GULF ISLAND FABRICATION INC
Form 10-K
March 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2015
or

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to Commission File Number 001-34279

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

Louisiana (State or other jurisdiction of incorporation or organization)	72-1147390 (I.R.S. Employer Identification Number)
16225 Park Ten Place, Suite 280 Houston, Texas (Address of principal executive offices)	77084 (Zip code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant at June 30, 2015 was approximately $160,619,350.

The number of shares of the registrant's common stock, no par value per share, outstanding as of March 9, 2016 was 14,630,686.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement prepared for use in connection with the registrant's 2016 Annual Meeting of Shareholders have been incorporated by reference into Part III of this Form 10-K.

GULF ISLAND FABRICATION, INC.
ANNUAL REPORT ON FORM 10-K FOR
THE FISCAL YEAR ENDED DECEMBER 31, 2015
TABLE OF CONTENTS

Forward-Looking Information

Certain statements included in this report and in oral statements made from time to time by management of the Company that are not statements of historical fact are forward-looking statements. In this report, forward-looking statements are included primarily in the sections entitled “Business and Properties,” “Legal Proceedings,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The words “expect,” “believe,” “anticipate,” “project,” “plan,” “estimate,” “predict” and similar expressions often identify forward-looking statements. All suc statements are subject to certain risks and uncertainties that could cause actual results and outcomes to differ materially from the results and outcomes predicted in the statements and investors are cautioned not to place undue reliance upon them. Important factors that may cause our actual results to differ materially from expectations or projections include those described in the section titled “Risk Factors.” Forward-looking statements speak only as to the date of this report, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events or circumstances.

PART I

Items 1 and 2. Business and Properties

Certain technical terms are defined in the “Glossary of Certain Technical Terms” beginning on page G-1.

General

Gulf Island Fabrication, Inc. ("Gulf Island"), and together with its subsidiaries, (the “Company”, “we” or “our”), is a leading fabricator of steel platforms and other specialized structures for customers in the offshore oil and gas industry. In addition, we also perform onshore and offshore construction and fabrication services for customers in the marine industry. Our principal markets are concentrated in the offshore regions and along the coast of the Gulf of Mexico. We currently provide our customers with what we believe to be the largest group of fabrication facilities serving the Gulf of Mexico market. The Company was incorporated in 1985 and began operations at our fabrication yard on the Houma Navigation Canal in southern Louisiana, approximately 30 miles from the Gulf of Mexico. Since our formation, we have expanded and grown our operations through acquisitions of additional facilities on the Houma Navigation Canal in southern Louisiana as well as 212 acres in Ingleside, Texas between the Gulf Intracoastal Waterway and Corpus Christi Ship Channel and 160 acres in Aransas Pass, Texas located along the U.S. Intracoastal Waterway. In October 2013, we moved our corporate headquarters to Houston, Texas. We continue to grow our operations and to diversify our business. On January 1, 2016, we acquired substantially all of the assets and assumed certain specified liabilities of LEEVAC Shipyards, L.L.C. and its affiliates (collectively, “LEEVAC”), through our newly formed wholly-owned subsidiary, Gulf Island Shipyards, L.L.C. in an all cash transaction. See further discussion of the LEEVAC acquisition below.

Gulf Island serves as a holding company and conducts all of its operations through its subsidiaries, which include: Gulf Island, L.L.C.; Gulf Marine Fabricators, L.P.; Gulf Island Marine Fabricators, L.L.C.; Gulf Island Shipyards, L.L.C.; Dolphin Services, L.L.C.; and Dolphin Steel Sales, L.L.C.

LEEVAC Acquisition

On January 1, 2016, we acquired substantially all of the assets and assumed certain specified liabilities of LEEVAC Shipyards, L.L.C. and its affiliates ("LEEVAC"). The purchase price for the acquisition was $20.0 million, subject to a working capital adjustment whereby we received at closing a dollar for dollar reduction for the assumption of certain net liabilities of LEEVAC and settlement payments from sureties on certain ongoing fabrication projects that were assigned to us in the acquisition. After taking into account these adjustments, we received approximately $1.6 million in cash at closing and added approximately $112.0 million of incremental contract backlog primarily for four new build construction projects to be delivered in 2016 and 2017. Strategically, the acquisition expands our marine fabrication and repair and maintenance presence in the Gulf South market and further diversifies our fabrication capabilities. A description of the primary fabrication facilities and equipment acquired is as follows:

- Jennings - Leased facilities from a third party for a 180 acre complex five miles east of Jennings, LA on the west bank of the Mermentau River approximately 25 miles north of the Intracoastal waterway. The Jennings Complex includes over 100,000 square feet of covered fabrication area including a panel line and pipe shop and 3,000 feet of water frontage with two launch ways and four covered construction bays. The lease, including exercisable renewal options, extends through January 2045.

- Lake Charles - Subleased facilities from a third party for a 10 acre complex 17 miles from the Gulf of Mexico on the Calcasieu River near Lake Charles, LA. The Lake Charles complex includes 1,100 feet of bulkhead water frontage with a water depth of 40 feet located one mile from the main ship channel and the Gulf Intracoastal Waterway and is located multiple petrochemical plants. The sublease, including exercisable renewal options (subject to sublessor renewals), extends through July 2038.

