  |
| <i>Exchange Act</i>                | Securities Exchange Act of 1934, as amended.  |
| <i>F&amp;S Facility</i>            | Our Fabrication & Services Division’s facility located in Houma, Louisiana.   |
| <i>Fabrication &amp; Services</i>  | Our Fabrication & Services Division (also referred to herein as F&S).   |
| <i>FASB</i>                        | Financial Accounting Standards Board.   |
| <i>Financial Statements</i>        | Our Consolidated Financial Statements, including comparative Consolidated Balance Sheets, Statements of Operations, Statements of Changes in Shareholders' Equity and Statements of Cash Flows, as filed in this Report.  |
| <i>GAAP</i>                        | Generally Accepted Accounting Principles in the U.S.  |
| <i>GOM</i>                         | Gulf of Mexico.   |

|                                       |   |
|---------------------------------------|---|
| <i>Gulf Coast</i>                     | Along the coast of the Gulf of Mexico.  |
| <i>inland</i>                         | Typically, bays, lakes and marshy areas.  |
| <i>jacket</i>                         | A component of a fixed platform consisting of a tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is anchored with tubular steel pilings driven into the seabed. The jacket supports the deck structure located above the water.  |
| <i>Jennings Facility</i>              | Our Shipyard Division's leased facility located near Jennings, Louisiana, which was closed in the fourth quarter 2020.  |
| <i>labor hours</i>                    | Hours worked by employees directly involved in the production of our products.  |
| <i>Lake Charles Facility</i>          | Our Shipyard Division's leased facility located near Lake Charles, Louisiana, which was closed in the fourth quarter 2020.  |
| <i>LC Facility</i>                    | Our \$20.0 million letter of credit facility with Whitney Bank maturing June 30, 2023, as amended.  |
| <i>LNG</i>                            | Liquified Natural Gas.  |
| <i>modules</i>                        | Fabricated structures including structural steel, piping, valves, fittings, storage vessels and other equipment that are incorporated into a refining, petrochemical, LNG or industrial system. These modules are prefabricated at our facilities and then transported to the customer's location for final integration.  |
| <i>Mortgage Agreement</i>             | Multiple indebtedness mortgage arrangement with a Surety, to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bonds for certain contracts, which encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. |
| <i>MPSV(s)</i>                        | Multi-Purpose Support Vessel(s).  |
| <i>offshore</i>                       | In unprotected waters outside coastlines.   |
| <i>onshore</i>                        | Inside the coastline on land.   |
| <i>performance obligation</i>         | A contractual obligation to construct and transfer a distinct good or service to a customer. It is the unit of account in Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.   |
| <i>Permissible Expenses</i>           | Expenses which may be paid using proceeds from the PPP Loan. Such expenses are limited to payroll costs, rent, utilities, mortgage interest and interest on other pre-existing indebtedness.  |
| <i>piles</i>                          | Rigid tubular pipes that are driven into the seabed to support platforms.   |
| <i>PPP</i>                            | Paycheck Protection Program administered by the SBA under the CARES Act.  |
| <i>PPP Loan</i>                       | Our \$10.0 million loan from Whitney Bank issued pursuant to the PPP.   |
| <i>platform</i>                       | A structure from which offshore oil and gas development drilling and production are conducted.  |
| <i>Restrictive Covenant Agreement</i> | Restrictive covenant arrangement with a Surety, to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bonds for certain contracts, which precludes us from making dividends or repurchasing shares of our common stock.  |
| <i>Retained Shipyard Contracts</i>    | Contracts and related obligations for our two forty-vehicle ferry projects, seventy-vehicle ferry project, and two MPSV projects that are subject to dispute, which were excluded from the Shipyard Transaction.  |
| <i>SBA</i>                            | Small Business Administration.  |
| <i>SEC</i>                            | U.S. Securities and Exchange Commission.  |
| <i>Shipyard</i>                       | Our Shipyard Division.  |
| <i>Shipyard Facility</i>              | Our Shipyard Division's owned facility located in Houma, Louisiana that was sold in connection with the Shipyard Transaction.   |
| <i>Shipyard Transaction</i>           | The sale of our Shipyard Division's assets and certain construction contracts on April 19, 2021.  |
| <i>Statement of Cash Flows</i>        | Our Consolidated Statements of Cash Flows, as filed in this Report.   |

|                                |   |
|--------------------------------|---|
| <i>Statement of Operations</i> | Our Consolidated Statements of Operations, as filed in this Report.   |
| <i>Surety</i>                  | A financial institution that issues bonds to customers on behalf of the Company for the purpose of providing third-party financial assurance related to the performance of our contracts. |
| <i>T&amp;M</i>                 | Work performed and billed to the customer generally at contracted time and material rates, cost plus or other variable fee arrangements.  |
| <i>Topic 606</i>               | The revenue recognition criteria prescribed under ASU 2014-09, <i>Revenue from Contracts with Customers</i> .   |
| <i>Transaction Price</i>       | The base sales price of \$28.6 million associated with the Shipyard Transaction.  |
| <i>U.S.</i>                    | The United States of America.   |
| <i>Whitney Bank</i>            | Hancock Whitney Bank.   |

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GULF ISLAND FABRICATION, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands)

|   | June 30,<br>2021<br>(Unaudited) | December 31,<br>2020 |
|---|---------------------------------|----------------------|
| ASSETS  |                                 |                      |
| Current assets:   |                                 |                      |
| Cash and cash equivalents   | \$ 64,834                       | \$ 43,159            |
| Restricted cash, current  | 9,637                           | —                    |
| Short-term investments  | —                               | 7,998                |
| Contract receivables and retainage, net   | 13,737                          | 14,089               |
| Contract assets   | 2,371                           | 5,098                |
| Prepaid expenses and other assets   | 5,962                           | 2,545                |
| Inventory   | 1,772                           | 2,157                |
| Assets held for sale  | 1,800                           | 6,200                |
| Current assets of discontinued operations   | 2                               | 66,116               |
| Total current assets  | 100,115                         | 147,362              |
| Property, plant and equipment, net  | 29,720                          | 31,178               |
| Restricted cash, noncurrent   | 406                             | —                    |
| Noncurrent assets of discontinued operations  | —                               | 39,169               |
| Other noncurrent assets   | 13,438                          | 13,634               |
| Total assets  | \$ 143,679                      | \$ 231,343           |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |                                 |                      |
| Current liabilities:  |                                 |                      |
| Accounts payable  | \$ 9,427                        | \$ 12,362            |
| Contract liabilities  | 8,206                           | 10,262               |
| Accrued expenses and other liabilities  | 8,197                           | 6,682                |
| Long-term debt, current   | 1,050                           | 5,499                |
| Current liabilities of discontinued operations  | 771                             | 63,607               |
| Total current liabilities   | 27,651                          | 98,412               |
| Long-term debt, noncurrent  | 8,950                           | 4,501                |
| Other noncurrent liabilities  | 1,739                           | 2,068                |
| Total liabilities   | 38,340                          | 104,981              |
| Shareholders' equity:   |                                 |                      |
| Preferred stock, no par value, 5,000 shares authorized, no shares issued and outstanding  | —                               | —                    |
| Common stock, no par value, 30,000 shares authorized, 15,535 shares issued and outstanding at June 30, 2021 and 15,359 at December 31, 2020 | 11,281                          | 11,223               |
| Additional paid-in capital  | 104,583                         | 104,072              |
| Retained earnings (accumulated deficit)   | (10,525)                        | 11,067               |
| Total shareholders' equity  | 105,339                         | 126,362              |
| Total liabilities and shareholders' equity  | \$ 143,679                      | \$ 231,343           |

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

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

(in thousands, except per share data)

|  | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |           |
|--|--------------------------------|------------|------------------------------|-----------|
|  | 2021                           | 2020       | 2021                         | 2020      |
| Revenue  | \$ 24,268                      | \$ 31,988  | \$ 48,053                    | \$ 69,667 |
| Cost of revenue  | 23,164                         | 32,716     | 47,028                       | 70,863    |
| Gross profit (loss)  | 1,104                          | (728)      | 1,025                        | (1,196)   |
| General and administrative expense                         | 3,093                          | 3,370      | 5,880                        | 6,681     |
| Other (income) expense, net                                | (380)                          | 1          | (909)                        | (10,033)  |
| Operating income (loss)                                    | (1,609)                        | (4,099)    | (3,946)                      | 2,156     |
| Interest (expense) income, net                             | (95)                           | (89)       | (289)                        | (36)      |
| Income (loss) before income taxes                          | (1,704)                        | (4,188)    | (4,235)                      | 2,120     |
| Income tax (expense) benefit                               | 4                              | (22)       | 15                           | (106)     |
| Income (loss) from continuing operations                   | (1,700)                        | (4,210)    | (4,220)                      | 2,014     |
| Loss from discontinued operations, net of taxes            | (1,251)                        | (1,327)    | (17,372)                     | (1,646)   |
| Net income (loss)  | \$ (2,951)                     | \$ (5,537) | \$ (21,592)                  | \$ 368    |
| <b>Per share data:</b>                                     |                                |            |                              |           |
| Basic and diluted income (loss) from continuing operations | \$ (0.11)                      | \$ (0.28)  | \$ (0.27)                    | \$ 0.13   |
| Basic and diluted loss from discontinued operations        | (0.08)                         | (0.09)     | (1.12)                       | (0.11)    |
| Basic and diluted income (loss) per share                  | \$ (0.19)                      | \$ (0.36)  | \$ (1.40)                    | \$ 0.02   |

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

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

|                                  | Common Stock  |                  | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|----------------------------------|---------------|------------------|----------------------------------|----------------------|----------------------------------|
|                                  | Shares        | Amount           |                                  |                      |                                  |
| Balance at December 31, 2019     | 15,263        | \$ 11,119        | \$ 103,124                       | \$ 38,442            | \$ 152,685                       |
| Net income                       | —             | —                | —                                | 5,905                | 5,905                            |
| Vesting of restricted stock      | 27            | (8)              | (65)                             | —                    | (73)                             |
| Stock-based compensation expense | —             | 10               | 85                               | —                    | 95                               |
| Balance at March 31, 2020        | 15,290        | 11,121           | 103,144                          | 44,347               | 158,612                          |
| Net loss                         | —             | —                | —                                | (5,537)              | (5,537)                          |
| Vesting of restricted stock      | 19            | —                | (1)                              | —                    | (1)                              |
| Stock-based compensation expense | —             | 34               | 311                              | —                    | 345                              |
| Balance at June 30, 2020         | <u>15,309</u> | <u>\$ 11,155</u> | <u>\$ 103,454</u>                | <u>\$ 38,810</u>     | <u>\$ 153,419</u>                |

  

|                                  | Common Stock  |                  | Additional<br>Paid-In<br>Capital | Retained<br>Earnings | Total<br>Shareholders'<br>Equity |
|----------------------------------|---------------|------------------|----------------------------------|----------------------|----------------------------------|
|                                  | Shares        | Amount           |                                  |                      |                                  |
| Balance at December 31, 2020     | 15,359        | \$ 11,223        | \$ 104,072                       | \$ 11,067            | \$ 126,362                       |
| Net loss                         | —             | —                | —                                | (18,641)             | (18,641)                         |
| Vesting of restricted stock      | 158           | (9)              | (91)                             | —                    | (100)                            |
| Stock-based compensation expense | —             | 31               | 282                              | —                    | 313                              |
| Balance at March 31, 2021        | 15,517        | 11,245           | 104,263                          | (7,574)              | 107,934                          |
| Net loss                         | —             | —                | —                                | (2,951)              | (2,951)                          |
| Vesting of restricted stock      | 18            | (1)              | (7)                              | —                    | (8)                              |
| Stock-based compensation expense | —             | 37               | 327                              | —                    | 364                              |
| Balance at June 30, 2021         | <u>15,535</u> | <u>\$ 11,281</u> | <u>\$ 104,583</u>                | <u>\$ (10,525)</u>   | <u>\$ 105,339</u>                |

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



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

|  | Six Months Ended<br>June 30, |           |
|--|------------------------------|-----------|
|  | 2021                         | 2020      |
| <b>Cash flows from operating activities:</b>   |                              |           |
| Net income (loss)  | \$ (21,592)                  | \$ 368    |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: |                              |           |
| Depreciation and lease asset amortization  | 3,215                        | 4,287     |
| Other amortization, net  | 15                           | 31        |
| Asset impairments  | 22,750                       | —         |
| Loss on Shipyard Transaction   | 2,581                        | —         |
| (Gain) loss on sale of fixed assets and other assets, net                            | 45                           | (5)       |
| Stock-based compensation expense   | 677                          | 440       |
| Changes in operating assets and liabilities:   |                              |           |
| Contract receivables and retainage, net  | 1,654                        | 12,704    |
| Contract assets  | (4,561)                      | (25,732)  |
| Prepaid expenses, inventory and other current assets                                 | (676)                        | 668       |
| Accounts payable   | (11,020)                     | 2,081     |
| Contract liabilities   | (5,324)                      | 702       |
| Accrued expenses and other current liabilities                                       | 1,330                        | (1,840)   |
| Noncurrent assets and liabilities, net (including long-term retainage)               | (463)                        | 2,538     |
| Net cash used in operating activities  | (11,369)                     | (3,758)   |
| <b>Cash flows from investing activities:</b>   |                              |           |
| Capital expenditures   | (921)                        | (7,745)   |
| Proceeds from Shipyard Transaction, net of transaction costs                         | 31,677                       | —         |
| Proceeds from sale of property and equipment   | 4,439                        | 1,080     |
| Purchases of short-term investments  | —                            | (19,991)  |
| Maturities of short-term investments   | 8,000                        | 20,000    |
| Net cash provided by (used in) investing activities                                  | 43,195                       | (6,656)   |
| <b>Cash flows from financing activities:</b>   |                              |           |
| Proceeds from borrowings   | —                            | 10,000    |
| Payment of financing cost  | —                            | (31)      |
| Tax payments for vested stock withholdings   | (108)                        | (74)      |
| Net cash provided by (used in) financing activities                                  | (108)                        | 9,895     |
| Net increase (decrease) in cash, cash equivalents and restricted cash                | 31,718                       | (519)     |
| Cash, cash equivalents and restricted cash, beginning of period                      | 43,159                       | 49,703    |
| Cash, cash equivalents and restricted cash, end of period                            | \$ 74,877                    | \$ 49,184 |
| <b>Supplemental cash flow information:</b>   |                              |           |
| Deferred Transaction Price receivable from Shipyard Transaction                      | \$ 2,200                     | \$ —      |

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

**GULF ISLAND FABRICATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Gulf Island Fabrication, Inc. (together with its subsidiaries, “Gulf Island,” “the Company,” “we,” “us” and “our”) is a leading fabricator of complex steel structures and modules and provider of project management, hookup, commissioning, repair, maintenance and civil construction services. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through two operating divisions (“Fabrication & Services” and “Shipyard”) and one non-operating division (“Corporate”), which represent our reportable segments. Our corporate headquarters is located in Houston, Texas and our operating facilities are located in Houma, Louisiana. On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts (“Shipyard Transaction”) and intend to wind down our remaining Shipyard Division operations by mid-2022. See “*Basis of Presentation*” below and Note 3 for further discussion of the Shipyard Transaction.

**Basis of Presentation**

The accompanying unaudited Consolidated Financial Statements (“Financial Statements”) reflect all wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial statements, the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, the Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Our Consolidated Balance Sheet at December 31, 2020, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the Financial Statements and related footnotes included in our 2020 Annual Report.

We determined the Shipyard Division assets, liabilities and operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021. Accordingly, such assets and liabilities at June 30, 2021, and operating results for the three and six months ended June 30, 2021, have been classified as discontinued operations on our Consolidated Balance Sheet (“Balance Sheet”) and Consolidated Statement of Operations (“Statement of Operations”), respectively. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such assets and liabilities at December 31, 2020, and operating results for the three and six months ended June 30, 2020, have been recast and classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. Discontinued operations are not presented separately on our Consolidated Statement of Cash Flows (“Statement of Cash Flows”). Unless otherwise noted, the amounts presented throughout the notes to our Financial Statements relate to our continuing operations. See Note 3 for further discussion of the Shipyard Transaction and our discontinued operations.

**Operating Cycle**

The duration of our contracts vary but typically extend beyond twelve months from the date of contract award. Consistent with industry practice, assets and liabilities have been classified as current under the operating cycle concept whereby all contract-related items are classified as current regardless of whether cash will be received or paid within a twelve-month period. Assets and liabilities classified as current, which may not be received or paid within the next twelve months, include contract retainage, contract assets and contract liabilities. Variations from normal contract terms may result in the classification of assets and liabilities as long-term.

## Use of Estimates

*General* – The preparation of our Financial Statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We believe our most significant estimates and judgments are associated with:

- revenue recognition for our contracts, including application of the percentage-of-completion method, estimating costs to complete each contract and the recognition of incentives, unapproved change orders, claims and liquidated damages;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived assets and our assets held for sale;
- determination of deferred income tax assets, liabilities and related valuation allowances;
- reserves for bad debts;
- liabilities related to self-insurance programs; and
- the impacts of the ongoing global coronavirus pandemic (“COVID-19”) and volatile oil prices on our business, estimates and judgments as discussed further below.

If the underlying estimates and assumptions upon which our Financial Statements are based change in the future, actual amounts may differ materially from those included in the Financial Statements.

*Volatile Oil Prices and COVID-19* – For the last several years, the price of oil has been at depressed levels and/or experienced significant volatility, resulting in a significant and sustained reduction in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows have been negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing, significant under-utilization of our operating facilities and resources and losses on certain projects. Additionally, COVID-19 has added another layer of pressure and uncertainty on oil prices and our end markets, which has further impacted our operations. COVID-19 (including its new and emerging strains and variants) is a widespread public health crisis that continues to adversely affect global economies and financial markets.

During 2020, our operations (as well as the operations of our customers, subcontractors and other counterparties) were negatively impacted by the physical distancing, quarantine and isolation measures recommended by national, state and local authorities on large portions of the population, and mandatory business closures that were enacted in an attempt to control COVID-19. We continue to monitor the impact of COVID-19 on our operations and recognize that it could continue to negatively impact our business and results of operations during the remainder of 2021 and beyond. Even with widespread distribution of vaccines, hesitancy or resistance to the vaccines among certain groups, as well as uncertainty about their long-term efficacy or effectiveness against new COVID-19 strains and variants, remain. The extent to which our operations and financial performance will be impacted by COVID-19 during the remainder of 2021 will depend largely on future developments, including global availability and acceptance of the vaccines. Authorities in some areas of the U.S. have begun to relax COVID-19 restrictions; however, if the areas where we have our headquarters and operating facilities, or areas where our customers, subcontractors and other counterparties have operations, were to experience periods of resurgence in the numbers of cases of the virus, including through the spread of new, more contagious or deadly strains and variants of the virus, authorities may reinstate restrictions, quarantine and isolation measures. The measures taken, while intended to protect human life, have had and are expected to continue to have a serious adverse impact on domestic and foreign economies of uncertain severity and duration.

The continued level of uncertainty means the ultimate business and financial impacts of COVID-19 and volatility in oil prices cannot be reasonably estimated at this time, but have included, or may include, among other things, reduced bidding activity, suspension or termination of backlog, deterioration of customer financial condition, potential supply disruptions and unanticipated project costs due to project disruptions and schedule delays, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, lack of performance by subcontractors and suppliers, and contract disputes. Management’s estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report for the impacts of COVID-19 and volatile oil prices.

## Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the assumed conversion of dilutive securities. See Note 7 for calculations of our basic and diluted income (loss) per share.

## **Cash Equivalents, Restricted Cash and Short-Term Investments**

*Cash Equivalents* – We consider investments with original maturities of three months or less when purchased to be cash equivalents.

*Restricted Cash* – At June 30, 2021, we had \$10.0 million of restricted cash as security for letters of credit issued under our letter of credit facility (“LC Facility”) with Hancock Whitney Bank (“Whitney Bank”). In July 2021, \$7.0 million of outstanding letters of credit expired and the associated cash restriction was released. Our restricted cash is held in an interest-bearing money market account with Whitney Bank. The classification of the restricted cash as current and noncurrent is determined by the contractual maturity dates of the letters of credit being secured, with letters of credit having maturity dates of twelve months or less from the balance sheet date classified as current, and letters of credit having maturity dates of longer than twelve months from the balance sheet date classified as noncurrent. We had no restricted cash at December 31, 2020. See Note 5 for further discussion of our cash security requirements under our LC Facility.

*Short-Term Investments* – We consider investments with original maturities of more than three months but less than twelve months to be short-term investments. We had no short-term investments at June 30, 2021. At December 31, 2020, our short-term investments included U.S. Treasuries with original maturities of less than six months that were held until their maturity.

## **Inventory**

Inventory is recorded at the lower of cost or net realizable value determined using the first-in-first-out basis. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. Net realizable value is our estimated selling price in the normal course of business, less reasonably predictable costs of completion, disposal and transportation. An allowance for excess or inactive inventory is recorded based on an analysis that considers current inventory levels, historical usage patterns, estimates of future sales and salvage value.

## **Allowance for Doubtful Accounts**

In the normal course of business, we extend credit to our customers on a short-term basis and contract receivables are generally not collateralized; however, we typically have the right to place liens on our projects in the event of nonpayment by our customers. We routinely review individual contract receivable balances for collectability and make provisions for probable uncollectible amounts as necessary. Among the factors considered in our review are the financial condition of our customer and its access to financing, underlying disputes with the customer, the age and value of the receivable balance, and economic conditions in general. See Note 2 for further discussion of our allowance for doubtful accounts.

## **Stock-Based Compensation**

Awards under our stock-based compensation plans are calculated using a fair value-based measurement method. We use the straight-line method to recognize share-based compensation expense over the requisite service period of the award. We recognize the excess tax benefit or tax deficiency resulting from the difference between the deduction we receive for tax purposes and the stock-based compensation expense we recognize for financial reporting purposes created when common stock vests, as an income tax benefit or expense on our Statement of Operations.

Tax payments made on behalf of employees to taxing authorities in order to satisfy employee income tax withholding obligations from the vesting of shares under our stock-based compensation plans are classified as a financing activity on our Statement of Cash Flows.

## **Assets Held for Sale**

Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. See Note 4 for further discussion of our assets held for sale.

## **Depreciation Expense**

Property, plant and equipment are depreciated on a straight-line basis over estimated useful lives ranging from three to 25 years. Ordinary maintenance and repairs, which do not extend the physical or economic lives of the plant or equipment, are charged to expense as incurred.

## Long-Lived Assets

Long-lived assets, which include property, plant and equipment and our lease assets included within other noncurrent assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If a recoverability assessment is required, we compare the estimated future undiscounted cash flow associated with the asset or asset group to its carrying amount to determine if an impairment exists. An asset group constitutes the minimum level for which identifiable cash flows are principally independent of the cash flows of other assets or asset groups. An impairment loss is measured by comparing the fair value of the asset or asset group to its carrying amount and the excess of the carrying amount of the asset or asset group over its fair value is recorded as an impairment charge. Fair value is determined based on discounted cash flows, appraised values or third-party indications of value, as appropriate. See Note 3 for further discussion of our long-lived asset impairments within our discontinued operations.

## Leases

We record a right-of-use asset and an offsetting lease liability on our Balance Sheet equal to the present value of our lease payments for leases with an original term of longer than twelve months. We do not record an asset or liability for leases with an original term of twelve months or less and we do not separate lease and non-lease components for our leases. Our lease assets are reflected within other noncurrent assets, and the current and noncurrent portions of our lease liabilities are reflected within accrued expenses and other liabilities, and other noncurrent liabilities, respectively, on our Balance Sheet. For leases with escalations over the life of the lease, we recognize expense on a straight-line basis.

## Fair Value Measurements

Fair value determinations for financial assets and liabilities are based on the particular facts and circumstances. Financial instruments are required to be categorized within a valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels of the valuation hierarchy are as follows:

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – inputs are based upon model-based valuation techniques for which significant assumptions are generally not observable in the market and typically reflect estimates and assumptions that we believe market participants would use in pricing the asset or liability. These include discounted cash flow models and similar valuation techniques.

The carrying amounts of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximate their fair values. Our fair value assessments for determining impairments of inventory, long-lived assets and assets held for sale are non-recurring fair value measurements that fall within Level 3 of the fair value hierarchy. See Note 4 for further discussion of our assets held for sale.

## Revenue Recognition

*General* – Our revenue is derived from customer contracts and agreements that are awarded on a competitively bid and negotiated basis using a range of contracting options, including fixed-price, unit-rate and T&M. Our contracts primarily relate to the fabrication and construction of steel structures, modules and marine vessels, and project management services and other service arrangements. We recognize revenue from our contracts in accordance with Accounting Standards Update (“ASU”) 2014-09, Topic 606 “Revenue from Contracts with Customers” (“Topic 606”).

Topic 606 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, provisions of Topic 606 specify which goods and services are distinct and represent separate performance obligations (representing the unit of account in Topic 606) within a contract and which goods and services (which could include multiple contracts or agreements) should be aggregated. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue for performance obligations satisfied over time are recognized as the work progresses. Revenue for performance obligations that do not meet the criteria for over time recognition are recognized at a point-in-time when a performance obligation is complete and a customer has obtained control of a promised asset.

*Fixed-Price and Unit-Rate Contracts* – Revenue for our fixed-price and unit-rate contracts is recognized using the percentage-of-completion method based on contract costs incurred to date compared to total estimated contract costs (an input method). Contract costs include direct costs, such as materials and labor, and indirect costs attributable to contract activity. Material costs that are significant to

a contract and do not reflect an accurate measure of project completion are excluded from the determination of our contract progress. Revenue for such materials is only recognized to the extent of costs incurred. Revenue and gross profit for contracts accounted for using the percentage-of-completion method can be significantly affected by changes in estimated cost to complete such contracts. Significant estimates impacting the cost to complete a contract include: forecast costs of engineering, materials, equipment and subcontracts; forecast costs of labor and labor productivity; schedule durations, including subcontractor and supplier progress; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. Although our customers retain the right and ability to change, modify or discontinue further work at any stage of a contract, in the event our customers discontinue work, they are required to compensate us for the work performed to date. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our Financial Statements and related disclosures. See Note 2 for further discussion of projects with significant changes in estimated margins during the three and six months ended June 30, 2021 and 2020.

*T&M Contracts* – Revenue for our T&M contracts is recognized at contracted rates when the work is performed, the costs are incurred and collection is reasonably assured. Our T&M contracts provide for labor and materials to be billed at rates specified within the contract. The consideration from the customer directly corresponds to the value of our performance completed at the time of invoicing.

*Variable Consideration* – Revenue and gross profit for contracts can be significantly affected by variable consideration, which can be in the form of unapproved change orders, claims, incentives and liquidated damages that may not be resolved until the later stages of the contract or after the contract has been completed. We estimate variable consideration based on the amount we expect to be entitled and include estimated amounts in transaction price to the extent it is probable that a significant future reversal of cumulative revenue recognized will not occur or when we conclude that any significant uncertainty associated with the variable consideration is resolved. See Note 2 for further discussion of unapproved change orders, claims, incentives and liquidated damages for our projects.

*Additional Disclosures* – Topic 606 also requires disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. See Note 2 for required disclosures under Topic 606.

#### **Pre-Contract Costs**

Pre-contract costs are generally charged to cost of revenue as incurred, but in certain cases their recognition may be deferred if specific probability criteria are met. At June 30, 2021 and December 31, 2020, we had no deferred pre-contract costs.

#### **Other (Income) Expense, Net**

Other (income) expense, net, generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. For the six months ended June 30, 2020, other (income) expense also included a gain of \$10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015.

#### **Income Taxes**

Income taxes have been provided using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted rates expected to be in effect during the year in which the differences are expected to reverse. Due to state income tax laws related to the apportionment of revenue for our projects, judgment is required to estimate the effective tax rate expected to apply to tax differences that are expected to reverse in the future.

A valuation allowance is provided to reserve for deferred tax assets (“DTA(s)”) if, based upon the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our DTAs depends on our ability to generate sufficient taxable income of the appropriate character and in the appropriate jurisdictions. Our effective tax rate differs from our statutory rate as no federal benefit was recorded for losses during the three and six months ended June 30, 2021 and three months ended June 30, 2020, as a full valuation allowance was recorded against our federal deferred tax assets generated during the periods, and as no federal expense was recorded for income during the six months ended June 30, 2020, as it was fully offset by the reversal of valuation allowance on our net deferred tax assets. Income taxes recorded for the three and six months ended June 30, 2021 and 2020 represent state income taxes.

Reserves for uncertain tax positions are recognized when we consider it more likely than not that additional tax will be due in excess of amounts reflected in our income tax returns, irrespective of whether or not we have received tax assessments. Interest and penalties on uncertain tax positions are recorded within income tax expense.

## New Accounting Standards

*Income taxes* – During the first quarter 2021, we adopted Accounting Standards Update (“ASU”) 2019-12, “*Income Taxes*,” which simplifies the accounting for income taxes by removing certain exceptions to the general principles and simplifies areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enacted tax laws or rate changes. Adoption of the new standard did not have a material effect on our financial position, results of operations or related disclosures.

*Financial instruments* – In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-13, “*Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments*,” which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, short-term investments, loans and other instruments, entities will be required to use a new forward-looking “expected loss” model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. The new standard also requires enhanced disclosures, including the requirement to disclose the information used to track credit quality by year of origination for most financing receivables. ASU 2016-13 will be effective for us in the first quarter 2023. Early adoption of the new standard is permitted; however, we have not elected to early adopt the standard. The new standard is required to be applied using a cumulative-effect transition method. We are currently evaluating the effect that the new standard will have on our financial position, results of operations and related disclosures.

## 2. REVENUE, CONTRACT ASSETS AND LIABILITIES AND OTHER CONTRACT MATTERS

As discussed in Note 1, we recognize revenue from our contracts in accordance with Topic 606. Summarized below are required disclosures under Topic 606 and other relevant guidance.

### Disaggregation of Revenue

The following tables summarize revenue for each of our operating segments, disaggregated by contract type, for the three and six months ended June 30, 2021 and 2020 (in thousands):

| Contract Type                            | Three Months Ended June 30, 2021 |          |              |           |
|--|----------------------------------|----------|--------------|-----------|
|  | F&S                              | Shipyard | Eliminations | Total     |
| Fixed-price and unit-rate <sup>(1)</sup> | \$ 11,041                        | \$ 3,129 | \$ —         | \$ 14,170 |
| T&M <sup>(2)</sup>                       | 9,254                            | —        | —            | 9,254     |
| Other                                    | 932                              | —        | (88)         | 844       |
| Total                                    | \$ 21,227                        | \$ 3,129 | \$ (88)      | \$ 24,268 |

| Contract Type                            | Six Months Ended June 30, 2021 |          |              |           |
|--|--------------------------------|----------|--------------|-----------|
|  | F&S                            | Shipyard | Eliminations | Total     |
| Fixed-price and unit-rate <sup>(1)</sup> | \$ 22,198                      | \$ 8,259 | \$ (8)       | \$ 30,449 |
| T&M <sup>(2)</sup>                       | 15,523                         | —        | —            | 15,523    |
| Other                                    | 2,566                          | —        | (485)        | 2,081     |
| Total                                    | \$ 40,287                      | \$ 8,259 | \$ (493)     | \$ 48,053 |

| Contract Type                            | Three Months Ended June 30, 2020 |          |              |           |
|--|----------------------------------|----------|--------------|-----------|
|  | F&S                              | Shipyard | Eliminations | Total     |
| Fixed-price and unit-rate <sup>(1)</sup> | \$ 20,853                        | \$ 5,902 | \$ (239)     | \$ 26,516 |
| T&M <sup>(2)</sup>                       | 4,455                            | —        | —            | 4,455     |
| Other                                    | 1,298                            | —        | (281)        | 1,017     |
| Total                                    | \$ 26,606                        | \$ 5,902 | \$ (520)     | \$ 31,988 |

| Contract Type                            | Six Months Ended June 30, 2020 |           |              |           |
|--|--------------------------------|-----------|--------------|-----------|
|  | F&S                            | Shipyard  | Eliminations | Total     |
| Fixed-price and unit-rate <sup>(1)</sup> | \$ 45,410                      | \$ 10,585 | \$ (324)     | \$ 55,671 |
| T&M <sup>(2)</sup>                       | 11,380                         | —         | —            | 11,380    |
| Other                                    | 3,259                          | —         | (643)        | 2,616     |
| Total                                    | \$ 60,049                      | \$ 10,585 | \$ (967)     | \$ 69,667 |

(1) Revenue is recognized as the contract progresses over time.

(2) Revenue is recognized at contracted rates when the work is performed and costs are incurred.

## Future Performance Obligations Required Under Contracts

The following table summarizes our remaining performance obligations by operating segment at June 30, 2021 (in thousands):

| Segment                | Performance Obligations |
|------------------------|-------------------------|
| Fabrication & Services | \$ 9,326                |
| Shipyards              | 14,588                  |
| Total <sup>(1)</sup>   | \$ 23,914               |

- (1) We expect to recognize revenue of approximately \$17.6 million and \$6.3 million for the remainder of 2021 and thereafter, respectively, associated with our remaining performance obligations at June 30, 2021.

## Contracts Assets and Liabilities

Revenue recognition and customer invoicing for our fixed-price and unit-rate contracts may occur at different times. Revenue recognition is based upon our estimated percentage-of-completion as discussed in Note 1; however, customer invoicing is generally dependent upon contractual billing terms, which could provide for customer payments in advance of performing the work, milestone billings based on the completion of certain phases of the work, or when services are provided. Revenue recognized in excess of amounts billed is reflected as contract assets on our Balance Sheet. Amounts billed in excess of revenue recognized, and accrued contract losses, are reflected as contract liabilities on our Balance Sheet. Information with respect to contracts that were incomplete at June 30, 2021 and December 31, 2020 is as follows (in thousands):

|   | June 30,<br>2021 | December 31,<br>2020 |
|---|------------------|----------------------|
| Contract assets <sup>(1)</sup>                | \$ 2,371         | \$ 5,098             |
| Contract liabilities <sup>(2), (3), (4)</sup> | (8,206)          | (10,262)             |
| Contracts in progress, net                    | \$ (5,835)       | \$ (5,164)           |

- (1) The decrease in contract assets compared to December 31, 2020, was primarily due to decreased unbilled positions for various projects within our Fabrication & Services Division and our seventy-vehicle ferry project within our Shipyards Division.
- (2) The decrease in contract liabilities compared to December 31, 2020, was primarily due to a decrease in accrued contract losses and the unwind of advance payments on our two forty-vehicle ferry projects within our Shipyards Division.
- (3) Revenue recognized during the three months ended June 30, 2021 and 2020, related to amounts included in our contract liabilities balance at March 31, 2021 and 2020, was \$2.8 million and \$4.0 million, respectively. Revenue recognized during the six months ended June 30, 2021 and 2020, related to amounts included in our contract liabilities balance at December 31, 2020 and 2019, was \$2.8 million and \$8.6 million, respectively.
- (4) Contract liabilities at June 30, 2021 and December 31, 2020, includes accrued contract losses of \$4.8 million and \$5.4 million, respectively. See "Changes in Project Estimates" below for further discussion of our accrued contract losses.

## Allowance for Doubtful Accounts

Our provision for bad debts is included in other (income) expense, net on our Statement of Operations. Our provision for bad debts for the three and six months ended June 30, 2021 and 2020, and our allowance for doubtful accounts at June 30, 2021 and December 31, 2020, were not significant.

## Variable Consideration

For the three and six months ended June 30, 2021 and 2020, we had no material amounts in revenue related to unapproved change orders, claims or incentives. However, at June 30, 2021 and December 31, 2020, certain projects reflected a reduction to our estimated contract price for liquidated damages of \$0.9 million and \$0.6 million, respectively.

## Changes in Project Estimates

We determine the impact of changes in estimated margins on projects for a given period by calculating the amount of revenue recognized in the period that would have been recognized in a prior period had such estimated margins been forecasted in the prior period. The total impact of changes in estimated margins for a project as disclosed on a quarterly basis may be different from the applicable year-to-date impact due to the application of the percentage-of-completion method and the changing progress of the project at each period end. Such impacts may also be different when a project is commenced and completed within the applicable year-to-date period but spans multiple quarters.



*Changes in Estimates for 2021* – For the three and six months ended June 30, 2021, significant changes in estimated margins on projects positively impacted operating results for our Fabrication & Services Division by \$1.9 million and \$2.0 million, respectively, and negatively impacted operating results for our Shipyard Division by \$0.9 million and \$1.7 million, respectively. The changes in estimates were associated with the following:

***Fabrication & Services Division***

- *Offshore Modules Project, Material Supply Project and Subsea Structures Project* – Positive impact for the three and six months ended June 30, 2021 of \$1.9 million and \$2.0 million, respectively, for our offshore modules project, material supply project and a subsea structures project, resulting from increased contract price and reduced forecast costs, primarily associated with reduced contingency associated with schedule-related liquidated damages and reduced craft labor and subcontracted services costs. The impacts were primarily due to better than anticipated labor productivity and progress on the projects and favorable resolution of change orders with the customers. At June 30, 2021, the offshore modules project was complete and the material supply project and subsea structures project were completed in July 2021.

***Shipyard Division***

- *Seventy-Vehicle Ferry Project* – Negative impact for the three and six months ended June 30, 2021 of \$0.9 million and \$1.7 million, respectively, for our seventy-vehicle ferry project, resulting from increased forecast costs and forecast liquidated damages, primarily associated with extensions of schedule and associated duration related costs, including supervision and subcontracted services costs. The impacts were primarily due to customer-directed changes, higher forecast costs to launch the vessel, and engineering delays and lower than anticipated progress on the project, due in part to COVID-19. We have submitted a claim to our customer to extend our project schedule and recover the increased forecast costs associated with the impacts of the customer-directed changes and COVID-19; however, we can provide no assurances that we will be successful recovering these costs. Our forecast at June 30, 2021 does not reflect potential future benefits, if any, from the favorable resolution of the claim. At June 30, 2021, the vessel was approximately 73% complete and is forecast to be completed in the second quarter 2022. The project was in a loss position at June 30, 2021 and our reserve for estimated losses was \$0.8 million. If future craft labor productivity and subcontractor costs differ from our current estimates, piping or other construction activities are determined to be more complex than anticipated upon finalization of production engineering, we are unable to achieve our progress estimates, our schedule is further extended or we incur additional schedule liquidated damages, the project would experience further losses.

*Changes in Estimates for 2020* – For the three and six months ended June 30, 2020, significant changes in estimated margins on projects positively impacted operating results for our Fabrication & Services Division by \$1.0 million and \$1.9 million, respectively, and for the six months ended June 30, 2020, negatively impacted operating results for our Shipyard Division by \$1.2 million. The changes in estimates were associated with the following:

***Fabrication & Services Division***

- *Paddle Wheel Riverboat Project and Subsea Components Project* – Positive impact for the three and six months ended June 30, 2020 of \$0.5 million and \$1.4 million, respectively, for our paddle wheel riverboat project and subsea components project, resulting from reduced forecast costs and increased contract price, primarily associated with reduced craft labor and subcontracted services costs and change orders. The impacts were primarily due to better than anticipated labor productivity and favorable resolution of change orders with subcontractors and the customers. At June 30, 2021, the projects were both complete.
- *Jacket and Deck Project* – Positive impact for both the three and six months ended June 30, 2020 of \$0.5 million for our jacket and deck project, resulting from increased contract price, primarily associated with project incentives earned during the second quarter 2020. At June 30, 2021, the project was complete.

***Shipyard Division***

- *Forty-Vehicle Ferry Projects* – Negative impact for the six months ended June 30, 2020 of \$1.2 million for our two forty-vehicle ferry projects, resulting from increased forecast costs and forecast liquidated damages, primarily associated with increased craft labor and material costs and extensions of schedule. The impacts occurred during the first quarter 2020 and were primarily due to anticipated rework for the first vessel, including potential reconstruction of previously completed portions of the vessel resulting from the determination that portions of the vessel structure were outside of acceptable tolerance levels. The projects had no significant changes in estimated margins in the second quarter 2020.

### 3. SHIPYARD TRANSACTION AND DISCONTINUED OPERATIONS

#### Shipyards Transaction

*Transaction Summary* – On April 19, 2021 (the “Closing Date”), we entered into a definitive agreement (the “Purchase Agreement”) pursuant to which we sold the operating assets and certain construction contracts of our Shipyards Division (“Shipyards Transaction”) to Bollinger Houma Shipyards, L.L.C. and Bollinger Shipyards Lockport, L.L.C. (collectively, “Bollinger”) for approximately \$28.6 million (“Transaction Price”) (\$26.1 million, net of transaction and other costs). We received \$26.4 million of the Transaction Price on the Closing Date and the remaining \$2.2 million (“Deferred Transaction Price”) will be received upon Bollinger’s collection of certain customer payments associated with the Divested Shipyards Contracts (defined below), which is anticipated to occur by the first quarter 2022. The \$2.2 million receivable associated with the Deferred Transaction Price has been reflected within prepaid expenses and other assets on our Balance Sheet at June 30, 2021.

We also received \$8.0 million from Bollinger on the Closing Date, representing an estimate of the change in working capital for the Divested Shipyards Contracts from December 31, 2020 through the Closing Date (the “Closing Adjustment”). The Closing Adjustment was subject to a post-closing reconciliation and true-up (the “Closing Adjustment True-Up”) based on actual changes in working capital for the Divested Shipyards Contracts from December 31, 2020 through the Closing Date compared to the Closing Adjustment. Actual changes in working capital for the Divested Shipyards Contracts from December 31, 2020 through the Closing Date totaled approximately \$7.8 million (\$3.0 million during the three months ended March 31, 2021 and \$4.8 million during the three months ended June 30, 2021 prior to the Closing Date). Accordingly, \$0.2 million of the Closing Adjustment was returned to Bollinger during the three months ended June 30, 2021 in connection with the Closing Adjustment True-Up.

Included in the Shipyards Transaction were the Shipyards Division’s:

- Shipyards Facility and inventory and equipment in Houma, Louisiana;
- Contracts and related obligations for our three research vessel projects and five towing, salvage and rescue ship projects (collectively, the “Divested Shipyards Contracts”);
- Contract retentions, contract assets, contract liabilities and certain accounts payable associated with the Divested Shipyards Contracts as of the Closing Date; and
- Four drydocks (three of which previously supported our Shipyards Division operations in our Lake Charles Facility and Jennings Facility).

Bollinger offered employment to most of the employees of our Shipyards Division associated with the Acquired Shipyards Contracts.

Excluded from the Shipyards Transaction were the Shipyards Division’s:

- Accounts receivable, certain accounts payable and other accrued liabilities associated with the Divested Shipyards Contracts as of the Closing Date;
- Contracts and related obligations for our (i) two forty-vehicle ferry projects, (ii) seventy-vehicle ferry project and (iii) two multi-purpose support vessel (“MPSV”) projects (which are subject to dispute) (collectively, the “Retained Shipyards Contracts”), together with the associated accounts receivable, accounts payable and other accrued liabilities;
- Lake Charles Facility and Jennings Facility (which were closed in the fourth quarter 2020) and related lease obligations; and
- Remaining assets and liabilities of the Shipyards Division.

We retained those employees of our Shipyards Division associated with the Retained Shipyards Contracts.

In connection with the Shipyards Transaction, we recorded a total pre-tax loss of \$25.3 million during the six months ended June 30, 2021, of which \$23.4 million was recorded during the three months ended March 31, 2021 related to the impairment of our Shipyards Division’s long-lived assets (discussed further below) and transaction costs, and \$1.9 million was recorded during the three months ended June 30, 2021 related to transaction and other costs associated with the Shipyards Transaction.

At June 30, 2021, the net liabilities on our Balance Sheet associated with the Retained Shipyards Contracts and other retained Shipyards Division operations totaled \$11.9 million. The wind down of the Shipyards Division operations is anticipated to occur by mid-2022.

*Impairment* – During the first quarter 2021, events and changes in circumstances indicated that the carrying amount of our Shipyard Division’s long-lived assets may not be recoverable. These changes in circumstances were primarily attributable to a reassessment of our asset groups within our Shipyard Division as well as revisions to our probability assessment of net future cash flows of the applicable asset group based on the likelihood, that existed as of March 31, 2021, of the Shipyard Transaction occurring. Based on these assessments, we determined that an impairment of our Shipyard Division’s property, plant and equipment had occurred during the first quarter 2021. We measured the impairment by comparing the carrying amount of the applicable asset group at March 31, 2021 to an estimate of its fair value (which represents a Level 3 fair value measurement), resulting in an impairment charge of \$22.8 million during the three months ended March 31, 2021. We based our fair value estimate on the Transaction Price inclusive of the Closing Adjustment and an estimate of the Closing Adjustment True-Up, associated with the Shipyard Transaction.

#### Discontinued Operations

The Shipyard Transaction (which included, among other things, our owned Shipyard Facility, Divested Shipyard Contracts and drydocks), and the previously disclosed fourth quarter 2020 closures of our leased Lake Charles Facility and Jennings Facility, represented the disposal and closure of a substantial portion of our Shipyard Division operations and the culmination of a strategic shift that will have a major effect on our ongoing operations and financial results. Therefore, we determined the assets, liabilities and operations associated with the Shipyard Transaction, and associated with the previously closed facilities, to be discontinued operations in the second quarter 2021. Accordingly, such assets and liabilities at June 30, 2021, and operating results for the three and six months ended June 30, 2021, have been classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such assets and liabilities at December 31, 2020, and operating results for the three and six months ended June 30, 2020, have been recast and classified as discontinued operations on our Balance Sheet and Statement of Operations, respectively. We are completing construction of the Retained Shipyard Contracts within our F&S Facility and are winding down our Shipyard Division operations, which is anticipated to occur by mid-2022. The assets, liabilities and operating results attributable to the Retained Shipyard Contracts and remaining assets and liabilities of our Shipyard Division operations that were excluded from the Shipyard Transaction, and are not associated with the previously closed facilities, represent our Shipyard Segment and are classified as continuing operations on our Balance Sheet and Statement of Operations. Discontinued operations are presented separately from continuing operations on our Balance Sheet and Statement of Operations; however, they are not presented separately on our Statement of Cash Flows.

*Statement of Operations* – A summary of the operating results constituting the loss from discontinued operations for the three and six months ended June 30, 2021 and 2020, is as follows (in thousands):

|   | Three Months Ended<br>June 30, |            | Six Months Ended<br>June 30, |            |
|---|--------------------------------|------------|------------------------------|------------|
|   | 2021                           | 2020       | 2021                         | 2020       |
| Revenue   | \$ 6,471                       | \$ 27,986  | \$ 41,637                    | \$ 68,862  |
| Cost of revenue                                     | 6,406                          | 28,961     | 33,912                       | 69,623     |
| Gross profit (loss)                                 | 65                             | (975)      | 7,725                        | (761)      |
| General and administrative expense                  | 73                             | 352        | 413                          | 785        |
| Impairments and (gain) loss on assets held for sale | 1,903                          | —          | 25,331                       | —          |
| Other (income) expense, net                         | (660)                          | —          | (647)                        | 100        |
| Operating loss                                      | (1,251)                        | (1,327)    | (17,372)                     | (1,646)    |
| Income tax (expense) benefit <sup>(1)</sup>         | —                              | —          | —                            | —          |
| Loss from discontinued operations, net of taxes     | \$ (1,251)                     | \$ (1,327) | \$ (17,372)                  | \$ (1,646) |

(1) Income taxes attributable to discontinued operations were not material for all periods presented.

As a result of the Shipyard Transaction and classification of certain Shipyard Division operations as discontinued operations, certain allocations that were previously reflected within our Shipyard Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and six months ended June 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyard Division for the three and six months ended June 30, 2020. See Note 8 for a summary of the reclassifications to our previously reported segment results and Note 6 for further discussion of our MPSV dispute.

*Assets and Liabilities* – A summary of the carrying values of the major classes of assets and liabilities of discontinued operations at June 30, 2021 and December 31, 2020, is as follows (in thousands):

|  | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|--------------------------|------------------------------|
| Current assets of discontinued operations:           |                          |                              |
| Contract receivables and retainage, net              | \$ 2                     | \$ 1,304                     |
| Contract assets                                      | —                        | 62,423                       |
| Prepaid expenses and other assets                    | —                        | 270                          |
| Inventory  | —                        | 105                          |
| Assets held for sale                                 | —                        | 2,014                        |
| Total current assets of discontinued operations      | <u>\$ 2</u>              | <u>\$ 66,116</u>             |
| Noncurrent assets of discontinued operations:        |                          |                              |
| Property, plant and equipment, net                   | —                        | 36,280                       |
| Other noncurrent assets                              | —                        | 2,889                        |
| Total noncurrent assets of discontinued operations   | <u>\$ —</u>              | <u>\$ 39,169</u>             |
|  | <u>June 30,<br/>2021</u> | <u>December 31,<br/>2020</u> |
| Current liabilities of discontinued operations:      |                          |                              |
| Accounts payable                                     | \$ 225                   | \$ 57,752                    |
| Contract liabilities                                 | —                        | 4,867                        |
| Accrued expenses and other liabilities               | 546                      | 988                          |
| Total current liabilities of discontinued operations | <u>\$ 771</u>            | <u>\$ 63,607</u>             |

*Cash Flows* – A summary of the cash flows of discontinued operations for the six months ended June 30, 2021 and 2020, is as follows (in thousands):

|   | <u>Six Months Ended<br/>June 30,</u> |             |
|---|--------------------------------------|-------------|
|   | <u>2021</u>                          | <u>2020</u> |
| Operating cash flows from discontinued operations | \$ (8,474)                           | \$ (1,603)  |
| Investing cash flows from discontinued operations | \$ 31,424                            | \$ (5,742)  |

*Changes in Project Estimates* – For the six months ended June 30, 2021, significant changes in estimated margins on projects positively impacted operating results of our discontinued operations by \$8.4 million. The impacts occurred during the first quarter 2021 and were associated with our towing, salvage and rescue ship projects, resulting from increased contract price primarily associated with an approved change order (\$9.2 million impact), offset partially by increased forecast costs primarily associated with increased craft labor costs (\$0.8 million impact). There were no significant changes in estimated margins on projects for our discontinued operations during the second quarter 2021.

For both the three and six months ended June 30, 2020, significant changes in estimated margins on projects negatively impacted operating results of our discontinued operations by \$0.6 million. The impacts were associated with our final two harbor tug projects in our Jennings Facility, resulting from increased forecast costs primarily associated with increased craft labor and subcontracted services costs and extensions of schedule.

*Other* – Other (income) expense, net includes a gain of \$0.6 million for both the three and six months ended June 30, 2021, resulting from insurance recoveries associated with damage previously caused by Hurricane Laura to a drydock that was sold in connection with the Shipyard Transaction.

#### 4. IMPAIRMENTS AND (GAIN) LOSS ON ASSETS HELD FOR SALE

At June 30, 2021, our assets held for sale consisted of one crawler crane within our Fabrication & Services Division. A summary of our assets held for sale at June 30, 2021 and December 31, 2020, is as follows (in thousands):

| Assets Held for Sale     | June 30,<br>2021 | December 31,<br>2020 |
|--------------------------|------------------|----------------------|
| Machinery and equipment  | \$ 4,587         | \$ 11,877            |
| Accumulated depreciation | (2,787)          | (5,677)              |
| Total                    | \$ 1,800         | \$ 6,200             |

During the six months ended June 30, 2021, we received proceeds of \$4.5 million (\$4.4 million, net of transaction and other costs) from the sale of two crawler cranes that were held for sale by our Fabrication & Services Division at December 31, 2020. During the six months ended June 30, 2020, we received proceeds of \$1.1 million from the sale of other assets held for sale. No significant gain or loss was recognized on the assets sold as the net proceeds received approximated the carrying values of the assets. See Note 3 for discussion of impairments associated with our discontinued operations.

#### 5. CREDIT FACILITIES AND DEBT

##### LC Facility

We have a letter of credit facility with Whitney Bank that provides for up to 20.0 million of letters of credit (“LC Facility”), subject to our cash securitization of the letters of credit, with a maturity date of June 30, 2023. Commitment fees on the unused portion of the LC Facility are 0.4% per annum and interest on outstanding letters of credit is 2.0% per annum. At June 30, 2021, we had \$10.0 million of letters of credit outstanding under the LC Facility, of which \$7.0 million expired in July 2021 and the associated cash restriction was released.

##### Loan Agreement

On April 17, 2020, we entered into an unsecured loan in the aggregate amount of \$10.0 million (“PPP Loan”) with Whitney Bank pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act, as amended (“CARES Act”). The PPP Loan, and accrued interest, were eligible to be forgiven partially or in full, if certain conditions were met. On September 29, 2020, we submitted our application to Whitney Bank, requesting PPP Loan forgiveness of \$8.9 million plus any accrued interest. Whitney Bank approved our application for forgiveness on December 14, 2020, and our application was forwarded to the Small Business Administration (“SBA”) for review. Following the SBA’s approval of our application for forgiveness, on July 28, 2021, Whitney Bank received \$9.1 million from the SBA, which was the amount of loan forgiveness requested, including accrued interest. On July 29, 2021, we repaid Whitney Bank the remaining balance of the PPP Loan, together with accrued interest. The forgiveness and repayment of the PPP Loan were effective as of July 7, 2021.

Given the PPP Loan was not forgiven as of June 30, 2021, we have recorded the full amount as debt on our Balance Sheet at June 30, 2021, with the current and noncurrent debt classification based upon the actual amounts repaid and forgiven in July 2021. At December 31, 2020, the current and noncurrent debt classification was based on the terms and conditions of the PPP Loan and in accordance with the PPP, as amended, and timing of required repayment absent any loan forgiveness. The gain from the forgiveness of the PPP Loan and accrued interest will be reflected in the third quarter 2021.

Because the amount borrowed exceeded \$2.0 million, we are required by the SBA to retain all records relating to the PPP Loan for six years from the date the loan was forgiven and permit authorized representatives of the SBA to access such records upon request. While we believe we are a qualifying business and have met the eligibility requirements for the PPP Loan, and believe we have used the loan proceeds only for expenses which may be paid using proceeds from the PPP Loan (“Permissible Expenses”), we can provide no assurances that any potential SBA review or audit will verify the amount forgiven, in whole or in part, and we could be required to repay all or part of the forgiven amount.

##### Surety Bonds

We issue surety bonds in the ordinary course of business to support our projects. At June 30, 2021, we had \$110.8 million of outstanding surety bonds, of which \$50.0 million relates to our MPSV projects that are subject to dispute. See Note 6 for further discussion of our MPSV dispute.

## **Mortgage Agreement and Restrictive Covenant Agreement**

On April 19, 2021, and in connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties, we entered into a multiple indebtedness mortgage (the "Mortgage Agreement") and a restrictive covenant arrangement (the "Restrictive Covenant Agreement") with such Surety to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bond obligations for our MPSV projects and two seventy-vehicle ferry projects. The Mortgage Agreement encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. Further, the Restrictive Covenant Agreement precludes us from making dividends or repurchasing shares of our common stock. The Mortgage Agreement and Restrictive Covenant Agreement will terminate when the obligations and liabilities of the Surety associated with the outstanding surety bonds are discharged, or any judgment against us or the Surety arising out of litigation related to such contracts is satisfied by us.

## **6. COMMITMENTS AND CONTINGENCIES**

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

### **MPSV Termination Letter**

During the first quarter 2018, we received notices of termination from our customer of the contracts for the construction of two MPSVs within our Shipyard Division. We dispute the purported terminations and disagree with the customer's reasons for such terminations. We have ceased all work and the partially completed vessels and associated equipment and materials remain in our possession in Houma, Louisiana. The customer also made claims under the performance bonds issued by the Surety in connection with the construction of the vessels, which total \$50.0 million.

On October 2, 2018, we filed a lawsuit against our customer to enforce our rights and remedies under the applicable construction contracts for the two MPSVs. The lawsuit was filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and is styled *Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC*. The customer responded to our lawsuit denying many of the allegations in the lawsuit and asserting a counterclaim against us. We filed a response to the counterclaim denying all of the customer's claims. The customer subsequently filed an amendment to its counterclaim to add claims by the customer against the Surety. The customer also filed a motion for partial summary judgment with the trial court seeking, among other things, to obtain possession of the vessels, which was denied by the trial court. The customer subsequently filed a second motion for partial summary judgment re-urging its previously denied request to obtain possession of the vessels, which was again denied by the trial court. Thereafter, the customer requested that the appellate court exercise its discretion and review and reverse the trial court's denial of the customer's second motion, which was denied.

On May 19, 2020, the customer filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The customer's prepackaged Chapter 11 plan of reorganization was subsequently confirmed by the bankruptcy court and that plan of reorganization is effective. In connection with its bankruptcy case, on June 3, 2020, the customer filed a separate bankruptcy adversary proceeding against us, in which it again sought to obtain possession of the vessels; however, the bankruptcy court's decision was ultimately delayed to allow the parties an opportunity to mediate the dispute. The parties engaged in mediation until January 26, 2021 when the customer unilaterally and voluntarily dismissed its adversary proceeding seeking possession of the vessels. The mediation between the parties was not successful.

The lawsuit was temporarily stayed during the pendency of the customer's Chapter 11 bankruptcy case; however, the lawsuit is no longer stayed and will proceed in the ordinary course. Discovery in connection with the lawsuit is ongoing, and the trial of the case is tentatively scheduled to begin on March 6, 2023. Other trial related deadlines have been tentatively established as well. We are conferring with the Surety regarding the lawsuit.

We are unable to estimate the probability of a favorable or unfavorable outcome with respect to the dispute or estimate the amount of potential loss, if any, related to this matter. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contracts and defend against the customer's claims. At June 30, 2021 and December 31, 2020, other noncurrent assets on our Balance Sheet included a net contract asset of \$12.5 million, which consisted of our contract asset, accrued contract losses, and deferred revenue balances at the time of the customer's purported terminations of the contracts. We continue to hold first priority security interests and liens against the vessels that secure the obligations owed to us by the customer.

## Insurance

We may be exposed to future losses through our use of deductibles and self-insured retentions for our exposures related to third party liability and workers' compensation. We expect liabilities in excess of any deductibles and self-insured retentions to be covered by insurance. To the extent we are self-insured, reserves are recorded based upon our estimates, with input from legal and insurance advisors. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change.

## Letters of Credit and Surety Bonds

We obtain letters of credit under our LC Facility or surety bonds from financial institutions to provide to our customers in order to secure advance payments or guarantee performance under our contracts, or in lieu of retention being withheld on our contracts. Letters of credit under our LC Facility are subject to cash securitization of the full amount of the outstanding letters of credit. In the event of non-performance under a contract, our cash securitization with respect to the letter of credit supporting such contract would become property of Whitney Bank. With respect to a surety bond, any payment in the event of non-performance is subject to indemnification of the Surety by us. When a contract is complete, the contingent obligation terminates, and letters of credit or surety bonds are returned. See Note 5 for further discussion of our LC Facility and surety bonds.

## Environmental Matters

Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other countries that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. In connection with the historical operation of our facilities, including those associated with acquired operations, substances that currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. We believe we are in compliance, in all material respects, with environmental laws and regulations and maintain insurance coverage to mitigate exposure to environmental liabilities. We do not believe any environmental matters will have a material adverse effect on our financial condition, results of operations or cash flow.

## 7. INCOME (LOSS) PER SHARE

The following table presents the computation of basic and diluted income (loss) per share for the three and six months ended June 30, 2021 and 2020 (in thousands, except per share data):

|  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                |
|--|--------------------------------|-------------------|------------------------------|----------------|
|  | 2021                           | 2020              | 2021                         | 2020           |
| Income (loss) from continuing operations                   | \$ (1,700)                     | \$ (4,210)        | \$ (4,220)                   | \$ 2,014       |
| Loss from discontinued operations, net of taxes            | (1,251)                        | (1,327)           | (17,372)                     | (1,646)        |
| Net income (loss)  | <u>\$ (2,951)</u>              | <u>\$ (5,537)</u> | <u>\$ (21,592)</u>           | <u>\$ 368</u>  |
| Weighted-average shares <sup>(1)</sup>                     | 15,528                         | 15,301            | 15,466                       | 15,288         |
| Basic and diluted income (loss) from continuing operations | \$ (0.11)                      | \$ (0.28)         | \$ (0.27)                    | \$ 0.13        |
| Basic and diluted loss from discontinued operations        | (0.08)                         | (0.09)            | (1.12)                       | (0.11)         |
| Basic and diluted income (loss) per share                  | <u>\$ (0.19)</u>               | <u>\$ (0.36)</u>  | <u>\$ (1.40)</u>             | <u>\$ 0.02</u> |

(1) We have no dilutive securities.

## 8. OPERATING SEGMENTS

We currently operate and manage our business through two operating divisions ("Fabrication & Services" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our two operating divisions and Corporate Division are discussed below:

*Fabrication & Services Division* – Our Fabrication & Services ("F&S") Division fabricates modules, skids and piping systems for onshore refining, petrochemical, LNG and industrial facilities and offshore facilities; fabricates foundations, secondary steel components and support structures for alternative energy developments and coastal mooring facilities; fabricates offshore production platforms and associated structures, including jacket foundations, piles and topsides for fixed production and utility platforms, as well

as hulls and topsides for floating production and utility platforms; fabricates other complex steel structures and components; provides services on offshore platforms, including welding, interconnect piping and other services required to connect production equipment and service modules and equipment; provides on-site construction and maintenance services on inland platforms and structures and industrial facilities; and performs municipal and drainage projects, including pump stations, levee reinforcement, bulkheads and other public works. These activities are performed at our F&S Facility.

*Shipyards Division* – Prior to the Shipyards Transaction, our Shipyards Division fabricated newbuild marine vessels and provided marine repair and maintenance services. These activities were performed at our Shipyards Facility. As discussed in Note 3, on April 19, 2021, we completed the Shipyards Transaction, which resulted in the sale of our Shipyards Facility and the Divested Shipyards Contracts. We determined the assets, liabilities and operations associated with the Shipyards Transaction and certain previously closed facilities to be discontinued operations in the second quarter 2021. The assets, liabilities and operating results attributable to the Retained Shipyards Contracts and remaining assets and liabilities of our Shipyards Division operations that were excluded from the Shipyards Transaction, and are not associated with the previously closed facilities, represent our Shipyards Segment and are classified as continuing operations on our Balance Sheet and Statement of Operations. See Note 3 for further discussion of the Shipyards Transaction and our discontinued operations.

*Corporate Division* – Our Corporate Division includes costs that do not directly relate to our two operating divisions. Such costs include, but are not limited to, costs of maintaining our corporate office, executive management salaries and incentives, board of directors' fees, certain insurance costs and costs associated with overall corporate governance and being a publicly traded company. Costs incurred by our Corporate Division on behalf of our operating divisions are allocated to the operating divisions. Such costs include, but are not limited to, human resources, insurance, information technology and accounting.

*Other* – As a result of the Shipyards Transaction and classification of certain Shipyards Division operations as discontinued operations, certain allocations that were previously reflected within our Shipyards Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and six months ended June 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyards Division for the three and six months ended June 30, 2020. See Note 3 for further discussion of the Shipyards Transaction and our discontinued operations and Note 6 for further discussion of our MPSV dispute. A summary of the reclassifications to our previously reported segment results for the three and six months ended June 30, 2020, is as follows (in thousands):

|  | <b>Three Months Ended June 30, 2020</b> |                   |                   |                     |
|--|---|-------------------|-------------------|---------------------|
|  | <b>F&amp;S</b>                          | <b>Shipyards</b>  | <b>Corporate</b>  | <b>Consolidated</b> |
| Gross loss, as previously reported                 | \$ (472)                                | \$ (1,231)        | \$ —              | \$ (1,703)          |
| Discontinued operations <sup>(1)</sup>             | —                                       | 975               | —                 | 975                 |
| Changes in expense allocations                     | (20)                                    | 73                | (53)              | —                   |
| Gross loss from continuing operations              | <u>\$ (492)</u>                         | <u>\$ (183)</u>   | <u>\$ (53)</u>    | <u>\$ (728)</u>     |
| Operating loss, as previously reported             | \$ (1,394)                              | \$ (1,724)        | \$ (2,308)        | \$ (5,426)          |
| Discontinued operations <sup>(1)</sup>             | —                                       | 1,327             | —                 | 1,327               |
| Changes in expense allocations                     | (90)                                    | 214               | (124)             | —                   |
| Reclassification of legal expenses                 | —                                       | (239)             | 239               | —                   |
| Operating loss from continuing operations          | <u>\$ (1,484)</u>                       | <u>\$ (422)</u>   | <u>\$ (2,193)</u> | <u>\$ (4,099)</u>   |
|  |   |                   |                   |                     |
|  | <b>Six Months Ended June 30, 2020</b>   |                   |                   |                     |
|  | <b>F&amp;S</b>                          | <b>Shipyards</b>  | <b>Corporate</b>  | <b>Consolidated</b> |
| Gross profit (loss), as previously reported        | \$ 498                                  | \$ (2,455)        | \$ —              | \$ (1,957)          |
| Discontinued operations <sup>(1)</sup>             | —                                       | 761               | —                 | 761                 |
| Changes in expense allocations                     | (52)                                    | 170               | (118)             | —                   |
| Gross profit (loss) from continuing operations     | <u>\$ 446</u>                           | <u>\$ (1,524)</u> | <u>\$ (118)</u>   | <u>\$ (1,196)</u>   |
| Operating income (loss), as previously reported    | \$ 8,771                                | \$ (3,623)        | \$ (4,638)        | \$ 510              |
| Discontinued operations <sup>(1)</sup>             | —                                       | 1,646             | —                 | 1,646               |
| Changes in expense allocations                     | (192)                                   | 452               | (260)             | —                   |
| Reclassification of legal expenses                 | —                                       | (564)             | 564               | —                   |
| Operating income (loss) from continuing operations | <u>\$ 8,579</u>                         | <u>\$ (2,089)</u> | <u>\$ (4,334)</u> | <u>\$ 2,156</u>     |

(1) See Note 3 for as summary of the operating results constituting the loss from discontinued operations for the three and six months ended June 30, 2021 and 2020.



*Segment Results* – We generally evaluate the performance of, and allocate resources to, our divisions based upon gross profit (loss) and operating income (loss). Segment assets are comprised of all assets attributable to each division. Intersegment revenues are priced at the estimated fair value of work performed. Summarized financial information for our segments as of and for the three and six months ended June 30, 2021 and 2020, are as follows (in thousands):

|                                       | <b>Three Months Ended June 30, 2021</b> |                  |                  |                     |
|---------------------------------------|---|------------------|------------------|---------------------|
|                                       | <b>F&amp;S</b>                          | <b>Shipyards</b> | <b>Corporate</b> | <b>Consolidated</b> |
| Revenue                               | \$ 21,227                               | \$ 3,129         | \$ (88)          | \$ 24,268           |
| Gross profit (loss)                   | 2,241                                   | (1,059)          | (78)             | 1,104               |
| Operating income (loss)               | 1,656                                   | (1,119)          | (2,146)          | (1,609)             |
| Depreciation and amortization expense | 1,001                                   | —                | 81               | 1,082               |
| Capital expenditures                  | 226                                     | 193              | —                | 419                 |
| Total assets <sup>(1)</sup>           | 47,199                                  | 17,524           | 78,954           | 143,677             |

|                                       | <b>Six Months Ended June 30, 2021</b> |                  |                  |                     |
|---------------------------------------|---------------------------------------|------------------|------------------|---------------------|
|                                       | <b>F&amp;S</b>                        | <b>Shipyards</b> | <b>Corporate</b> | <b>Consolidated</b> |
| Revenue                               | \$ 40,287                             | \$ 8,259         | \$ (493)         | \$ 48,053           |
| Gross profit (loss)                   | 3,228                                 | (2,037)          | (166)            | 1,025               |
| Operating income (loss)               | 2,517                                 | (2,370)          | (4,093)          | (3,946)             |
| Depreciation and amortization expense | 1,989                                 | —                | 160              | 2,149               |
| Capital expenditures                  | 386                                   | 193              | —                | 579                 |
| Total assets <sup>(1)</sup>           | 47,199                                | 17,524           | 78,954           | 143,677             |

|                                       | <b>Three Months Ended June 30, 2020</b> |                  |                  |                     |
|---------------------------------------|---|------------------|------------------|---------------------|
|                                       | <b>F&amp;S</b>                          | <b>Shipyards</b> | <b>Corporate</b> | <b>Consolidated</b> |
| Revenue                               | \$ 26,606                               | \$ 5,902         | \$ (520)         | \$ 31,988           |
| Gross loss                            | (492)                                   | (183)            | (53)             | (728)               |
| Operating loss                        | (1,484)                                 | (422)            | (2,193)          | (4,099)             |
| Depreciation and amortization expense | 1,155                                   | —                | 77               | 1,232               |
| Capital expenditures                  | 1,143                                   | —                | 179              | 1,322               |
| Total assets <sup>(1)</sup>           | 71,509                                  | 16,632           | 72,670           | 160,811             |

|                                       | <b>Six Months Ended June 30, 2020</b> |                  |                  |                     |
|---------------------------------------|---------------------------------------|------------------|------------------|---------------------|
|                                       | <b>F&amp;S</b>                        | <b>Shipyards</b> | <b>Corporate</b> | <b>Consolidated</b> |
| Revenue                               | \$ 60,049                             | \$ 10,585        | \$ (967)         | \$ 69,667           |
| Gross profit (loss)                   | 446                                   | (1,524)          | (118)            | (1,196)             |
| Operating income (loss)               | 8,579                                 | (2,089)          | (4,334)          | 2,156               |
| Depreciation and amortization expense | 2,480                                 | —                | 152              | 2,632               |
| Capital expenditures                  | 1,824                                 | —                | 179              | 2,003               |
| Total assets <sup>(1)</sup>           | 71,509                                | 16,632           | 72,670           | 160,811             |

(1) Cash and short-term investments are reported within our Corporate Division.

## 9. SUBSEQUENT EVENTS

In July 2021, the SBA approved our application for forgiveness of \$8.9 million of the PPP Loan, and we repaid the remaining balance of the PPP Loan. See Note 5 for further discussion of the PPP Loan.

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

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

### Cautionary Statement on Forward-Looking Information

This Report contains forward-looking statements in which we discuss our potential future performance. Forward-looking statements, within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, are all statements other than statements of historical facts, such as projections or expectations relating to diversification and entry into new end markets, improvement of risk profile, industry outlook, oil and gas prices, operating cash flows, capital expenditures, liquidity and tax rates. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," "potential" and any similar expressions are intended to identify those assertions as forward-looking statements.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include: the duration and scope of, and uncertainties associated with, the ongoing global pandemic caused by COVID-19 (including new and emerging strains and variants), and the corresponding weakened demand for, and volatility of prices of, oil and the impact thereof on our business and the global economy; our ability to secure new project awards, including fabrication projects for refining, petrochemical, LNG, industrial and sustainable energy end markets; our ability to improve project execution; our inability to realize the expected financial benefits of the Shipyard Transaction; the cyclical nature of the oil and gas industry; competition; consolidation of our customers; timing and award of new contracts; reliance on significant customers; financial ability and credit worthiness of our customers; nature of our contract terms; competitive pricing and cost overruns on our projects; adjustments to previously reported profits or losses under the percentage-of-completion method; weather conditions; changes in contract estimates; suspension or termination of projects; our ability to raise additional capital; our ability to amend or obtain new debt financing or credit facilities on favorable terms; our ability to generate sufficient cash flow; our ability to sell certain assets; any future asset impairments; utilization of facilities or closure or consolidation of facilities; customer or subcontractor disputes; our ability to resolve the dispute with a customer relating to the purported terminations of contracts to build two MPSVs and the dispute with a customer related to contracts to build two seventy-vehicle ferries; operating dangers and limits on insurance coverage; barriers to entry into new lines of business; our ability to employ skilled workers; loss of key personnel; performance of subcontractors and dependence on suppliers; changes in trade policies of the U.S. and other countries; compliance with regulatory and environmental laws; lack of navigability of canals and rivers; systems and information technology interruption or failure and data security breaches; performance of partners in any future joint ventures and other strategic alliances; shareholder activism; focus on environmental, social and governance factors by institutional investors and regulators; and other factors described under "Risk Factors" in Part I, Item 1A of our 2020 Annual Report as updated under "Risk Factors" in Part II, Item 1A of our quarterly report on Form 10-Q for the quarter ended March 31, 2021, and as may be further updated by subsequent filings with the SEC.

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made, which we cannot control. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to publicly update or revise any forward-looking statements, which speak only as of the date made, for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise, and notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.

### Overview

We are a leading fabricator of complex steel structures and modules and provider of project management, hookup, commissioning, repair, maintenance and civil construction services. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through two operating divisions ("Fabrication & Services" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our corporate headquarters is located in Houston, Texas and our operating facilities are located in Houma, Louisiana. On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction") and intend to wind down our remaining Shipyard Division operations by mid-2022.

We determined the Shipyard operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021. Accordingly, such operations for the three and six months ended June 30, 2021, have been classified as discontinued operations. Our classification of these operations as discontinued requires retrospective application to financial information for all prior periods presented. Therefore, such operating results for the three and six months ended June 30, 2020, have been recast and classified as discontinued operations within the financial information presented below. In addition, certain allocations that were previously reflected within our Shipyard Division have been reclassified to our Corporate Division and Fabrication & Services Division for the three and six months ended June 30, 2020. Further, legal costs associated with our MPSV dispute that were previously reflected within our Corporate Division have been reclassified to our Shipyard Division for the three and six months ended June 30, 2020. The operating results attributable to the Retained Shipyard Contracts and remaining Shipyard Division operations that were excluded from the Shipyard Transaction, and are not associated with the previously closed facilities, are classified as continuing operations within the financial information presented below. Unless otherwise noted, the amounts presented below, and the associated discussion and analysis, relate to our continuing operations. See Note 8 of our Financial Statements in Item 1 for further discussion of our operating divisions and a summary of the reclassifications to our previously reported segment results and Note 3 for further discussion of the Shipyard Transaction and our discontinued operations.

Significant projects in backlog for our Fabrication & Services Division include the fabrication of marine docking structures; and material supply for an offshore jacket and deck. Significant projects in backlog for our Shipyard Division include construction of three vehicle ferries. Notable projects completed in recent years for our Fabrication & Services Division include the expansion of a paddlewheel riverboat; and fabrication of modules for an offshore facility, an offshore jacket and deck, modules for a petrochemical facility, and a meteorological tower and platform for an offshore wind project. Other significant completed projects for our Fabrication & Services Division include the fabrication of wind turbine foundations for the first offshore wind project in the U.S.; and construction of two of the largest liftboats servicing the Gulf of Mexico (“GOM”), one of the deepest production jackets in the Gulf of Mexico, and the first single point anchor reservoir hull fabricated in the U.S.

### **COVID-19 and Oil Price Impacts to Operations**

For the last several years, the price of oil has been at depressed levels and/or experienced significant volatility, resulting in a significant and sustained reduction in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows have been negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing, significant under-utilization of our operating facilities and resources, and losses on certain projects. Additionally, the ongoing global coronavirus pandemic (“COVID-19”) has added another layer of pressure and uncertainty on oil prices and our end markets, which has further impacted our operations. COVID-19 (including its new and emerging strains and variants) is a widespread public health crisis that continues to adversely affect global economies and financial markets.

During 2020, our operations (as well as the operations of our customers, subcontractors and other counterparties) were negatively impacted by the physical distancing, quarantine and isolation measures recommended by national, state and local authorities on large portions of the population, and mandatory business closures that were enacted in an attempt to control COVID-19. We continue to monitor the impact of COVID-19 on our operations and recognize that it could continue to negatively impact our business and results of operations during the remainder of 2021 and beyond. Even with widespread distribution of vaccines, hesitancy or resistance to the vaccines among certain groups, as well as uncertainty about their long-term efficacy or effectiveness against new COVID-19 strains and variants, remain. The extent to which our operations and financial performance will be impacted by COVID-19 during the remainder of 2021 will depend largely on future developments, including global availability and acceptance of the vaccines. Authorities in some areas of the U.S. have begun to relax COVID-19 restrictions; however, if the areas where we have our headquarters and operating facilities, or areas where our customers, subcontractors and other counterparties have operations, were to experience periods of resurgence in the numbers of cases of the virus, including through the spread of new, more contagious or deadly strains and variants of the virus, authorities may reinstate restrictions, quarantine and isolation measures. The measures taken, while intended to protect human life, have had and are expected to continue to have a serious adverse impact on domestic and foreign economies of uncertain severity and duration.

The continued level of uncertainty means the ultimate business and financial impacts of COVID-19 and volatility in oil prices cannot be reasonably estimated at this time, but have included, or may include, among other things, reduced bidding activity, suspension or termination of backlog, deterioration of customer financial condition, potential supply disruptions and unanticipated project costs due to project disruptions and schedule delays, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, lack of performance by subcontractors and suppliers, and contract disputes. Management’s estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report for the impacts of COVID-19 and volatile oil prices.

See Note 2 of our Financial Statements in Item 1 for further discussion of the impacts of the aforementioned on our projects and Note 1 for further discussion of the impacts of COVID-19 and volatility in oil prices. See also “*Risk Factors*” in Part I, Item 1A of our 2020 Annual Report.

## Initiatives to Improve Operating Results

We are addressing these operational, market and economic challenges through a strategy focused on the following initiatives to:

- Mitigate the impacts of COVID-19 on our operations, employees and contractors;
- Reduce our risk profile through the completion of the Shipyard Transaction and anticipated wind down of the Shipyard Division operations;
- Preserve and improve our liquidity through cost reduction efforts, the completion of the Shipyard Transaction, and the sale of under-utilized assets;
- Improve our resource utilization and centralize key project resources through the rationalization and integration of our facilities and operations;
- Improve our competitiveness and project execution by enhancing our proposal, estimating and operations resources, processes and procedures;
- Expand our skilled workforce by focusing on ways to improve retention and enhance and add to our craft personnel; and
- Reduce our reliance on the offshore oil and gas sector and pursue more stable, profitable growth by repositioning the Company to:
  - Fabricate modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities;
  - Diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast;
  - Fabricate structures in support of our customers as they make energy transitions away from fossil fuels; and
  - Fabricate foundations, secondary steel components and support structures for offshore wind developments.

The progress and status of these initiatives is summarized further below.

*Efforts to mitigate the impacts of COVID-19 on our operations, employees and contractors* – We are continuing to take actions to mitigate the impacts of COVID-19 on our operations while ensuring the safety and well-being of our employees and contractors.

- *COVID-19 measures* – We have ongoing communications with our leadership team to anticipate and proactively address COVID-19 impacts, work-place distancing of employees (including allowing some employees to work remotely) and regular monitoring of office and yard personnel for compliance. We are also monitoring employee and visitor temperatures prior to entering our facilities, implemented employee and visitor wellness questionnaires, increased monitoring of employee absenteeism and the reasons for such absences, and have established protocols for employees returning from absences, including employees that have tested positive for COVID-19, or have come in contact with individuals that tested positive for COVID-19. In addition, we have installed hand sanitizing stations and taken additional actions to more frequently sanitize our facilities.
- *Pursuit of force majeure* – We have given appropriate notices to our customers and have made the appropriate claims for extensions of schedule for our projects that were impacted by COVID-19.
- *Loan agreement* – On April 17, 2020, we entered into an unsecured loan in the aggregate amount of \$10.0 million (“PPP Loan”) with Whitney Bank pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The proceeds were used for payroll costs, rent and utilities, of which approximately 93% was used for payroll costs. In July 2021, the SBA approved our application for forgiveness of \$8.9 million of the PPP Loan, and we repaid the remaining balance of the PPP Loan. See “*Liquidity and Capital Resources*” below and Notes 5 and 9 of our Financial Statements in Item 1 for further discussion of the PPP Loan.

*Efforts to reduce our risk profile* – The completion of the Shipyard Transaction improves our risk profile by removing potential future risks associated with the Divested Shipyard Contracts that represented approximately 90% of our backlog and extended through 2024. Further, the wind down of the Shipyard Division operations after completion of the Retained Shipyard Contracts will further reduce our risk profile as it will position us for profitable growth in existing and new higher-margin markets associated with our Fabrication & Services Division. See “*Operating Segments*” below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*Efforts to preserve and improve our liquidity* – We continue to take actions to preserve and improve our liquidity, and at June 30, 2021 our cash, current restricted cash and short-term investments totaled \$74.5 million. To preserve our liquidity position, we have undertaken cost reduction initiatives (including reducing the compensation of our executive officers and directors and reducing the size of our board in 2020), monetized under-utilized assets and facilities (including the sale of assets held for sale for net proceeds of \$4.4 million in the second quarter 2021) and are maintaining an ongoing focus on project cash flow management. Further, as discussed above, we received the PPP Loan in the second quarter 2020, which provided funding necessary to offset the immediate and anticipated impacts of COVID-19. It also provided us additional liquidity, which is important because a strong balance sheet is required to execute our backlog and compete for new project awards, and we experience significant monthly fluctuations in our working capital. In addition, as a result of the Shipyard Transaction and anticipated wind down of the Shipyard Division operations, our bonding, letters of credit and working capital requirements related to the Divested Shipyard Contracts and ongoing Shipyard Division operations have been significantly reduced.

*Efforts to improve our resource utilization and centralize key project resources* – We are improving our resource utilization and centralizing key project resources through the rationalization and integration of our facilities and operations.

- *Combination of our Fabrication Division and Services Division* – During the first quarter 2020, we combined our Fabrication Division and Services Division to form an integrated division called Fabrication & Services. The integration is enabling us to capitalize on the best practices and execution experience of the former divisions, conform processes and procedures, maximize the utilization of our resources (including reducing overhead costs) and improve project execution.
- *Closure of Jennings Facility and Lake Charles Facility* – During the fourth quarter 2020, we closed our Jennings Facility and Lake Charles Facility, reducing overhead costs, improving utilization and accelerating the wind down of our Shipyard Division operations discussed further below.
- *Completion of Shipyard Transaction and wind down of Shipyard Division operations* – During the second quarter 2021, we completed the Shipyard Transaction and intend to wind down the Shipyard Division operations upon completion of the Retained Shipyard Contracts, which is expected to reduce overhead costs, improve utilization and enable senior management to focus on existing and new higher-margin markets associated with our Fabrication & Services Division.

*Efforts to improve our competitiveness and project execution* – We have taken, and continue to take, actions to improve our competitiveness and project execution by enhancing our proposal, estimating and operations resources, processes and procedures. Our actions include strategic changes in management and key personnel, the addition of functional expertise, project management training, development of a formal “lessons learned” program, and other measures designed to strengthen our personnel, processes and procedures. Further, we are taking a disciplined approach to pursuing and bidding project opportunities, putting more rigor around our bid estimates to provide greater confidence that our estimates are achievable, increasing accountability and providing incentives for the execution of projects in line with our original estimates and subsequent forecasts, and incorporating previous experience on projects into the bidding and execution of future projects.

*Efforts to expand our skilled workforce* – We are focused on ways to improve retention and enhance and add to our skilled, craft personnel, as we believe a strong workforce will be a key differentiator in pursuing new project awards given the scarcity of available skilled labor.

*Efforts to reduce our reliance on the offshore oil and gas sector and pursue more stable, profitable growth* – We are pursuing several initiatives to reduce our reliance on the fabrication of structures associated with the offshore oil and gas sector.

- *Fabrication of onshore modules, piping systems and structures* – We continue to focus our business development efforts on the fabrication of modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities. We have experienced success with several smaller project opportunities, and our volume of bidding activity for onshore modules, piping systems and structures is increasing; however, our pursuit of large project opportunities has been impacted by the timing and delay of certain opportunities due in part to COVID-19, volatile oil prices and an ongoing competitive market environment. We also continue to believe that our strategic location in Houma, Louisiana and track record of quality and on-time completion of onshore modules position us well to compete in the onshore fabrication market. However, we do not expect large project opportunities to be awarded by customers until late 2021 or 2022. This timing may be impacted by ongoing uncertainty created by the volatility of oil prices and COVID-19. In the interim, we continue to strengthen our relationships with key customers and strategic partners and enhance our resources as discussed above.
- *Diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast* – We believe diversifying and expanding our services business will deliver a more stable revenue stream while providing underpinning work to recruit, develop and retain our craft professionals. We will also partner with original equipment manufacturers to provide critical services to our customers along the Gulf Coast.

- *Fabricate structures in support of our customers as they make energy transitions away from fossil fuels* – We believe that our expertise and capabilities provide us with the necessary foundation to fabricate steel structures in support of our customers as they transition away from fossil fuels to green energy end markets. Examples of these opportunities include refiners who are looking to process biofuels and customers looking to embrace the growing hydrogen economy.
- *Fabrication of offshore wind foundations, secondary steel components and support structures* – We continue to believe that current initiatives, and potential future requirements, to provide electricity from renewable and green sources will result in growth of offshore wind projects. Furthermore, we believe that we possess the expertise to fabricate foundations, secondary steel components and support structures for this emerging market. This is demonstrated by our fabrication of wind turbine foundations for the first offshore wind project in the U.S. and the fabrication of a meteorological tower and platform for an offshore wind project. While we believe we have the capability to participate in this emerging market, we do not expect meaningful opportunities in the near term.

## Operating Outlook

Our focus remains on securing profitable new project awards and backlog in the near-term and generating operating income and cash flows in the longer-term, while ensuring the safety and well-being of our employees and contractors, which has been further challenged due to COVID-19. Our success, including achieving the aforementioned initiatives, will be determined by, among other things:

- Oil and gas prices and the level of volatility in such prices, including the impact of environmental regulations that restrict the oil and gas industry under the new administration and Congress;
- COVID-19, for which the ultimate business and financial impacts cannot be reasonably estimated at this time;
- The level of fabrication opportunities in our traditional offshore markets and the new markets that we are pursuing, including refining, petrochemical, LNG and industrial facilities (especially in light of the new administration and Congress), green energy and offshore wind developments;
- Our ability to secure new project awards through competitive bidding and/or alliance and partnering arrangements;
- Our ability to execute projects within our cost estimates and successfully manage them through completion (including the Retained Shipyard Contracts);
- Our ability to hire, develop, motivate and retain key personnel and craft labor to execute our projects;
- The successful integration of our Fabrication Division and Services Division and the wind down of our Shipyard Division operations; and
- Our ability to resolve our dispute with a customer related to the construction of two MPSVs (see Note 6 of our Financial Statements in Item 1 and “*Legal Proceedings*” in Part II, Item 1 for further discussion of the dispute).

In addition, the near-term utilization of our Fabrication & Services Division will be impacted by the delay in timing of new project awards and will be impacted by continued inefficiencies and disruptions associated with COVID-19 related health and safety mitigation measures, employee absenteeism and turnover, craft labor hiring challenges, engineering delays, and supplier and subcontractor disruptions. Our near-term results may also be adversely affected by costs associated with (i) the retention of certain personnel that previously supported both our operating divisions but may be temporarily under-utilized due to the Shipyard Transaction as we evaluate our resource requirements to support our future operations, and (ii) investments in key personnel and process improvement efforts to support our aforementioned initiatives. See Note 1 of our Financial Statements in Item 1 for further discussion of the impacts of COVID-19 and volatility in oil prices and Note 2 and “*Results of Operations*” below for discussion of our project impacts.

## Critical Accounting Policies

For a discussion of critical accounting policies and estimates used in the preparation of our Financial Statements, refer to “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in Part II, Item 7 included in our 2020 Annual Report. There have been no changes to our critical accounting policies since December 31, 2020.

## New Awards and Backlog

New project awards represent expected revenue values of commitments received during a given period, including scope growth on existing commitments. A commitment represents authorization from our customer to begin work or purchase materials pursuant to a written agreement, letter of intent or other form of authorization. Backlog represents the unrecognized revenue for our new project awards and at June 30, 2021, was comparable to the value of remaining performance obligations for our contracts required to be disclosed under Topic 606 and presented in Note 2 of our Financial Statements in Item 1. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. We believe that backlog provides useful information to investors as it represents work that we are contractually obligated to perform under our current contracts. New project awards and backlog may vary significantly each reporting period based on the timing of our major new contract commitments. Backlog may differ from our remaining performance obligations, which are determined in accordance with GAAP.

Projects in our backlog are generally subject to delay, suspension, termination, or an increase or decrease in scope at the option of the customer; however, the customer is required to pay us for work performed and materials purchased through the date of termination, suspension, or decrease in scope. Depending on the size of the project, the delay, suspension, termination or increase or reduction in scope of any one contract could significantly impact our backlog and change the expected amount and timing of revenue recognized.

New project awards by Division for the three and six months ended June 30, 2021 and 2020, are as follows (in thousands):

| Division               | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|------------------------|--------------------------------|-----------|------------------------------|-----------|
|                        | 2021                           | 2020      | 2021                         | 2020      |
| Fabrication & Services | \$ 18,192                      | \$ 27,442 | \$ 29,739                    | \$ 39,642 |
| Shipyard               | —                              | 20        | —                            | 152       |
| Total New Awards       | \$ 18,192                      | \$ 27,462 | \$ 29,739                    | \$ 39,794 |

Backlog by Division at June 30, 2021 and December 31, 2020, is as follows (in thousands):

| Division                         | June 30, 2021 |             | December 31, 2020 |             |
|----------------------------------|---------------|-------------|-------------------|-------------|
|                                  | Amount        | Labor Hours | Amount            | Labor Hours |
| Fabrication & Services           | \$ 9,326      | 112         | \$ 19,381         | 236         |
| Shipyard                         | 14,588        | 159         | 23,187            | 263         |
| Total Backlog <sup>(1),(2)</sup> | \$ 23,914     | 271         | \$ 42,568         | 499         |

- (1) In connection with the Shipyard Transaction, backlog associated with the Divested Shipyard Contracts totaling \$303.1 million was sold. We expect to recognize revenue of approximately \$17.6 million and \$6.3 million for the remainder of 2021 and thereafter, respectively, associated with our backlog at June 30, 2021. The timing of recognition of the revenue presented in our backlog is based on our current estimates to complete the projects. Certain factors and circumstances could cause changes in the amounts ultimately recognized and the timing of recognition of revenue from our backlog. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.
- (2) At June 30, 2021, our significant projects in backlog included the following:
  - (i) Construction of two forty-vehicle ferries within our Shipyard Division. We estimate completion of the second vessel in the third quarter 2021 and the first vessel in 2022;
  - (ii) Construction of a seventy-vehicle ferry within our Shipyard Division. We estimate completion of the vessel in 2022;
  - (iii) Fabrication of marine docking structures within our Fabrication & Services Division. We estimate completion of the project in the third quarter 2021; and
  - (iv) Material supply for an offshore jacket and deck within our Fabrication & Services Division. The project was completed in July 2021.

## Results of Operations

We determined the Shipyard Division operations associated with the Shipyard Transaction, and associated with certain previously closed Shipyard Division facilities, to be discontinued operations in the second quarter 2021. See "Overview" above and Note 3 of our Financial Statements within Item 1 for further discussion of the Shipyard Transaction and our discontinued operations.

*Comparison of the Three Months Ended June 30, 2021 and 2020* (in thousands in each table, except for percentages):

In the comparative tables below, percentage changes that are not considered meaningful are shown below as "nm" (generally when the prior period amount is immaterial or when the percentage change is significantly greater than 100%).

| <i>Consolidated</i>                             | Three Months Ended<br>June 30, |            | Favorable (Unfavorable)<br>Change |         |
|---|--------------------------------|------------|-----------------------------------|---------|
|   | 2021                           | 2020       | Amount                            | Percent |
| New project awards                              | \$ 18,192                      | \$ 27,462  | \$ (9,270)                        | (33.8)% |
| Revenue   | \$ 24,268                      | \$ 31,988  | \$ (7,720)                        | (24.1)% |
| Cost of revenue                                 | 23,164                         | 32,716     | 9,552                             | 29.2%   |
| Gross profit (loss)                             | 1,104                          | (728)      | 1,832                             | nm      |
| <i>Gross profit (loss) percentage</i>           | 4.5%                           | (2.3)%     |                                   |         |
| General and administrative expense              | 3,093                          | 3,370      | 277                               | 8.2%    |
| Other (income) expense, net                     | (380)                          | 1          | 381                               | nm      |
| Operating loss                                  | (1,609)                        | (4,099)    | 2,490                             | 60.7%   |
| Interest (expense) income, net                  | (95)                           | (89)       | (6)                               | (6.7)%  |
| Loss before income taxes                        | (1,704)                        | (4,188)    | 2,484                             | 59.3%   |
| Income tax (expense) benefit                    | 4                              | (22)       | 26                                | nm      |
| Loss from continuing operations                 | (1,700)                        | (4,210)    | 2,510                             | 59.6%   |
| Loss from discontinued operations, net of taxes | (1,251)                        | (1,327)    | 76                                | 5.7%    |
| Net loss  | \$ (2,951)                     | \$ (5,537) | \$ 2,586                          | 46.7%   |

References below to 2021 and 2020 refer to the three months ended June 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were \$18.2 million and \$27.5 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work within our Fabrication & Services Division. Significant new project awards for 2020 include:

- A marine docking structures project within our Fabrication & Services Division,
- Additional scopes of work for our offshore jacket and deck project within our Fabrication & Services Division, and
- Small-scale fabrication and offshore services work within our Fabrication & Services Division.

*Revenue* – Revenue for 2021 and 2020 was \$24.3 million and \$32.0 million, respectively, representing a decrease of 24.1%. The decrease was primarily due to:

Decreased revenue for our Fabrication & Services Division of \$5.4 million, primarily attributable to:

- No revenue for our offshore jacket and deck project that was completed in the third quarter 2020,
- Lower revenue for our material supply project and offshore modules project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project, and
- Increased offshore services and small-scale fabrication project activity.

Decreased revenue for our Shipyard Division of \$2.8 million, primarily attributable to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced procurement and construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement activities, offset partially by increased construction activities.



*Gross profit (loss)* – Gross profit for 2021 was \$1.1 million (4.5% of revenue) compared to a gross loss of \$0.7 million (2.3% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- Project improvements of \$1.9 million for our Fabrication & Services Division, offset partially by,
- Project charges of \$0.9 million for our Shipyard Division,
- A low revenue volume for our Fabrication & Services Division,
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, and
- Holding costs of \$0.2 million for our Shipyard Division related to the two MPSV vessels that remain in our possession and are subject to dispute.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of \$1.9 million for 2021 for our Fabrication & Services Division,
- A higher margin mix relative to 2020 for our Fabrication & Services Division, and
- A decrease in the under-recovery of overhead costs for our Fabrication & Services Division, offset partially by,
- Project charges of \$0.9 million for 2021 for our Shipyard Division,
- Project improvements of \$1.0 million for 2020 for our Fabrication & Services Division, and
- Lower revenue volume for our Fabrication & Services Division.

See “*Operating Segments*” below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$3.1 million (12.7% of revenue) and \$3.4 million (10.5% of revenue), respectively, representing a decrease of 8.2%. The decrease was primarily due to:

- Lower external audit and legal and advisory fees, and
- Cost reduction initiatives including combining our former Fabrication Division and Services Division in the first quarter 2020, offset partially by,
- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business.

General and administrative expense included legal and advisory fees of \$0.3 million and \$0.2 million for 2021 and 2020, respectively, associated with our MPSV contract dispute, which are reflected within our Shipyard Division. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of \$0.4 million. Other (income) expense, net generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. Other income for 2021 was primarily related to gains on the sales of equipment and scrap materials and insurance recoveries associated with property damage to our Lake Charles Facility previously caused by Hurricane Laura.

*Interest (expense) income, net* – Interest (expense) income, net for 2021 and 2020 was expense of \$0.1 million and \$0.1 million, respectively. Interest (expense) income, net consists of interest earned on our cash and short-term investment balances, interest incurred on the PPP Loan and the unused portion of our LC Facility, and interest amortization associated with our long-term lease liability and deferred financing costs on our LC Facility.

*Income tax (expense) benefit* – Income tax (expense) benefit for 2021 and 2020 represents state income taxes. No federal income tax benefit was recorded for either period as a full valuation allowance was recorded against our net deferred tax assets generated during the periods.

## Operating Segments

### Fabrication & Services Division

|                                       | Three Months Ended<br>June 30, |               | Favorable (Unfavorable)<br>Change |           |
|---------------------------------------|--------------------------------|---------------|-----------------------------------|-----------|
|                                       | 2021                           | 2020          | Amount                            | Percent   |
| New project awards                    | \$ 18,192                      | \$ 27,442     | \$ (9,250)                        | (33.7)%   |
| Revenue                               | \$ 21,227                      | \$ 26,606     | \$ (5,379)                        | (20.2)%   |
| Gross profit (loss)                   | 2,241                          | (492)         | 2,733                             | <i>nm</i> |
| <i>Gross profit (loss) percentage</i> | <i>10.6%</i>                   | <i>(1.8)%</i> |                                   |           |
| General and administrative expense    | 761                            | 991           | 230                               | 23.2%     |
| Other (income) expense, net           | (176)                          | 1             | 177                               | <i>nm</i> |
| Operating income (loss)               | 1,656                          | (1,484)       | 3,140                             | <i>nm</i> |

References below to 2021 and 2020 refer to the three months ended June 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were \$18.2 million and \$27.4 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work. Significant new project awards for 2020 include:

- A marine docking structures project,
- Additional scopes of work for our offshore jacket and deck project, and
- Small-scale fabrication and offshore services work.

*Revenue* – Revenue for 2021 and 2020 was \$21.2 million and \$26.6 million, respectively, representing a decrease of 20.2%. The decrease was primarily due to:

- No revenue for our offshore jacket and deck project that was completed in the third quarter 2020,
- Lower revenue for our material supply project and offshore modules project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project, and
- Increased offshore services and small-scale fabrication project activity.

*Gross profit (loss)* – Gross profit for 2021 was \$2.2 million (10.6% of revenue) compared to a gross loss of \$0.5 million (1.8% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- Project improvements of \$1.9 million related to cost decreases and favorable resolution of change orders for our offshore modules project, material supply project and a subsea structures project, offset partially by,
- Low revenue volume due to low backlog levels, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources due to low work hours.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of \$1.9 million for 2021,
- A higher margin mix relative to 2020, and
- A decrease in the under-recovery of overhead costs due to cost reductions, offset partially by,
- Lower revenue volume, and
- Project improvements of \$1.0 million for 2020 on our paddlewheel riverboat project and offshore jacket and deck project.

The Fabrication & Services Division utilization for 2021 and 2020 benefited by \$0.3 million and \$0.3 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry project and two forty-vehicle ferry projects. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$0.8 million (3.6% of revenue) and \$1.0 million (3.7% of revenue), respectively, representing a decrease of 23.2%. The decrease was primarily due to our cost reduction initiatives including combining our former Fabrication Division and Services Division during the first quarter 2020.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of \$0.2 million. Other income for 2021 was primarily related to gains on the sales of equipment and scrap materials.

**Shipyard Division**

|                                    | Three Months Ended<br>June 30, |               | Favorable (Unfavorable)<br>Change |           |
|------------------------------------|--------------------------------|---------------|-----------------------------------|-----------|
|                                    | 2021                           | 2020          | Amount                            | Percent   |
| New project awards                 | \$ —                           | \$ 20         | \$ (20)                           | <i>nm</i> |
| Revenue                            | \$ 3,129                       | \$ 5,902      | \$ (2,773)                        | (47.0)%   |
| Gross loss                         | (1,059)                        | (183)         | (876)                             | <i>nm</i> |
| <i>Gross loss percentage</i>       | <i>(33.8)%</i>                 | <i>(3.1)%</i> |                                   |           |
| General and administrative expense | 264                            | 239           | (25)                              | (10.5)%   |
| Other (income) expense, net        | (204)                          | —             | 204                               | <i>nm</i> |
| Operating loss                     | (1,119)                        | (422)         | (697)                             | <i>nm</i> |

References below to 2021 and 2020 refer to the three months ended June 30, 2021 and 2020, respectively.

*Revenue* – Revenue for 2021 and 2020 was \$3.1 million and \$5.9 million, respectively, representing a decrease of 47.0%. The decrease was primarily due to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced procurement and construction activities, and
- Lower revenue for our seventy-vehicle ferry project due to reduced procurement activities, offset partially by increased construction activities.

*Gross loss* – Gross loss for 2021 and 2020 was \$1.1 million (33.8% of revenue) and \$0.2 million (3.1% of revenue), respectively. The gross loss for 2021 was primarily due to:

- Project charges of \$0.9 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project, and
- Holding costs of \$0.2 million related to the two MPSV vessels that remain in our possession and are subject to dispute.

The increase in gross loss for 2021 relative to 2020 was primarily due to the aforementioned project charges of \$0.9 million for 2021. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$0.3 million (8.4% of revenue) and \$0.2 million (4.0% of revenue), respectively, representing an increase of 10.5%. General and administrative expense relates to legal and advisory fees associated with our MPSV contract dispute. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of \$0.2 million. Other income for 2021 was primarily related to insurance recoveries associated with property damage to our Lake Charles Facility previously caused by Hurricane Laura, offset partially by carry costs associated with our leased Jennings Facility and Lake Charles Facility.

**Corporate Division**

|                                    | Three Months Ended<br>June 30, |            | Favorable (Unfavorable)<br>Change |           |
|------------------------------------|--------------------------------|------------|-----------------------------------|-----------|
|                                    | 2021                           | 2020       | Amount                            | Percent   |
| Revenue (eliminations)             | \$ (88)                        | \$ (520)   | \$ 432                            | <i>nm</i> |
| Gross loss                         | (78)                           | (53)       | (25)                              | (47.2)%   |
| <i>Gross loss percentage</i>       | <i>n/a</i>                     | <i>n/a</i> |                                   |           |
| General and administrative expense | 2,068                          | 2,140      | 72                                | 3.4%      |
| Operating loss                     | (2,146)                        | (2,193)    | 47                                | 2.1%      |

References below to 2021 and 2020 refer to the three months ended June 30, 2021 and 2020, respectively.

*Gross loss* – Gross loss for 2021 and 2020 was \$0.1 million and \$0.1 million, respectively.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$2.1 million (8.5% of consolidated revenue) and \$2.1 million (6.7% of consolidated revenue), respectively, representing a decrease of 3.4%. The decrease was primarily due to:

- Lower external audit and legal and advisory fees, offset partially by,
- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business.

### **Discontinued Operations**

A summary of the operating results constituting the loss from discontinued operations for the three months ended June 30, 2021 and 2020, is as follows:

|   | <b>Three Months Ended<br/>June 30,</b> |               | <b>Favorable (Unfavorable)<br/>Change</b> |                |
|---|--|---------------|---|----------------|
|   | <b>2021</b>                            | <b>2020</b>   | <b>Amount</b>                             | <b>Percent</b> |
| Revenue   | \$ 6,471                               | \$ 27,986     | \$ (21,515)                               | (76.9)%        |
| Gross profit (loss)                                 | 65                                     | (975)         | 1,040                                     | <i>nm</i>      |
| <i>Gross profit (loss) percentage</i>               | <i>1.0%</i>                            | <i>(3.5)%</i> |   |                |
| General and administrative expense                  | 73                                     | 352           | 279                                       | 79.3%          |
| Impairments and (gain) loss on assets held for sale | 1,903                                  | —             | (1,903)                                   | <i>nm</i>      |
| Other (income) expense, net                         | (660)                                  | —             | 660                                       | <i>nm</i>      |
| Operating loss                                      | (1,251)                                | (1,327)       | 76  | 5.7%           |

Operating results from discontinued operations for the three months ended June 30, 2021 include results through April 19, 2021, the Closing Date of the Shipyard Transaction. References below to 2021 and 2020 refer to the three months ended June 30, 2021 and 2020, respectively.

*Revenue* – Revenue for 2021 and 2020 was \$6.5 million and \$28.0 million, respectively, representing a decrease of 39.5%. The decrease was primarily due to:

- No revenue for our harbor tug projects in 2021 as the last vessel was completed in the first quarter 2021, and
- Lower revenue for our research vessel projects and towing, salvage and rescue ship projects that were sold in connection with the Shipyard Transaction in April 2021.

*Gross profit (loss)* – Gross profit for 2021 was \$0.1 million (1.0% of revenue) compared to a gross loss of \$1.0 million (3.5% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- A backlog for our discontinued operations that was generally at, or near, break-even or in a loss position, and accordingly, resulted in revenue with low or no gross profit, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- Project charges of \$0.6 million for 2020 on our harbor tug projects, and
- A decrease in the under-recovery of overhead costs.

See Note 3 of our Financial Statements in Item 1 for further discussion of our project impacts attributable to discontinued operations.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$0.1 million (1.1% of revenue) and \$0.4 million (1.3% of revenue), respectively, representing a decrease of 79.3%. The decrease was primarily due to the Shipyard Transaction in April 2021.

*Impairments and (gain) loss on assets held for sale* – Impairments and (gain) loss on assets held for sale for 2021 was a loss of \$1.9 million. The loss for 2021 related to transaction and other costs associated with the Shipyard Transaction. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of \$0.7 million. Other income for 2021 was primarily due to a gain of \$0.6 million resulting from insurance recoveries associated with damage previously caused by Hurricane Laura to a drydock that was sold in connection with the Shipyard Transaction.

Comparison of the Six Months Ended June 30, 2021 and 2020 (in thousands in each table, except for percentages)

Consolidated

|  | Six Months Ended<br>June 30, |           | Favorable (Unfavorable)<br>Change |         |
|--|------------------------------|-----------|-----------------------------------|---------|
|  | 2021                         | 2020      | Amount                            | Percent |
| New project awards                                       | \$ 29,739                    | \$ 39,794 | \$ (10,055)                       | (25.3)% |
| Revenue  | \$ 48,053                    | \$ 69,667 | \$ (21,614)                       | (31.0)% |
| Cost of revenue  | 47,028                       | 70,863    | 23,835                            | 33.6%   |
| Gross profit (loss)                                      | 1,025                        | (1,196)   | 2,221                             | nm      |
| Gross profit (loss) percentage                           | 2.1%                         | (1.7)%    |                                   |         |
| General and administrative expense                       | 5,880                        | 6,681     | 801                               | 12.0%   |
| Other (income) expense, net                              | (909)                        | (10,033)  | (9,124)                           | nm      |
| Operating income (loss)                                  | (3,946)                      | 2,156     | (6,102)                           | nm      |
| Interest (expense) income, net                           | (289)                        | (36)      | (253)                             | nm      |
| Income (loss) before income taxes                        | (4,235)                      | 2,120     | (6,355)                           | nm      |
| Income tax (expense) benefit                             | 15                           | (106)     | 121                               | nm      |
| Income (loss) from continuing operations                 | (4,220)                      | 2,014     | (6,234)                           | nm      |
| Income (loss) from discontinued operations, net of taxes | (17,372)                     | (1,646)   | 15,726                            | nm      |
| Net income (loss)  | \$ (21,592)                  | \$ 368    | \$ (21,960)                       | nm      |

References below to 2021 and 2020 refer to the six months ended June 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were \$29.7 million and \$39.8 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work within our Fabrication & Services Division. Significant new project awards for 2020 include:

- A marine docking structures project in the second quarter 2020 within our Fabrication & Services Division,
- Additional scopes of work for our offshore jacket and deck project in the second quarter 2020 within our Fabrication & Services Division, and
- Small-scale fabrication and offshore services work within our Fabrication & Services Division.

*Revenue* – Revenue for 2021 and 2020 was \$48.1 million and \$69.7 million, respectively, representing a decrease of 31.0%. The decrease was primarily due to:

Decreased revenue for our Fabrication & Services Division of \$19.8 million, primarily attributable to:

- No revenue for our paddlewheel river boat project and offshore jacket and deck project that were completed in the first quarter 2020 and third quarter 2020, respectively,
- Lower revenue for our material supply project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project, offshore modules project and a subsea structures project, and
- Increased offshore services and small-scale fabrication project activity.

Decreased revenue for our Shipyard Division of \$2.3 million, primarily attributable to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced procurement and construction activities, offset partially by,
- Higher revenue for our seventy-vehicle ferry project due to increased construction activities.

*Gross profit (loss)* – Gross profit for 2021 was \$1.0 million (2.1% of revenue) compared to a gross loss of \$1.2 million (1.7% of revenue) for 2020. Gross profit for 2021 was primarily impacted by:

- Project improvements of \$2.0 million for our Fabrication & Services Division, offset partially
- Project charges of \$1.7 million for our Shipyard Division,
- Low revenue volume for our Fabrication & Services Division,
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, and
- Holding costs of \$0.3 million for our Shipyard Division related to the two MPSV vessels that remain in our possession and are subject to dispute.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of \$2.0 million for 2021 for our Fabrication & Services Division,
- Project charges of \$1.2 million for 2020 for our Shipyard Division,
- A higher margin mix relative to 2020 for our Fabrication & Services Division, and
- A decrease in the under-recovery of overhead costs for our Fabrication & Services Division, offset partially by,
- The aforementioned project charges of \$1.7 million for 2021 for our Shipyard Division,
- Project improvements of \$1.9 million for 2020 for our Fabrication & Services Division, and
- Lower revenue volume for our Fabrication & Services Division.

See “*Operating Segments*” below and Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$5.9 million (12.2% of revenue) and \$6.7 million (9.6% of revenue), respectively, representing a decrease of 12.0%. The decrease was primarily due to:

- Lower external audit and legal and advisory fees,
- Cost reduction initiatives including combining our former Fabrication Division and Services Division in the first quarter 2020, and
- Other cost savings including reductions in board size and the salaries of our executive officers in the second quarter 2020, offset partially by,
- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business.

General and administrative expense included legal and advisory fees of \$0.5 million and \$0.6 million for 2021 and 2020, respectively, associated with our MPSV contract dispute, which are reflected within our Shipyard Division. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of \$0.9 million and \$10.0 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment other than assets held for sale, and income or expense associated with certain nonrecurring items. Other income for 2021 was primarily related to a gain of \$0.4 million associated with the settlement of a property tax dispute and gains on the sales of equipment and scrap materials. Other income for 2020 was primarily related to a gain of \$10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015. See Note 1 of our Financial Statements in Item 1 for further discussion of our settlement of the completed project dispute.

*Interest (expense) income, net* – Interest (expense) income, net for 2021 and 2020 was expense of \$0.3 million and \$0.1 million, respectively. Interest (expense) income, net consists of interest earned on our cash and short-term investment balances, interest incurred on the PPP Loan and the unused portion of our LC Facility, and interest amortization associated with our long-term lease liability and deferred financing costs on our LC Facility. The increase in expense for 2021 relative to 2020 was primarily due to the write-off of deferred financing costs in connection with the amendment of our LC Facility, interest on the PPP Loan, and lower interest rates and lower average cash and short-term investment balances for the 2021 period.

*Income tax (expense) benefit* – Income tax (expense) benefit for 2020 was expense of \$0.1 million and represents state income taxes. No federal income tax benefit was recorded for 2021 as a full valuation allowance was recorded against our net deferred tax assets generated during the period and no expense was recorded for 2020 as it was fully offset by the reversal of valuation allowance on our net deferred tax assets.

## Operating Segments

### Fabrication & Services Division

|                                    | Six Months Ended<br>June 30, |           | Favorable (Unfavorable)<br>Change |         |
|------------------------------------|------------------------------|-----------|-----------------------------------|---------|
|                                    | 2021                         | 2020      | Amount                            | Percent |
| New project awards                 | \$ 29,739                    | \$ 39,642 | \$ (9,903)                        | (25.0)% |
| Revenue                            | \$ 40,287                    | \$ 60,049 | \$ (19,762)                       | (32.9)% |
| Gross profit                       | 3,228                        | 446       | 2,782                             | nm      |
| <i>Gross profit percentage</i>     | 8.0%                         | 0.7%      |                                   |         |
| General and administrative expense | 1,493                        | 1,900     | 407                               | 21.4%   |
| Other (income) expense, net        | (782)                        | (10,033)  | (9,251)                           | nm      |
| Operating income                   | 2,517                        | 8,579     | (6,062)                           | (70.7)% |

References below to 2021 and 2020 refer to the six months ended June 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2021 and 2020 were \$29.7 million and \$39.6 million, respectively. Significant new project awards for 2021 include small-scale fabrication and offshore services work. Significant new project awards for 2020 include:

- A marine docking structures project in the second quarter 2020,
- Additional scopes of work for our offshore jacket and deck project in the second quarter 2020, and
- Small-scale fabrication and offshore services work.

*Revenue* – Revenue for 2021 and 2020 was \$40.3 million and \$60.0 million, respectively, representing a decrease of 32.9%. The decrease was primarily due to:

- No revenue for our paddlewheel river boat and offshore jacket and deck project that were completed in the first quarter 2020 and third quarter 2020, respectively,
- Lower revenue for our material supply project, and
- Reduced onshore services activity, offset partially by,
- Higher revenue for our marine docking structures project, offshore modules project and a subsea structures project, and
- Increased offshore services and small-scale fabrication project activity.

*Gross profit* – Gross profit for 2021 and 2020 was \$3.2 million (8.0% of revenue) and \$0.4 million (0.7% of revenue), respectively. Gross profit for 2021 was primarily impacted by:

- Project improvements of \$2.0 million related to cost decreases and favorable resolution of change orders for our offshore modules project, material supply project and a subsea structures project, offset partially by,
- Low revenue volume due to low backlog levels, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources due to low work hours.

The increase in gross profit for 2021 relative to 2020 was primarily due to:

- The aforementioned project improvements of \$2.0 million for 2021, and
- A higher margin mix relative to 2020, and
- A decrease in the under-recovery of overhead costs due to cost reductions, offset partially by,
- Lower revenue volume, and
- Project improvements of \$1.9 million for 2020 on our paddlewheel riverboat project, and offshore jacket and deck project and subsea components project.

The Fabrication & Services Division utilization for 2021 and 2020 benefited by \$0.6 million and \$0.5 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry project and two forty-vehicle ferry projects. See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$1.5 million (7.0% of revenue) and \$1.9 million (7.1% of revenue), respectively, representing a decrease of 21.4%. The decrease was primarily due to our cost reduction initiatives including combining our former Fabrication Division and Services Division during the first quarter 2020.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of \$0.8 million and \$10.0 million, respectively. Other income for 2021 was primarily related to a gain of \$0.4 million associated with the settlement of a property tax dispute and gains on the sales of equipment and scrap materials. Other income for 2020 was primarily related to a gain of \$10.0 million associated with the settlement of a contract dispute in the first quarter 2020 for a project completed in 2015. See Note 1 of our Financial Statements in Item 1 for further discussion of our settlement of the completed project dispute.

**Shipyard Division**

|                                    | Six Months Ended<br>June 30, |                | Favorable (Unfavorable)<br>Change |           |
|------------------------------------|------------------------------|----------------|-----------------------------------|-----------|
|                                    | 2021                         | 2020           | Amount                            | Percent   |
| New project awards                 | \$ —                         | \$ 152         | \$ (152)                          | <i>nm</i> |
| Revenue                            | \$ 8,259                     | \$ 10,585      | \$ (2,326)                        | (22.0)%   |
| Gross loss                         | (2,037)                      | (1,524)        | (513)                             | (33.7)%   |
| <i>Gross loss percentage</i>       | <i>(24.7)%</i>               | <i>(14.4)%</i> |                                   |           |
| General and administrative expense | 460                          | 565            | 105                               | 18.6%     |
| Other (income) expense, net        | (127)                        | —              | 127                               | <i>nm</i> |
| Operating loss                     | (2,370)                      | (2,089)        | (281)                             | (13.5)%   |

References below to 2021 and 2020 refer to the six months ended June 30, 2021 and 2020, respectively.

*New Project Awards* – New project awards for 2020 were \$0.2 million.

*Revenue* – Revenue for 2021 and 2020 was \$8.3 million and \$10.6 million, respectively, representing a decrease of 22.0%. The decrease was primarily due to:

- Lower revenue for our two forty-vehicle ferry projects due to reduced procurement and construction activities, offset partially by,
- Higher revenue for our seventy-vehicle ferry project due to increased construction activities.

*Gross loss* – Gross loss for 2021 and 2020 was \$2.0 million (24.7% of revenue) and \$1.5 million (14.4% of revenue), respectively. The gross loss for 2021 was primarily due to:

- Project charges of \$1.7 million related to forecast cost increases and liquidated damages on our seventy-vehicle ferry project, and
- Holding costs of \$0.3 million related to the two MPSV vessels that remain in our possession and are subject to dispute.

The increase in gross loss for 2021 relative to 2020 was primarily due to:

- The aforementioned project charges of \$1.7 million for 2021, offset partially by,
- Project charges of \$1.2 million for 2020 on our two forty-vehicle ferry projects.

See Note 2 of our Financial Statements in Item 1 for further discussion of our project impacts.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$0.5 million (5.6% of revenue) and \$0.6 million (5.3% of revenue), respectively, representing a decrease of 18.6%. General and administrative expense relates to legal and advisory fees associated with our MPSV contract dispute. See Note 6 of our Financial Statements in Item 1 for further discussion of our MPSV dispute.

*Other (income) expense, net* – Other (income) expense, net for 2021 was income of \$0.1 million. Other income for 2021 primarily related to insurance recoveries associated with property damage to our Lake Charles Facility previously caused by Hurricane Laura, offset partially by carry costs associated with our leased Jennings Facility and Lake Charles Facility.



**Corporate Division**

|                                    | Six Months Ended<br>June 30, |            | Favorable (Unfavorable)<br>Change |           |
|------------------------------------|------------------------------|------------|-----------------------------------|-----------|
|                                    | 2021                         | 2020       | Amount                            | Percent   |
| Revenue (eliminations)             | \$ (493)                     | \$ (967)   | \$ 474                            | <i>nm</i> |
| Gross loss                         | (166)                        | (118)      | (48)                              | (40.7)%   |
| <i>Gross loss percentage</i>       | <i>n/a</i>                   | <i>n/a</i> |                                   |           |
| General and administrative expense | 3,927                        | 4,216      | 289                               | 6.9%      |
| Operating loss                     | (4,093)                      | (4,334)    | 241                               | 5.6%      |

References below to 2021 and 2020 refer to the six months ended June 30, 2021 and 2020, respectively.

*Gross loss* – Gross loss for 2021 and 2020 was \$0.2 million and \$0.1 million, respectively.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$3.9 million (8.2% of consolidated revenue) and \$4.2 million (6.1% of consolidated revenue), respectively, representing a decrease of 6.9%. The decrease was primarily due to:

- Lower external audit and legal and advisory fees, and
- Cost savings including reductions in board size and the salaries of our executive officers in the second quarter 2020, offset partially by,
- Higher incentive plan and insurance costs, and
- Higher costs associated with initiatives to diversify and enhance our business.

**Discontinued Operations**

A summary of the operating results constituting the loss from discontinued operations for the six months ended June 30, 2021 and 2020, is as follows:

|   | Six Months Ended<br>June 30, |               | Favorable (Unfavorable)<br>Change |           |
|---|------------------------------|---------------|-----------------------------------|-----------|
|   | 2021                         | 2020          | Amount                            | Percent   |
| Revenue   | \$ 41,637                    | \$ 68,862     | \$ (27,225)                       | (39.5)%   |
| Gross profit (loss)                                 | 7,725                        | (761)         | 8,486                             | <i>nm</i> |
| <i>Gross profit (loss) percentage</i>               | <i>18.6%</i>                 | <i>(1.1)%</i> |                                   |           |
| General and administrative expense                  | 413                          | 785           | 372                               | 47.4%     |
| Impairments and (gain) loss on assets held for sale | 25,331                       | —             | (25,331)                          | <i>nm</i> |
| Other (income) expense, net                         | (647)                        | 100           | 747                               | <i>nm</i> |
| Operating loss                                      | (17,372)                     | (1,646)       | (15,726)                          | <i>nm</i> |

Operating results from discontinued operations for the six months ended June 30, 2021 include results through April 19, 2021, the Closing Date of the Shipyard Transaction. References below to 2021 and 2020 refer to the six months ended June 30, 2021 and 2020, respectively.

*Revenue* – Revenue for 2021 and 2020 was \$41.6 million and \$68.9 million, respectively, representing a decrease of 39.5%. The decrease was primarily due to:

- Lower revenue for our harbor tug projects as the last vessel was completed in the first quarter 2021, and
- Lower revenue for our research vessel projects and towing, salvage and rescue ship projects that were sold in connection with the Shipyard Transaction in April 2021.

*Gross profit (loss)* – Gross profit for 2021 was \$7.7 million (18.6% of revenue) compared to a gross loss of \$0.8 million (1.1% of revenue) for 2020. The gross profit for 2021 was primarily impacted by:

- Project improvements of \$8.4 million related to the cumulative effect of a change order (offset partially by forecast cost increases) on our towing, salvage and rescue ship projects, offset partially by,
- A backlog for our discontinued operations that was generally at, or near, break-even or in a loss position, and accordingly, resulted in revenue with low or no gross profit, and
- The partial under-recovery of overhead costs associated with the under-utilization of our facilities and resources.

The gross profit for 2021 relative to the gross loss for 2020 was primarily due to:

- The aforementioned project improvements of \$8.4 million for 2021,
- Project charges of \$0.6 million for 2020 on our harbor tug projects, and
- A decrease in the under-recovery of overhead costs.

See Note 3 of our Financial Statements in Item 1 for further discussion of our project impacts attributable to discontinued operations.

*General and administrative expense* – General and administrative expense for 2021 and 2020 was \$0.4 million (18.6% of revenue) and \$0.8 million (1.1% of revenue), respectively, representing a decrease of 47.4%. The decrease was primarily due to the Shipyard Transaction in April 2021.

*Impairments and (gain) loss on assets held for sale* – Impairments and (gain) loss on assets held for sale for 2021 was a loss of \$25.3 million, of which \$22.8 million related to the impairment of our Shipyard Division's long-lived assets and \$2.5 million related to transaction and other costs associated with the Shipyard Transaction. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

*Other (income) expense, net* – Other (income) expense, net for 2021 and 2020 was income of \$0.6 million and expense of \$0.1 million, respectively. Other income for 2021 was primarily due to a gain of \$0.6 million resulting from insurance recoveries associated with damage previously caused by Hurricane Laura to a drydock that was sold in connection with the Shipyard Transaction.

## Liquidity and Capital Resources

### Available Liquidity

Our primary sources of liquidity are our cash, cash equivalents, restricted cash and scheduled maturities of our short-term investments. At June 30, 2021, our cash, cash equivalents and restricted cash totaled \$74.9 million as follows (in thousands):

|  | <b>June 30, 2021</b> |
|--|----------------------|
| Cash and cash equivalents                                | \$ 64,834            |
| Restricted cash, current <sup>(1)</sup>                  | 9,637                |
| Total cash, cash equivalents and current restricted cash | 74,471               |
| Restricted cash, noncurrent                              | 406                  |
| Total cash, cash equivalents and restricted cash         | \$ 74,877            |

(1) In July 2021, \$7.0 million of outstanding letters of credit expired and the associated cash restriction was released.

Our available liquidity is impacted by changes in our working capital and our capital expenditure requirements. Fluctuations in our working capital, and its components, are not unusual in our business and are impacted by the size of our projects and the mix of our backlog. Our working capital is particularly impacted by the timing of new project awards and related payments in advance of performing work, and the subsequent achievement of billing milestones or project progress on backlog. Working capital is also impacted at period-end by the timing of contracts receivable collections and accounts payable payments on our projects.

At June 30, 2021, our working capital was \$72.5 million and included \$74.5 million of cash, cash equivalents and current restricted cash, \$1.8 million of assets held for sale and \$1.1 million of current maturities of long-term debt. Excluding cash, cash equivalents, current restricted cash, assets held for sale and current maturities of long-term debt, our working capital at June 30, 2021 was negative \$2.0 million, and consisted of: net contract assets and contract liabilities of negative \$5.8 million; contracts receivable and retainage of \$13.7 million; inventory, prepaid expenses and other current assets of \$7.7 million; and accounts payable, accrued expenses and other current liabilities of \$17.6 million.

The components of our working capital (excluding cash, cash equivalents, current restricted cash, assets held for sale and current maturities of long-term debt) at June 30, 2021 and December 31, 2020, and changes in such amounts during the six months ended June 30, 2021, was as follows (in thousands):

|  | June 30,<br>2021  | December 31,<br>2020 | Change            | Change from<br>Discontinued<br>Operations <sup>(3)</sup> | Consolidated<br>Change <sup>(4)</sup> |
|--|-------------------|----------------------|-------------------|--|---------------------------------------|
| Contract assets  | \$ 2,371          | \$ 5,098             | \$ 2,727          | \$ (7,288)   | \$ (4,561)                            |
| Contract liabilities <sup>(1)</sup>                              | (8,206)           | (10,262)             | (2,056)           | (3,268)  | (5,324)                               |
| Contracts in progress, net <sup>(2)</sup>                        | (5,835)           | (5,164)              | 671               | (10,556)   | (9,885)                               |
| Contract receivables and retainage, net                          | 13,737            | 14,089               | 352               | 1,302  | 1,654                                 |
| Prepaid expenses, inventory and other current assets             | 7,734             | 4,702                | (3,032)           | 158  | (2,874)                               |
| Accounts payable, accrued expenses and other current liabilities | (17,624)          | (19,044)             | (1,420)           | (8,395)  | (9,815)                               |
| <b>Total</b>   | <b>\$ (1,988)</b> | <b>\$ (5,417)</b>    | <b>\$ (3,429)</b> | <b>\$ (17,491)</b>                                       | <b>\$ (20,920)</b>                    |

- (1) Contract liabilities at June 30, 2021 and December 31, 2020, include accrued contract losses of \$4.8 million and \$5.4 million, respectively.
- (2) Represents our cash position relative to revenue recognized on projects, with contract assets representing unbilled amounts that reflect future cash inflows on projects, and contract liabilities representing (i) advance payments that reflect future cash expenditures and non-cash earnings on projects and (ii) accrued contract losses that represent future cash expenditures on projects.
- (3) Our Statement of Cash Flows reflects changes in the above balance sheet accounts for both our continuing and discontinued operations; however, our Balance Sheet reflects the above balance sheet accounts separately for only our continuing operations. Accordingly, the "Change from Discontinued Operations" column in the table above reflects the impacts of discontinued operations to reconcile between the changes in such amounts between our Balance Sheet and our Statement of Cash Flows.
- (4) Changes referenced in the cash flow activity section below may differ from the changes in this table due to non-cash reclassifications and due to certain changes in balance sheet accounts being reflected within other line items on the Statement of Cash Flows, including bad debt expense, gains and losses on sales of fixed assets and other assets, and accruals for capital expenditures.

### Cash Flow Activity

|   | Six Months Ended June 30, |            |
|---|---------------------------|------------|
|   | 2021                      | 2020       |
| Net cash used in operating activities               | \$ (11,369)               | \$ (3,758) |
| Net cash provided by (used in) investing activities | \$ 43,195                 | \$ (6,656) |
| Net cash provided by (used in) financing activities | \$ (108)                  | \$ 9,895   |

*Operating Activities* – Cash used in operating activities for the six months ended June 30, 2021 and 2020 was \$11.4 million and \$3.8 million, respectively, and was primarily due to the net impacts of the following:

#### 2021 Activity

- Operating loss, excluding depreciation and amortization of \$3.2 million, asset impairments of \$22.8 million, loss on the Shipyard Transaction of \$2.6 million, and stock-based compensation expense of \$0.7 million;
- Increase in contract assets of \$4.6 million related to the timing of billings on projects, primarily due to increased unbilled positions on our Divested Shipyard Contracts, offset partially by decreased unbilled positions on our seventy-vehicle ferry project within our Shipyard Division and various projects within our Fabrication & Services Division;
- Decrease in contract liabilities of \$5.3 million, primarily due to a decrease in advance payments on our Divested Shipyard Contracts and our two forty-vehicle ferry projects and seventy-vehicle ferry project within our Shipyard Division;
- Decrease in contract receivables and retainage of \$1.7 million related to the timing of billings and collections on projects, primarily due to collections on our Divested Shipyard Contracts;
- Increase in prepaid expenses, inventory and other assets of \$0.7 million, primarily due to prepaid expenses and the associated timing of certain prepayments. Prepaid expenses and other assets at June 30, 2021, included \$2.2 million associated with the Deferred Transaction Price;
- Decrease in accounts payable, accrued expenses and other current liabilities of \$9.7 million, primarily due to the timing of payments and decreased accounts payable positions on our Divested Shipyard Contracts and various projects within our Fabrication & Services Division; and
- Change in noncurrent assets and liabilities, net of \$0.5 million.

Cash used in operating activities for the six months ended June 30, 2021, included approximately \$7.8 million associated with changes in contracts in progress, net for the Divested Shipyard Contracts, which was separately recovered through the Closing Adjustment and Closing Adjustment True-Up in connection with the Shipyard Transaction. See Note 3 of our Financial Statements in Item 1 for further discussion of the Shipyard Transaction.

#### *2020 Activity*

- Operating income, excluding depreciation and amortization of \$4.3 million and stock-based compensation expense of \$0.4 million;
- Increase in contract assets of \$25.7 million related to the timing of billings on projects, primarily due to increased unbilled positions on our Divested Shipyard Contracts and our jacket and deck project within our Fabrication & Services Division;
- Increase in contract liabilities of \$0.7 million, primarily due to net advance payments on our Divested Shipyard Contracts, offset partially by the unwind of advance payments on our offshore jacket and deck project and material supply project within our Fabrication & Services Division;
- Decrease in contracts receivable and retainage of \$12.7 million related to the timing of billings and collections on projects, primarily due to collections on our two forty-vehicle ferry projects within our Shipyard Division, and our material supply project and various other projects within our Fabrication & Services Division;
- Decrease in prepaid expenses, inventory and other assets of \$0.7 million, primarily due to prepaid expenses and the associated timing of certain prepayments;
- Increase in accounts payable, accrued expenses and other current liabilities of \$0.2 million, primarily due to the wind down of various projects within our Fabrication & Services Division, offset partially by increased procurement activity and progress accruals for engineered equipment manufactured by vendors for our Divested Shipyard Contracts; and
- Change in noncurrent assets and liabilities, net of \$2.5 million, primarily due to the collection of long-term retention that was billed and collected during the second quarter 2020.

*Investing Activities* – Cash provided by investing activities for the six months ended June 30, 2021 was \$43.2 million, and cash used in investing activities for the six months ended June 30, 2020 was \$6.7 million. Cash provided by investing activities during 2021 was primarily due to net proceeds from the Shipyard Transaction of \$31.7 million, proceeds from the sale of assets held for sale of \$4.4 million, and net maturities of short-term investments of \$8.0 million, offset partially by capital expenditures of \$0.9 million. Cash used in investing activities during 2020 was primarily due to capital expenditures of \$7.7 million (primarily associated with the Shipyard Division operations sold in connection with the Shipyard Transaction), offset partially by proceeds from the sale of assets held for sale of \$1.1 million.

*Financing Activities* – Cash used in financing activities for the six months ended June 30, 2021 was \$0.1 million, and cash provided by financing activities for the six months ended June 30, 2020 was \$9.9 million. Cash used in financing activities during 2021 was primarily due to tax payments made on behalf of employees from vested stock withholdings. Cash provided by financing activities during 2020 was primarily due to proceeds from the PPP Loan. See Notes 5 and 9 of our Financial Statements in Item 1 for further discussion of the PPP Loan.

#### **Credit Facilities and Debt**

*LC Facility* – We have a letter of credit facility with Hancock Whitney Bank (“Whitney Bank”) that provides for up to 20.0 million of letters of credit (“LC Facility”), subject to our cash securitization of the letters of credit, with a maturity date of June 30, 2023. Commitment fees on the unused portion of the LC Facility are 0.4% per annum and interest on outstanding letters of credit is 2.0% per annum. At June 30, 2021, we had \$10.0 million of letters of credit outstanding under the LC Facility, of which \$7.0 million expired in July 2021 and the associated cash restriction was released.

*Loan Agreement* – On April 17, 2020, we entered into an unsecured loan in the aggregate amount of \$10.0 million (“PPP Loan”) with Whitney Bank pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security Act, as amended (“CARES Act”). The PPP Loan, and accrued interest, were eligible to be forgiven partially or in full, if certain conditions were met. On September 29, 2020, we submitted our application to Whitney Bank, requesting PPP Loan forgiveness of \$8.9 million plus any accrued interest. Whitney Bank approved our application for forgiveness on December 14, 2020, and our application was forwarded to the Small Business Administration (“SBA”) for review. Following the SBA’s approval of our application for forgiveness, on July 28, 2021, Whitney Bank received \$9.1 million from the SBA, which was the amount of loan forgiveness requested, including accrued interest. On July 29, 2021, we repaid Whitney Bank the remaining balance of the PPP Loan, together with accrued interest. The forgiveness and repayment of the PPP Loan were effective as of July 7, 2021.

Given the PPP Loan was not forgiven as of June 30, 2021, we have recorded the full amount as debt on our Balance Sheet at June 30, 2021, with the current and noncurrent debt classification based upon the actual amounts repaid and forgiven in July 2021. At December 31, 2020, the current and noncurrent debt classification was based on the terms and conditions of the PPP Loan and in accordance with the PPP, as amended, and timing of required repayment absent any loan forgiveness. The gain from the forgiveness of the PPP Loan and accrued interest will be reflected in the third quarter 2021.

Because the amount borrowed exceeded \$2.0 million, we are required by the SBA to retain all records relating to the PPP Loan for six years from the date the loan was forgiven and permit authorized representatives of the SBA to access such records upon request. While we believe we are a qualifying business and have met the eligibility requirements for the PPP Loan, and believe we have used the loan proceeds only for expenses which may be paid using proceeds from the PPP Loan (“Permissible Expenses”), we can provide no assurances that any potential SBA review or audit will verify the amount forgiven, in whole or in part, and we could be required to repay all or part of the forgiven amount.

*Surety Bonds* – We issue surety bonds in the ordinary course of business to support our projects. At June 30, 2021, we had \$110.8 million of outstanding surety bonds, of which \$50.0 million relates to our MPSV projects that are subject to dispute. It has been increasingly difficult to obtain additional bonding capacity and identify potential financing sources, due to, among other things, losses from our operations in recent years, including recent project charges attributable primarily to our Shipyard Division operations. We can provide no assurances that necessary bonding capacity will be available to support our future bonding requirements. See Note 6 of our Financial Statements in Item 1 for further discussion of our surety bonds and MPSV dispute and Note 5 and “*Mortgage Agreement and Restrictive Covenant Agreement*” below for discussion of our entry into agreements with one of our Sureties relating to the Retained Shipyard Contracts.

*Mortgage Agreement and Restrictive Covenant Agreement* – On April 19, 2021, and in connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties, we entered into a multiple indebtedness mortgage (the “Mortgage Agreement”) and a restrictive covenant arrangement (the “Restrictive Covenant Agreement”) with such Surety to secure our obligations and liabilities under our general indemnity agreement with the Surety associated with its outstanding surety bond obligations for our MPSV projects and two seventy-vehicle ferry projects. The Mortgage Agreement encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. Further, the Restrictive Covenant Agreement precludes us from making dividends or repurchasing shares of our common stock. The Mortgage Agreement and Restrictive Covenant Agreement will terminate when the obligations and liabilities of the Surety associated with the outstanding surety bonds are discharged, or any judgment against us or the Surety arising out of litigation related to such contracts is satisfied by us. See Note 5 of our Financial Statements in Item 1 for further discussion of our Mortgage Agreement and Restrictive Covenant Agreement.

### **Liquidity Outlook**

As discussed in our Overview, we continue to focus on securing profitable new project awards and backlog in the near-term and generating operating income and cash flows in the longer-term. We have made significant progress in our efforts to preserve and improve our liquidity, including cost reductions (including reducing the size of our board and reducing the compensation of our directors and executive officers in 2020), the sale of under-utilized assets and facilities (including the sale of assets held for sale for net proceeds of \$4.4 million in the second quarter 2021), and an improved overall cash flow position on our projects in backlog and the completion of the Shipyard Transaction. In addition, at June 30, 2021, we continue to have \$1.8 million of assets held for sale; however, we can provide no assurances that we will successfully sell the assets or that we will recover their carrying value. Further, as discussed above, we received the PPP Loan in the second quarter 2020, which provided funding necessary to offset the immediate and anticipated impacts of COVID-19. It also provided us important additional liquidity, which is important because as a strong balance sheet is required to execute our backlog and compete for new project awards, and we experience significant monthly fluctuations in our working capital. The primary uses of our liquidity for the remainder of 2021 and the foreseeable future are to fund:

- Overhead costs associated with the under-utilization of our facilities and resources within our Fabrication & Services Division, until we secure sufficient backlog to fully recover our overhead costs;
- Capital expenditures;
- Accrued contract losses (including accrued contract losses for the Retained Shipyard Contracts);
- Working capital requirements for our projects, including the unwind of advance payments on projects (including advance payments for the Retained Shipyard Contracts);
- Remaining liabilities of the Shipyard Division operations that were excluded from the Shipyard Transaction;
- Legal and other costs associated with our MPSV dispute;
- Corporate administrative expenses (including the temporary under-utilization of personnel as we evaluate our resource requirements to support our future operations in light of the Shipyard Transaction); and
- Initiatives to diversify and enhance our business.

We anticipate capital expenditures of \$1.0 million to \$2.0 million for the remainder of 2021. Further investments in facilities may be required to win and execute potential new project awards, which are not included in these estimates.

We believe that our cash, cash equivalents and short-term investments at June 30, 2021, will be sufficient to enable us to fund our operating expenses, meet our working capital and capital expenditure requirements, and satisfy any debt service obligations or other funding requirements, for at least twelve months from the date of this Report. Our evaluation of the sufficiency of our cash and liquidity is primarily based on our financial forecast for 2021 and 2022, which is impacted by our existing backlog and estimates of future new project awards and may be further impacted by the ongoing effects of COVID-19 and volatile oil prices. We can provide no assurances that our financial forecast will be achieved or that we will have sufficient cash and short-term investments to meet planned operating expenses and other unforeseen cash requirements. Accordingly, we may be required to obtain new or additional credit facilities, sell additional assets or conduct equity or debt offerings at a time when it is not beneficial to do so.

#### **Item 4. Controls and Procedures.**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. 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 Exchange Act) 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.

During the second quarter 2021, there were no changes 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.**

We are subject to various routine legal proceedings in the normal conduct of our business, primarily involving commercial disputes and claims, workers' compensation claims, and claims for personal injury under general maritime laws of the U.S. and the Jones Act. While the outcome of these lawsuits, legal proceedings and claims cannot be predicted with certainty, we believe that the outcome of any such proceedings, even if determined adversely, would not have a material adverse effect on our financial position, results of operations or cash flows. See Note 6 of our Financial Statements in Item 1 for further discussion of our material legal proceedings, including the MPSV dispute, which is incorporated herein by reference.

#### **Item 1A. Risk Factors.**

There have been no material changes from the information included under "Risk Factors" in Part I, Item 1A of our 2020 Annual Report, except as disclosed in Part II, Item 1A. "Risk Factors" of our quarterly report on Form 10-Q for the quarter ended March 31, 2021.

**Item 6. Exhibits.**

| Exhibit Number | Description of Exhibit  |
|----------------|---|
| 2.1            | <a href="#">Asset Purchase Agreement by and among Bollinger Houma Shipyards, L.L.C. and Bollinger Shipyards Lockport, L.L.C., as purchasers, and Gulf Island Fabrication, Inc., Gulf Island Shipyards, LLC and Gulf Island, L.L.C., as sellers, dated April 19, 2021, incorporated by reference to Exhibit 2.1 of the Company's Form 8-K filed with the SEC on April 19, 2021.</a>                |
| 3.1            | <a href="#">Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on May 22, 2020 (SEC File No. 001-34279).</a>  |
| 3.2            | <a href="#">Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on November 10, 2020 (SEC File No. 001-34279).</a>  |
| 10.1           | <a href="#">Employment Agreement by and between Gulf Island Fabrication, Inc. and Christian G. Vaccari, dated April 16, 2021, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on April 19, 2021.</a> †   |
| 10.2           | <a href="#">Restrictive Covenant Regarding Restrictive Payments by and among Gulf Island Fabrication, Inc., Gulf Island, L.L.C., Gulf Island Shipyards, L.L.C., Fidelity and Deposit Company of Maryland and Zurich American Insurance Company, dated April 19, 2021, incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on April 19, 2021.</a>               |
| 10.3           | <a href="#">Multiple Indebtedness Mortgage by and among Fidelity and Deposit Company of Maryland and Zurich American Insurance Company, as mortgagees, and Gulf Island, L.L.C and Gulf Island Services, L.L.C. f/k/a Dolphin Services, L.L.C., as mortgagors, dated April 19, 2021, incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed with the SEC on April 19, 2021.</a> |
| 10.4           | <a href="#">Change of Control Agreement with Richard W. Heo, dated May 13, 2021, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on May 17, 2021.</a> †  |
| 10.5           | <a href="#">Change of Control Agreement with Westley S. Stockton, dated May 13, 2021, incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on May 17, 2021.</a> †   |
| 10.6           | <a href="#">Amended and Restated 2015 Stock Incentive Plan.</a> *†  |
| 10.7           | <a href="#">Form of Restricted Stock Unit Agreement (2021).</a> *†  |
| 10.8           | <a href="#">Form of Performance-Based Restricted Stock Unit Agreement (2021).</a> *†  |
| 31.1           | <a href="#">CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.</a> *   |
| 31.2           | <a href="#">CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934.</a> *   |
| 32             | <a href="#">Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350.</a> *   |
| 101.INS        | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. *  |
| 101.SCH        | Inline XBRL Taxonomy Extension Schema Linkbase Document. *  |
| 101.CAL        | Inline XBRL Taxonomy Extension Calculation Linkbase Document. *   |
| 101.DEF        | Inline XBRL Taxonomy Extension Definition Linkbase Document. *  |
| 101.LAB        | Inline XBRL Taxonomy Extension Label Linkbase Document. *   |
| 101.PRE        | Inline XBRL Taxonomy Extension Presentation Linkbase Document. *  |
| 104            | The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, has been formatted in Inline XBRL and is contained in Exhibit 101. *  |

\* Filed or furnished herewith.

† Management Contract or Compensatory Plan.

**SIGNATURES**

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

GULF ISLAND FABRICATION, INC.

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

Date: August 10, 2021



## GULF ISLAND FABRICATION, INC.

AMENDED AND RESTATED  
2015 STOCK INCENTIVE PLAN

**1. Purpose.** The purpose of the Gulf Island Fabrication, Inc. Amended and Restated 2015 Stock Incentive Plan (the “Plan”) is to increase shareholder value and to advance the interests of Gulf Island Fabrication, Inc. (“Gulf Island”) and its subsidiaries (collectively with Gulf Island, the “Company”) by furnishing stock-based economic incentives (the “Incentives”) designed to attract, retain, reward and motivate key employees, officers and directors of the Company and consultants and advisors to the Company and to strengthen the mutuality of interests between service providers and Gulf Island’s shareholders. Incentives consist of opportunities to purchase or receive shares of Common Stock, no par value per share, of Gulf Island (“Common Stock”) or cash valued in relation to Common Stock, on terms determined under the Plan. As used in the Plan, the term “subsidiary” means any corporation, limited liability company or other entity, of which Gulf Island owns (directly or indirectly) within the meaning of Section 424(f) of the Internal Revenue Code of 1986, as amended (the “Code”), 50% or more of the total combined voting power of all classes of stock, membership interests, or other equity interests issued thereby.

**2. Administration.**

**2.1. Composition.** The Plan shall generally be administered by the Compensation Committee (the “Committee”) of the Board of Directors of Gulf Island (the “Board”). The Committee shall consist of not fewer than two members of the Board, each of whom shall qualify as a “non-employee director” under Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “1934 Act”) or any successor rule.

**2.2. Authority.** The Committee shall have plenary authority to administer the Plan, including awarding Incentives under the Plan and entering into agreements with, or providing notices to, participants as to the terms of the Incentives (the “Incentive Agreements”). Specifically, the Committee shall have full and final authority and discretion over the Plan and any Incentives granted under it, including, but not limited to, the right, power, and authority to: (a) determine the persons to whom Incentives will be granted under Section 3 and the time at which such Incentives will be granted; (b) subject to Section 6.6, determine the terms, provisions, and conditions of Incentives (including, if applicable, the number of shares of Common Stock covered by an Incentive), which need not be identical and need not match any default terms set forth in the Plan, and amend or modify any outstanding Incentives; (c) correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Incentive in the manner and to the extent it deems necessary or desirable to further the Plan’s objectives; (d) establish, amend, and rescind any rules or regulations relating to the administration of the Plan that it determines to be appropriate; (e) resolve all questions of interpretation or application of the Plan or Incentives granted under the Plan; and (f) make any other determination that it believes necessary or advisable for the proper administration of the Plan. Committee

decisions in matters relating to the Plan shall be final, binding, and conclusive on all persons, including, but not limited to, the Company, its shareholders, and Plan participants. The Committee may delegate its authority hereunder to the extent provided in Section 3.

**3. Eligible Participants.** Key employees, officers and directors of the Company and persons providing services as consultants or advisors to the Company shall become eligible to receive Incentives under the Plan when designated by the Committee. With respect to participants not subject to Section 16 of the 1934 Act, the Committee may delegate to appropriate officers of the Company its authority to designate participants, to determine the size and type of Incentives to be received by those participants and to set and modify the terms of such Incentives; provided, however, that the resolution so authorizing any such officer shall specify the total number of Incentives such officer may so award and such actions shall be treated for all purposes as if taken by the Committee, and provided further that the per share exercise price of any options granted by an officer, rather than by the Committee, shall be equal to the Fair Market Value (as defined in Section 12.11) of a share of Common Stock on the later of the date of grant or the date the participant's employment with or service to the Company commences.

**4. Types of Incentives.** Incentives may be granted under the Plan to eligible participants in the forms of (a) incentive stock options, (b) non-qualified stock options, (c) restricted stock, (d) restricted stock units ("RSUs"), (e) stock appreciation rights ("SARs") and (f) Other Stock-Based Awards (as defined in Section 10).

**5. Shares Subject to the Plan.**

**5.1. Number of Shares.** Subject to adjustment as provided in Section 12.5, the maximum number of shares of Common Stock that may be delivered to participants and their permitted transferees under the Plan shall be 2,500,000 million shares, representing 1,000,000 shares initially authorized under the Plan, plus an additional 1,500,000 shares authorized in connection with the amendment and restatement of the Plan.

**5.2. Share Counting.** Any shares of Common Stock subject to an Incentive that is subsequently canceled, forfeited, or expires prior to exercise or realization, whether in full or in part, shall be available again for issuance or delivery under the Plan. Notwithstanding the foregoing, shares subject to an Incentive under the Plan shall not be available again for issuance or delivery under the Plan if such shares were (a) tendered in payment of the exercise price of a stock option; (b) covered by, but not issued upon settlement of, stock-settled SARs; (c) delivered to, or withheld by, the Company to satisfy any tax withholding obligation, or (d) purchased on the open market with option proceeds. If an Incentive, by its terms, may only be settled in cash, then the grant, vesting, payout, settlement, or forfeiture of such Incentive shall have no impact on the number of shares available for grant under the Plan.

**5.3. Limitations on Awards.** Subject to adjustment as provided in Section 12.5, the following additional limitations are imposed under the Plan:

(a) The maximum number of shares of Common Stock that may be issued upon exercise of stock options intended to qualify as incentive stock options under Section 422 of the Code shall be 2,500,000 shares.

(b) The maximum number of shares of Common Stock (including stock options and SARs) that may be granted to any one officer, employee, consultant, or advisor during any one calendar year shall be 250,000, not including any Incentives covered by the limitations of Section 5.3(e).

(c) Incentives with respect to an aggregate of 125,000 shares of Common Stock may be granted under the Plan to officers, directors, employees, consultants, or advisors without compliance with the minimum vesting periods or exceptions provided in Sections 6.3, 7.2, 8.2, 9.3 and 10.2.

(d) Each director who is not an employee of the Company may be granted Incentives with respect to no more than 25,000 shares of Common Stock each fiscal year.

(e) The maximum value of an Other Stock-Based Award that is valued in dollars rather than in shares of Common Stock (whether or not paid in Common Stock) scheduled to be paid out to any one officer, employee, consultant, or advisor during any one calendar year shall be \$3,000,000.

**5.4. Type of Common Stock.** Common Stock issued under the Plan may be authorized and unissued shares or issued shares held as treasury shares.

**6. Stock Options.** A stock option is a right to purchase shares of Common Stock from Gulf Island. Stock options granted under the Plan may be incentive stock options (as such term is defined in Section 422 of the Code) or non-qualified stock options. Any option that is designated as a non-qualified stock option shall not be treated as an incentive stock option. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

**6.1. Price.** The exercise price per share shall be determined by the Committee, subject to adjustment under Section 12.5; provided that in no event shall the exercise price be less than the Fair Market Value (as defined in Section 12.11) of a share of Common Stock on the date of grant, except in the case of a stock option granted in assumption of or substitution for an outstanding award of a company acquired by the Company or with which the Company combines.

**6.2. Number.** The number of shares of Common Stock subject to the option shall be determined by the Committee, subject to Section 5 and subject to adjustment as provided in Section 12.5.

**6.3. Duration and Time for Exercise.** The term of each stock option shall be determined by the Committee, but shall not exceed a maximum term of ten years. Each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee; provided that, except as provided in Section 5.3(c), stock

option awards shall not become fully exercisable prior to the third anniversary of the date of grant with incremental vesting of portions of the award over the three-year period permitted (provided, however, that no portion of the award may become exercisable prior to the first anniversary of the date of grant). Notwithstanding the foregoing, the Committee may accelerate the exercisability of any stock option (1) as provided under Section 12.3 in the event of termination of employment under the circumstances provided in the Incentive Agreement, and (2) as described in Section 12.10 in connection with a Change of Control.

**6.4. Repurchase.** Upon approval of the Committee, the Company may repurchase a previously granted stock option from a participant by mutual agreement before such option has been exercised by payment to the participant of the amount per share by which: (a) the Fair Market Value (as defined in Section 12.11) of the Common Stock subject to the option on the business day immediately preceding the date of purchase exceeds (b) the exercise price, or by payment of such other mutually agreed upon amount; provided, however, that no such repurchase shall be permitted if prohibited by Section 6.6.

**6.5. Manner of Exercise.** A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by the full purchase price for such shares. The option price shall be payable in United States dollars and may be paid (a) in cash; (b) by check; (c) by delivery of or attestation of ownership of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised; (d) by delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares, issuable under the option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; (e) if approved by the Committee, through a net exercise procedure whereby the optionee surrenders the option in exchange for that number of shares of Common Stock with an aggregate Fair Market Value equal to the difference between the aggregate exercise price of the options being surrendered and the aggregate Fair Market Value of the shares of Common Stock subject to the option; or (f) in such other manner as may be authorized from time to time by the Committee.

**6.6. Repricing.** Except for adjustments pursuant to Section 12.5 or actions permitted to be taken by the Committee under Section 12.10(c) in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise or base price for any outstanding option or SAR granted under this Plan may not be decreased after the date of grant and (b) an outstanding option or SAR that has been granted under this Plan may not, as of any date that such option or SAR has a per share exercise price that is greater than the then current Fair Market Value of a share of Common Stock, be surrendered to the Company as consideration for the grant of a new option or SAR with a lower exercise price, shares of restricted stock, RSUs, an Other Stock-Based Award, a cash payment or Common Stock.

**6.7. No Dividend Equivalent Rights.** A participant receiving a stock option shall not be entitled to any dividend equivalent rights for any period of time prior to exercise of the stock option.

**6.8. Incentive Stock Options.** Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options that are intended to qualify as incentive stock options (as such term is defined in Section 422 of the Code):

(a) Any incentive stock option agreement authorized under the Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the options as incentive stock options.

(b) All incentive stock options must be granted within ten years from the date on which this Plan is adopted by the Board.

(c) No incentive stock options shall be granted to any non-employee or to any participant who, at the time such option is granted, would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation.

(d) The aggregate Fair Market Value (determined with respect to each incentive stock option as of the time such incentive stock option is granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under the Plan or any other plan of Gulf Island or any of its subsidiaries) shall not exceed \$100,000. To the extent that such limitation is exceeded, the excess options shall be treated as non-qualified stock options for federal income tax purposes.

## **7. Restricted Stock.**

**7.1. Grant of Restricted Stock.** The Committee may award shares of restricted stock to such eligible participants as the Committee determines pursuant to the terms of Section 3. An award of restricted stock shall be subject to such restrictions on transfer and forfeitability provisions and such other terms and conditions, including the attainment of specified performance goals, as the Committee may determine, subject to the provisions of the Plan.

**7.2. The Restricted Period.** At the time an award of restricted stock is made, the Committee shall establish a period of time during which the transfer of the shares of restricted stock shall be restricted and after which the shares of restricted stock shall be vested (the "Restricted Period"). The Restricted Period shall be a minimum of three years with incremental vesting of portions of the award over the three-year period permitted (provided, however, that no portion of the award may vest prior to the first anniversary of the date of grant), with the following exceptions:

(a) If the vesting of the shares of restricted stock is based upon the attainment of performance goals as described in Section 11, a minimum Restricted Period of one year is allowed.

(b) No minimum Restricted Period applies to grants under Section 5.3(c) hereof.

Each award of restricted stock may have a different Restricted Period. The expiration of the Restricted Period shall also occur: (1) as provided under Section 12.3 in the event of termination of employment under the circumstances provided in the Incentive Agreement, and (2) as described in Section 12.10 in connection with a Change of Control.

**7.3. Escrow.** The participant receiving restricted stock shall enter into an Incentive Agreement with the Company setting forth the conditions of the grant. Any certificates representing shares of restricted stock shall be registered in the name of the participant and deposited with the Company, together with a stock power endorsed in blank by the participant. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the Gulf Island Fabrication, Inc. (the "Company") Amended and Restated 2015 Stock Incentive Plan (the "Plan"), and an agreement entered into between the registered owner and Company thereunder. Copies of the Plan and the agreement are on file at the principal office of the Company.

Alternatively, in the discretion of the Company, ownership of the shares of restricted stock and the appropriate restrictions shall be reflected in the records of the Company's transfer agent and no physical certificates shall be issued prior to vesting.

**7.4. Dividends on Restricted Stock.** Any and all cash and stock dividends paid with respect to the shares of restricted stock shall be subject to any restrictions on transfer, forfeitability provisions or reinvestment requirements as the Committee may, in its discretion, prescribe in the Incentive Agreement. If the vesting of the shares of restricted stock is based upon the attainment of performance goals, any and all cash and stock dividends paid with respect to the shares of restricted stock shall be subject to the attainment of the performance goals applicable to the underlying shares of restricted stock.

**7.5. Forfeiture.** In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including any additional shares of restricted stock that may result from the reinvestment of cash and stock dividends, if so provided in the Incentive Agreement), such forfeited shares shall be surrendered and any certificates cancelled. The participants shall have the same rights and privileges, and be

subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 12.5 due to a recapitalization or other change in capitalization.

**7.6. Expiration of Restricted Period.** Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to the restricted stock shall lapse and a stock certificate for the number of shares of restricted stock with respect to which the restrictions have lapsed shall be delivered or book or electronic entry evidencing ownership shall be provided, free of all such restrictions and legends, except any that may be imposed by law, to the participant or the participant's estate, as the case may be.

**7.7. Rights as a Shareholder.** Subject to the terms and conditions of the Plan and subject to any restrictions on the receipt of dividends that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of stock during the Restricted Period, including without limitation, the right to vote any shares of Common Stock.

## **8. Restricted Stock Units.**

**8.1. Grant of Restricted Stock Units.** A restricted stock unit, or RSU, represents the right to receive from the Company on the respective scheduled vesting or payment date for such RSU, one share of Common Stock. An award of RSUs may be subject to the attainment of specified performance goals or targets, forfeitability provisions and such other terms and conditions as the Committee may determine, subject to the provisions of the Plan.

**8.2. Vesting Period.** At the time an award of RSUs is made, the Committee shall establish a period of time during which the RSUs shall vest (the "Vesting Period"). The Vesting Period shall be a minimum of three years with incremental vesting over the three-year period permitted (provided, however, that no portion of the award may vest prior to the first anniversary of the date of grant), with the following exceptions:

- (a) If the vesting of the shares of RSUs is based upon the attainment of performance goals as described in Section 11, a minimum Vesting Period of one year is allowed.
- (b) No minimum Restricted Period applies to grants of RSUs under Section 5.3(c) hereof.

Each award of RSUs may have a different Vesting Period. The acceleration of the expiration of the Vesting Period shall occur: (1) as provided under Section 12.3 in the event of termination of employment under the circumstances provided in the Incentive Agreement, and (2) as described in Section 12.10 in connection with a Change of Control.

**8.3. Dividend Equivalent Accounts.** Subject to the terms and conditions of this Plan and the applicable Incentive Agreement, as well as any procedures established by the Committee, the Committee may determine to pay dividend equivalent rights with

respect to RSUs, in which case, unless determined by the Committee to be paid currently, the Company shall establish an account for the participant and reflect in that account any securities, cash or other property comprising any dividend or property distribution with respect to the share of Common Stock underlying each RSU. The participant shall have no rights to the amounts or other property credited to such account until the applicable RSU vests. Notwithstanding the above, if the vesting of the RSUs is based upon the attainment of performance goals, any and all dividend equivalent rights with respect to the RSUs shall be subject to the attainment of the performance goals applicable to the underlying RSUs.

**8.4. Rights as a Shareholder.** Subject to the restrictions imposed under the terms and conditions of this Plan and subject to any other restrictions that may be imposed in the Incentive Agreement, each participant receiving RSUs shall have no rights as a shareholder with respect to such RSUs until such time as shares of Common Stock are issued to the participant.

**8.5. Compliance with Section 409A of the Code.** RSU awards shall be designed and operated in such a manner that they are either exempt from the application or comply with the requirements of Section 409A of the Code.

## **9. Stock Appreciation Rights.**

**9.1. Grant of Stock Appreciation Rights.** A stock appreciation right, or SAR, is a right to receive, without payment to the Company, a number of shares of Common Stock, cash or any combination thereof, the number or amount of which is determined pursuant to the formula set forth in Section 9.5. Each SAR granted by the Committee under the Plan shall be subject to the terms and conditions provided herein.

**9.2. Number.** Each SAR granted to any participant shall relate to such number of shares of Common Stock as shall be determined by the Committee, subject to adjustment as provided in Section 12.5.

**9.3. Duration and Time for Exercise.** The term of each SAR shall be determined by the Committee, but shall not exceed a maximum term of ten years. Each SAR shall become exercisable at such time or times during its term as shall be determined by the Committee; provided that, except as provided in Section 5.3(c), SARs shall not become fully exercisable prior to the third anniversary of the date of grant with incremental vesting of portions of the award over the three-year period permitted (provided, however, that no portion of the award may become exercisable prior to the first anniversary of the date of grant). Notwithstanding the foregoing, the Committee may accelerate the exercisability of any SAR (1) as provided under Section 12.3 in the event of termination of employment under the circumstances provided in the Incentive Agreement, and (2) as described in Section 12.10 in connection with a Change of Control.

**9.4. Exercise.** A SAR may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of SARs that the holder wishes to exercise.



The date that the Company receives such written notice shall be referred to herein as the “Exercise Date.” The Company shall, within 30 days of an Exercise Date, deliver to the exercising holder certificates for the shares of Common Stock to which the holder is entitled pursuant to Section 9.5 or cash or both, as provided in the Incentive Agreement.

**9.5. Payment.** The number of shares of Common Stock which shall be issuable upon the exercise of a SAR payable in Common Stock shall be determined by dividing:

(a) the number of shares of Common Stock as to which the SAR is exercised, multiplied by the amount of the appreciation in each such share (for this purpose, the “appreciation” shall be the amount by which the Fair Market Value of a share of Common Stock subject to the SAR on the trading day prior to the Exercise Date exceeds the “Base Price,” which is an amount, not less than the Fair Market Value of a share of Common Stock on the date of grant, which shall be determined by the Committee at the time of grant, subject to adjustment under Section 12.5); by

(b) the Fair Market Value of a share of Common Stock on the Exercise Date.

No fractional shares of Common Stock shall be issued upon the exercise of a SAR; instead, the holder of a SAR shall be entitled to purchase the portion necessary to make a whole share at its Fair Market Value on the Exercise Date.

If so provided in the Incentive Agreement, a SAR may be exercised for cash equal to the Fair Market Value of the shares of Common Stock that would be issuable under this Section 9.5, if the exercise had been for Common Stock.

**9.6. No Dividend Equivalent Rights.** A participant receiving an SAR shall not be entitled to any dividend equivalent rights for any period of time prior to exercise of the SAR.

**10. Other Stock-Based Awards.**

**10.1. Grant of Other Stock-Based Awards.** Subject to the limitations described in Section 10.2, the Committee may grant to eligible participants “Other Stock-Based Awards,” which shall consist of awards (other than options, restricted stock, RSUs or SARs described in Sections 6 through 9) paid out in shares of Common Stock or the value of which is based in whole or in part on the value of shares of Common Stock. Other Stock-Based Awards may be awards of shares of Common Stock, awards of phantom stock or may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of, or appreciation in the value of, Common Stock (including, without limitation, securities convertible or exchangeable into or exercisable for shares of Common Stock), as deemed by the Committee consistent with the purposes of this Plan. The Committee shall determine the terms and conditions of any Other Stock-Based Award (including which rights of a shareholder, if any, the recipient shall have with respect to Common Stock associated with any such award) and

may provide that such award is payable in whole or in part in cash. An Other Stock-Based Award may be subject to the attainment of such specified performance goals or targets as the Committee may determine, subject to the provisions of this Plan.

**10.2. Limitations.** Except as permitted in Section 5.3(c), Other Stock-Based Awards granted under this Section 10 shall be subject to a vesting period of at least three years, with incremental vesting of portions of the award over the three-year period permitted (provided, however, that no portion of the award may vest prior to the first anniversary of the date of grant), with the following exception: if the vesting of the award is based upon the attainment of performance goals, a minimum vesting period of one year is allowed, with incremental vesting of portions of the award over the one-year period permitted. Notwithstanding the foregoing, the Committee may accelerate the vesting of an Other Stock-Based Award (1) as provided under Section 12.3 in the event of termination of employment under the circumstances provided in the Incentive Agreement, and (2) as described in Section 12.10 in connection with a Change of Control.

**10.3. Dividend Equivalent Accounts.** Subject to the terms and conditions of this Plan and the applicable Incentive Agreement, as well as any procedures established by the Committee, the Committee may determine to pay dividend equivalent rights with respect to Other Stock-Based Awards, in which case, unless determined by the Committee to be paid currently, the Company shall establish an account for the participant and reflect in that account any securities, cash or other property comprising any dividend or property distribution with respect to the share of Common Stock underlying each Other Stock-Based Award. The participant shall have no rights to the amounts or other property credited to such account until the applicable Other Stock-Based Award vests. Notwithstanding the above, if the vesting of the Other Stock-Based Award is based upon the attainment of performance goals, any and all dividend equivalent rights with respect to the Other Stock-Based Award shall be subject to the attainment of the performance goals applicable to the underlying Other Stock-Based Award.

**10.4. Compliance with Section 409A of the Code.** Other Stock-Based Awards shall be designed and operated in such a manner that they are either exempt from the application or comply with the requirements of Section 409A of the Code.

**11. Performance Goals.** Restricted stock, RSUs or Other Stock-Based Awards granted under the Plan may be structured such that the vesting, grant, or payment of such awards is conditioned on the achievement of one or more performance goals. The performance goals shall be determined by the Committee and may include any or a combination of the following performance measures or others applied to the Company, Gulf Island, a division, or a subsidiary: earnings per share, return on assets, an economic value added measure, shareholder return, earnings, stock price, return on equity, return on total capital, safety performance, reduction of expenses or increase in cash flow. For any performance period, such performance objectives may be measured on an absolute basis, relative to a group of peer companies selected by the Committee, relative to internal goals, or relative to levels attained in prior years.

## 12. General.

**12.1. Duration.** No Incentives may be granted under the Plan after May 22, 2030; provided, however, that subject to Section 12.9, the Plan shall remain in effect after such date with respect to Incentives granted prior to that date, until all such Incentives have either been satisfied by the issuance of shares of Common Stock or otherwise been terminated under the terms of the Plan and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed.

**12.2. Transferability.** No Incentives granted hereunder may be transferred, pledged, assigned or otherwise encumbered by a participant except: (a) by will; (b) by the laws of descent and distribution; (c) if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto, pursuant to a domestic relations order, as defined in the Code; or (d) as to options only, if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto, (i) to Immediate Family Members; (ii) to a partnership in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole partners; (iii) to a limited liability company in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members; or (iv) to a trust for the sole benefit of the participant and/or Immediate Family Members. “**Immediate Family Members**” shall be defined as the spouse and natural or adopted children or grandchildren of the participant and their spouses. To the extent that an incentive stock option is permitted to be transferred during the lifetime of the participant, it shall be treated thereafter as a nonqualified stock option. Any attempted assignment, transfer, pledge, hypothecation or other disposition of Incentives, or levy of attachment or similar process upon Incentives not specifically permitted herein, shall be null and void and without effect.

**12.3. Effect of Termination of Employment or Death.** In the event that a participant ceases to be an employee of the Company or to provide services to the Company for any reason, including death, disability, early retirement or normal retirement, any Incentives may be exercised, shall vest or shall expire at such times as may be determined by the Committee and provided in the Incentive Agreement.

**12.4. Additional Conditions.** Anything in this Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto 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 award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

**12.5. Adjustment.** In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other similar change in the Common Stock, the number of shares of Common Stock then subject to the Plan, including shares subject to outstanding Incentives, and any and all other limitations provided in the Plan limiting the number of shares of Common Stock that may be issued hereunder, shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such adjustments, the price of any option, the Base Price of any SAR and the performance objectives of any Incentive shall also be adjusted to provide participants with the same relative rights before and after such adjustment. No substitution or adjustment shall require the Company to issue a fractional share under the Plan and the substitution or adjustment shall be limited by deleting any fractional share.

**12.6. Withholding.**

(a) The Company shall have the right to withhold from any payments made or stock issued under the Plan or to collect as a condition of payment, issuance or vesting, any taxes required by law to be withheld. At any time that a participant is required to pay to the Company an amount required to be withheld under applicable income tax laws in connection with an Incentive, the participant may, subject to Section 12.6(b) below, satisfy this obligation in whole or in part by electing (the "Election") to deliver currently owned shares of Common Stock or to have the Company withhold shares of Common Stock, in each case having a value equal to the minimum statutory amount required to be withheld under federal, state and local law. The value of the shares to be delivered or withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined ("Tax Date").

(b) Each Election must be made prior to the Tax Date. For participants who are not subject to Section 16 of the 1934 Act, the Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive. If a participant makes an election under Section 83(b) of the Code with respect to shares of restricted stock, an Election to have shares withheld to satisfy withholding taxes is not permitted to be made.

**12.7. No Continued Employment.** No participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company

for any period of time or to any right to continue his or her present or any other rate of compensation.

**12.8. Deferral Permitted.** Payment of an Incentive may be deferred at the option of the participant if permitted in the Incentive Agreement. Any deferral arrangements shall comply with Section 409A of the Code.

**12.9. Amendments to or Termination of the Plan.** The Board may amend or discontinue this Plan at any time; provided, however, that no such amendment may:

(a) materially revise the Plan without the approval of the shareholders. A material revision of the Plan includes (i) except for adjustments permitted herein, a material increase to the maximum number of shares of Common Stock that may be issued through the Plan; (ii) a material increase to the benefits accruing to participants under the Plan; (iii) a material expansion of the classes of persons eligible to participate in the Plan; (iv) an expansion of the types of awards available for grant under the Plan; (v) a material extension of the term of the Plan and (vi) a material change that reduces the price at which shares of Common Stock may be offered through the Plan;

(b) amend Section 6.6 to permit repricing of options or SARs without the approval of shareholders; or

(c) materially impair, without the consent of the recipient, an Incentive previously granted, except that the Company retains all of its rights under Section 12.10.

**12.10. Change of Control.**

(a) "Change of Control" shall mean:

(i) the acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the 1934 Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 30% or more of the outstanding shares of Common Stock, or 30% or more of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(1) any acquisition (other than a Business Combination which constitutes a Change of Control under Section 12.10(a)(iii) hereof) of Common Stock directly from the Company;

(2) any acquisition of Common Stock by the Company;

(3) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company; or

(4) any acquisition of Common Stock by any entity pursuant to a Business Combination that does not constitute a Change of Control under Section 12.10(a)(iii) hereof; or

(ii) individuals who, as of the date this Plan was adopted by the Board (the "Approval Date"), constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Approval Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board; or

(iii) consummation of a reorganization, share exchange, merger, or consolidation (including any such transaction involving any direct or indirect subsidiary of the Company), or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination,

(1) all or substantially all of the individuals and entities who were the beneficial owners of the outstanding Common Stock and the Company's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of Common Stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which, for purposes of this paragraph (1) and paragraphs (2) and (3), shall include a corporation which as a result of such transaction owns the Company or all or substantially all of its assets either directly or through one or more subsidiaries); and

(2) except to the extent that such ownership existed prior to the Business Combination, no Person (excluding any corporation resulting from such Business Combination and any

employee benefit plan or related trust of the Company, the corporation resulting from such Business Combination, or any subsidiary of either corporation) beneficially owns, directly or indirectly, 25% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 25% or more of the combined voting power of the then outstanding voting securities of such corporation; and

(3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a plan of complete liquidation or dissolution of the Company.

(b) Notwithstanding Section 12.3 and unless otherwise provided in an Incentive Agreement, if there has been a Change of Control, and within one year following such Change of Control a participant's employment with the Company is terminated by the Company without Cause or by such participant with Good Reason, all outstanding Incentives granted to such participant pursuant to the Plan shall automatically become fully vested and exercisable, all restrictions or limitations on any Incentives shall lapse and all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved or waived at the target level by Gulf Island without the necessity of action by any person. Unless otherwise defined in an Incentive Agreement:

(i) "Cause" shall be defined as any of the following: (1) the commission by the participant of an illegal act (other than traffic violations or misdemeanors punishable solely by the payment of a fine); (2) the engagement of the participant in dishonest or unethical conduct, as determined by the Committee or its designee; (3) the commission by the participant of any fraud, theft, embezzlement, or misappropriation of funds; (4) the failure of the participant to carry out a directive of his superior, employer or principal; or (5) the breach of the Participant of the terms of his engagement.

(ii) "Good Reason" shall be defined as any of the following (without the participant's express written consent): (1) a material diminution in the participant's base salary as of the day immediately preceding the Change in Control or (2) the Company's requiring the participant to be based at any office or location more than 50 miles from participant's principal office or location as of the day immediately preceding the Change in Control. Notwithstanding the foregoing, the participant shall not have the rights described in Section 12.10(b) in connection with a termination of his employment with Good Reason

unless (a) within 30 days of the initial existence of the condition or conditions giving rise to such right the participant provides written notice to the Company of the existence of such condition or conditions, and (b) the Company fails to remedy such condition or conditions within 30 days following the receipt of such written notice (the "Cure Period"). If any such condition is not remedied within the Cure Period, the participant must terminate his employment with the Company within a reasonable period of time, not to exceed 30 days, following the end of the Cure Period.

(c) No later than 30 days after the approval by the Board of a Change of Control of the types described in subsections (iii) or (iv) of Section 12.10(a) and no later than 30 days after a Change of Control of the type described in subsections (i) and (ii) of Section 12.10(a), the Committee (as the Committee was composed immediately prior to such Change of Control and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), acting in its sole discretion without the consent or approval of any participant, may act to effect one or more of the alternatives listed below and such act by the Committee may not be revoked or rescinded by persons not members of the Committee immediately prior to the Change of Control:

(i) require that all exercisable options and SARs be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised options shall terminate;

(ii) make such equitable adjustments to Incentives then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary);

(iii) provide for mandatory conversion of some or all of the exercisable options and SARs held by some or all participants as of a date, before or after such Change of Control, specified by the Committee, in which event such options and SARs shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such option and SAR, as defined and calculated below, over the exercise price(s) of such options and SARs or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess; or

(iv) provide that thereafter upon any exercise of an option or SAR the participant shall be entitled to purchase under such option or SAR, in lieu of the number of shares of Common Stock then covered by such option or SAR, the number and class of shares of stock or other



securities or property (including, without limitation, cash) to which the participant would have been entitled pursuant to the terms of the agreement providing for the reorganization, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the participant had been the holder of record of the number of shares of Common Stock then covered by such options and SARs.

(d) For the purpose of paragraph (iii) of Section 12.10(c), the “Change of Control Value” shall equal the amount determined by whichever of the following items is applicable:

(i) the per share price to be paid to shareholders of Gulf Island in any such merger, consolidation or other reorganization;

(ii) the price per share offered to shareholders of Gulf Island in any tender offer or exchange offer whereby a Change of Control takes place;

(iii) in all other events, the Fair Market Value per share of Common Stock into which such options being converted are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of conversion of such options; or

(iv) in the event that the consideration offered to shareholders of Gulf Island in any transaction described in this Section 12.10 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

**12.11. Definition of Fair Market Value.** Whenever “Fair Market Value” of Common Stock shall be determined for purposes of this Plan, except as provided below in connection with a cashless exercise through a broker, it shall be determined as follows: (i) if the Common Stock is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share of the Common Stock on such exchange or quotation system on the date as of which fair market value is to be determined, or if no sale of the Common Stock shall have been made on that day, on the next preceding day on which there was a sale of the Common Stock; (ii) if the Common Stock is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the date as of which fair market value is to be determined, and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available; and (iii) if the Common Stock is not regularly quoted, the fair market value of a share of Common Stock on the date as of which fair market value is to be determined, as established by the Committee in good faith. In the context of a cashless exercise through a broker, the “Fair Market Value” shall be the price at which the Common Stock subject to the stock option is actually sold in the market to pay the option exercise price.

**12.12. Clawback Provisions.** All Incentives (including any proceeds, gains or other economic benefit an Incentive recipient actually or constructively receives upon receipt or exercise of any Incentive or the receipt or resale of any shares of Common Stock underlying the Incentive) will be subject to any Company clawback policy implemented to comply with applicable laws, including any clawback policy adopted to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, as set forth in such a clawback policy or the Incentive Agreement.

**RESTRICTED STOCK UNIT AGREEMENT**

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

WHEREAS, Gulf Island has adopted the Amended and Restated 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 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:

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 Participant <<Grant Amount>> restricted stock units (the “RSUs”), that shall vest, subject to Sections 2 and 4 hereof, on the following dates (each a “Vesting Date”):

| <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 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, 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 Participant'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 each Vesting Date, but no later than 30 days from such date, Gulf Island will credit the Participant's brokerage account with the shares of Common Stock issuable upon vesting. If the Participant has not established a brokerage account, the shares will be held by Gulf Island's transfer agent until such time as the Participant opens an account.

3.2 Upon issuance of such shares of Common Stock, the Participant 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 Participant, such as Gulf Island's Insider Trading Policy.

4.

TERMINATION OF EMPLOYMENT

If the Participant'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 Participant 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 Participant owes any amount to the Company under Sections 5.1 or 5.2 above, the Participant shall return to the Company the Excess Shares (or the shares recoverable under Section 5.2) acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if

no longer held by the Participant, the Participant shall pay to the Company, without interest, all cash, securities or other assets received by the Participant upon the sale or transfer of such shares. The Participant acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such 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.

6.

WITHHOLDING TAXES; TAX TREATMENT

6.1 At the time that all or any portion of the RSUs vest, 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).

6.2 The RSUs are 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 RSUs constitute "deferred compensation" under Section 409A and the payout of the RSUs is accelerated pursuant to Section 2, a distribution of shares 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 RSUs is so delayed, the RSUs 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.

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.

8.

NO CONTRACT OF EMPLOYMENT INTENDED

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.

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.

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 Participant acknowledges that a copy of the Plan and a prospectus summarizing the Plan was distributed or made available to the Participant and that the Participant was advised to review such materials prior to entering into this Agreement. The Participant waives the right to claim that the provisions of the Plan are not binding upon the Participant and the Participant'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.

12.

MISCELLANEOUS

12.1 The Participant understands and acknowledges that he is one of a limited number of employees of the Company who have been selected to receive equity grants and that this grant is considered confidential information. The Participant hereby covenants and agrees not to disclose the award of RSUs pursuant to this Agreement to any other person except (a) the

Participant'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 300, Houston, Texas 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 12.4. 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 12.4 and Section 12.7.

12.5 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.

12.6 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 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.

12.7 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 online or electronic system established and maintained by Gulf Island or a third party designated by Gulf Island.

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

13.  
ENTIRE AGREEMENT; MODIFICATION; WAIVER

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 12.7. 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.



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and effective on the Date of Grant.

GULF ISLAND FABRICATION, INC.

By:

Name:

Title:

*{Insert name}*

Participant

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**PERFORMANCE-BASED RESTRICTED STOCK UNIT  
AGREEMENT**

This PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this “Agreement”) dated as of May 26, 2021 (the “Date of Grant”) is by and between Gulf Island Fabrication, Inc. (“Gulf Island”) and <<Participant Name>> (the “Participant”).

WHEREAS, Gulf Island has adopted the Amended and Restated 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”) and “other stock-based awards” payable in Common Stock or cash based on the value of 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:

1.

AWARD OF PERFORMANCE-BASED RESTRICTED STOCK UNITS

1.1 Subject to the terms of this Agreement, effective as of the Date of Grant, Gulf Island hereby grants to the Participant an award of \_\_\_\_\_ (the “Target Award”) performance-based restricted stock units (“PSUs”). Each PSU represents the right to receive one share of Common Stock, subject to the terms and conditions set forth in this Agreement and the Plan. The actual number of PSUs that may be earned will depend on the Company’s level of achievement and certification of the performance goal specified in Section 1.2 during the period beginning January 1, 2021, and ending December 31, 2021 (the “Performance Period”). Any PSUs that are deemed not subject to vesting as of the end of the Performance Period shall be forfeited.

1.2 Provided the Participant satisfies the service conditions set forth in Section 1.5, between 0% and 200% of the Target Award may be earned based on the Company’s consolidated adjusted EBITDA relative to the targets set forth below for the Performance Period in accordance with the following matrix (such amount referred to herein as the “Final PSUs”):

| Achievement Level | 2021 Consolidated Adjusted EBITDA | % of Target Award that may be earned: |
|-------------------|-----------------------------------|---------------------------------------|
|                   |                                   | 0%                                    |
| Threshold         |                                   | 50%                                   |
| Target            |                                   | 100%                                  |
| Maximum           |                                   | 200%                                  |

1.3 For purposes of this Agreement, EBITDA represents earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA less the impact of Hornbeck costs, gains and losses from assets held for sale and other non-recurring items.

1.4 Following the end of the Performance Period, the Committee shall, within a reasonably practicable time, determine the results of the performance goal set forth in Section 1.2 and the resulting number of Final PSUs, if any, that may be earned based on the level of achievement of the performance goal. Such determination shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law. Any portion of the Target Award in excess of the Final PSU amount shall immediately be forfeited.

1.5 The Final PSUs shall vest, subject to the conditions of Sections 2 and 3, on the following dates (each, a "Vesting Date"):

| <u>Scheduled Vesting Date</u>       | <u>Amount of Final PSUs 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.  
ISSUANCE OF SHARES UPON VESTING

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

2.2 Upon issuance of such shares of Common Stock, the Participant 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 Participant, such as Gulf Island's Insider Trading Policy.

2.3 If the total number of shares of Common Stock earned by the Participant under all Incentives granted to him during 2021 would exceed the numerical limit on shares of Common Stock that may be covered by Incentives granted under the Plan to an individual in a single calendar year as provided in the Plan (the "Share Limit"), then any PSUs earned under this Agreement, that, if issued as shares of Common Stock, would exceed the Share Limit, will instead be settled in cash rather than shares of Common Stock.<sup>1</sup>

<sup>1</sup> To be included if applicable.

3.

TERMINATION OF EMPLOYMENT; CHANGE OF CONTROL

3.1 If the Participant's employment terminates for any reason prior to the vesting of some or all of the PSUs (except in connection with a Change of Control as described in Section 3.2 below and Section 12.10 of the Plan), all unvested PSUs granted hereunder shall immediately be forfeited.

3.2 If a Change of Control occurs prior the end of the Performance Period, the performance goal in Section 1.2 shall be waived and the Final PSUs shall equal the Target Award, which will continue to be subject to the vesting schedule set for in Section 1.5. If a Change of Control occurs after the end of the Performance Period but before the Final PSUs have fully vested in accordance with Section 1.5 above, the unvested PSUs shall vest and all restrictions shall lapse, if, within one year following such Change of Control, the Participant'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.

4.

FORFEITURE OF AWARD

4.1 If the Participant 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 1.5 or (b) results in an increase of the value of the 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 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.

4.2 This award 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.

4.3 If the Committee determines that the Participant owes any amount to the Company under Sections 4.1 or 4.2 above, the Participant shall return to the Company the Excess Shares (or the shares recoverable under Section 4.2) acquired by the Participant pursuant to this Agreement (or other securities into which such shares have been converted or exchanged) or, if no longer held by the Participant, the Participant shall pay to the Company, without interest, all cash, securities or other assets received by the Participant upon the sale or transfer of such shares. The Participant acknowledges that the Company may, to the fullest extent permitted by applicable law, deduct such 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,

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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.

5.

WITHHOLDING TAXES; TAX TREATMENT

5.1 At the time that all or any portion of the PSUs vest, 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).

5.2 The PSUs are 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 payout of the PSUs is accelerated pursuant to Section 3, a distribution of shares, or cash if applicable, 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.

6.

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.

7.

NO CONTRACT OF EMPLOYMENT INTENDED

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.

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8.  
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.

9.  
INCONSISTENT PROVISIONS

The PSUs 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 Participant acknowledges that a copy of the Plan and a prospectus summarizing the Plan was distributed or made available to the Participant and that the Participant was advised to review such materials prior to entering into this Agreement. The Participant waives the right to claim that the provisions of the Plan are not binding upon the Participant and the Participant's heirs, executors, administrators, legal representatives and successors.

10.  
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 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, and no other courts, where this grant is made and/or to be performed.

11.  
MISCELLANEOUS

11.1 The Participant understands and acknowledges that he is one of a limited number of employees of the Company who have been selected to receive equity grants and that this 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 (a) the Participant'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.

11.2 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.

{N4413744.3}

11.3 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.

11.4 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 300, Houston, Texas, 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 11.5. 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 11.4 and Section 11.7.

11.5 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.

11.6 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 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.

11.7 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 online or electronic system established and maintained by Gulf Island or a third party designated by Gulf Island.

11.8 The Participant must expressly accept the terms and conditions of this Agreement by executing this Agreement in a timely manner. If the Participant does not accept the terms of this Agreement, the PSUs are subject to cancellation.

12.  
ENTIRE AGREEMENT; MODIFICATION; WAIVER

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

{N4413744.3}

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 11.7. 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.

{N4413744.3}



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}*  
Participant

{N4413744.3}

## Certifications

I, Richard W. Heo, 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: August 10, 2021

/s/ Richard W. Heo

Richard W. Heo  
President, Chief Executive Officer and  
Director (Principal Executive Officer)

## Certifications

I, Westley S. Stockton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2021

/s/ Westley S. Stockton

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Westley S. Stockton  
Executive Vice President, Chief Financial Officer,  
Secretary and Treasurer (Principal 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 quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, who are the Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to U.S.C. Section 1350, as adopted pursuant to of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

By: /s/ Richard W. Heo  
Richard W. Heo  
President, Chief Executive Officer and Director  
(Principal Executive Officer)  
August 10, 2021

By: /s/ Westley S. Stockton  
Westley S. Stockton  
Executive Vice President, Chief Financial Officer  
and Treasurer (Principal Financial Officer)  
August 10, 2021

*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.*