- Houma - Leased facilities from the owner of LEEVAC Shipyards for a 35 acre complex 26 miles from the Gulf of Mexico near Houma, LA. The Houma complex includes 2,700 feet of bulkhead water frontage and 110,000 square

feet of covered construction area. The lease expires on the later of December 31, 2016 or 90 days following the completion of the two vessels currently under construction at the facility, but no later than August 31, 2017. Upon expiration, we will have the option to extend the lease at market rates.

Machinery and equipment at the above leased facilities includes a new plasma cutter installed in 2013, eight crawler cranes ranging from 65-230 tons, 8 track cranes, 10 overhead cranes, six drydocks ranging from 1,500 to 3,500 tons, and a 200 ton module transporter.

At the date of acquisition, we acquired approximately $112.0 million of new build construction backlog which primarily includes 4 new build construction projects to be delivered in 2016 and 2017 with two third party customers. The ultimate dollar amount of acquired backlog is subject to a change in value in connection with our purchase price allocation. Additionally, we hired 380 employees upon acquisition of the facilities representing all of the LEEVAC former employees.

Web site and Electronic Posting Disclosures

Our web site address is www.gulfisland.com. We make available on or through our web site, without charge, as soon as reasonably practicable after such material are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"), our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC's web site address is www.sec.gov. Our web site and the information contained therein or connected thereto are not intended to be incorporated into this annual report on Form 10-K.

Description of Operations

The following description of our operations are as they exist as of and for the year ended December 31, 2015.

Our primary activity is the fabrication of offshore drilling and production platforms and other steel structures for customers in the oil and gas and marine industries, including jackets and deck sections of fixed production platforms, hull, tendon, and/or deck sections of floating production platforms (such as TLPs, Spars, FPSOs and MinDOCs), piles, wellhead protectors, subsea templates, and various production, compressor, and utility modules. We use modern welding and fabrication technology, and all of our projects are manufactured in accordance with industry standards, specifications and regulations, including those published by the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers, the American Bureau of Shipping and the United States Coast Guard. The quality management systems of our operating subsidiaries are certified as ISO 9001-2008 quality assurance programs. For additional information, see "Safety and Quality Assurance" below.

Most of the steel used in our operations arrives at our fabrication yards as steel plate. The plate is cut and rolled into tubular sections at rolling mills in our fabrication yards. The tubular sections (which vary in diameter up to 23 feet) are welded together in long straight tubes to become legs or into shorter tubes to become part of the network of bracing that support the legs. Various cuts and welds in the fabrication process are performed by computer-controlled equipment that operates from data developed during the design of the structure. A majority of our offshore drilling and production platforms are fixed platforms. A fixed platform is the traditional type of platform used for the offshore development and production of oil and gas reserves, although recently there has been an increase in the use of floating production platforms as a result of increased drilling and production activities in deeper waters.

Jackets -The most common type of fixed platform consists of a jacket (a tubular steel, braced structure extending from the mud line on the seabed to a point above the water surface) which supports the deck structure located above the level of storm waves and is secured with tubular pilings driven deep into the seabed. The deck structure is designed to accommodate multiple functions, including drilling, production, separating, gathering, piping, compression, well support, and crew quartering. Platforms can be joined by bridges to form complexes of platforms for very large developments or to improve safety by dividing functions among specialized platforms. Jacket-type platforms are generally the most viable solution for water depths of 1,000 feet or less. Although there is no height limit to the jackets that can be fabricated at our Houma facilities, the dimensions of the Houma Navigation Canal prevent the transportation to the Gulf of Mexico of most jackets and hulls designed for water depths exceeding 800 feet. Our south yard in Texas, which is located along the Gulf Intracoastal Waterway and the 45-foot-deep Corpus Christi Ship Channel, provides direct and unrestricted access to the Gulf of Mexico, which allows for fabrication or assembly of any size jacket or other structure currently in use for the development and production of oil and gas for deepwater drilling. In some instances, we may fabricate jackets, deck sections, living quarters and/or piles for a platform at our Houma facility, with the hulls and/or jackets for the platform designed for water depths in excess of 800 feet fabricated at our Texas facility.

Jackets are built on skidways (which are long parallel rails along which the jacket will slide when it is transferred to a barge for towing out to sea) and are generally built in sections. As each section of legs and bracing is complete, large crawler cranes pick up an entire side and “roll up” the section, joining it to another uprighted section. When a jacket is complete, it is pulled along the skidway onto a launch barge. Using ocean-going tugs, the barge is transported to the offshore installation site. Our ability to fabricate and assemble large tubular sections needed for jackets for use in water depths over 300 feet distinguish us from all but one of our domestic competitors.

Decks - Decks are built either as single structures or in sections and are installed on location on fixed and floating platforms by construction contractors. The composition and quantity of petroleum in the well stream generally determine the size and configuration of the production deck on a processing platform. Typical deck equipment includes crude oil pumps, oil and gas separators and gas compressors. Unlike large jackets, which are transported in a horizontal position, decks are transported upright and, as a result, are not subject to the width restrictions of the Houma Navigation Canal.

TLPs -TLPs consist of a deck that sits atop one or more column-shaped hulls, which are positioned on site with vertical tendons running from the hulls to the seabed. The tendons hold the hulls partially submerged and are highly tensioned using the buoyancy of the hulls. This system develops a restoring force against wave, wind and current actions in proportion to the lateral displacement of the vessel. Wells for a TLP are often pre-drilled through a subsea template. Long, flexible production risers, which carry the petroleum to the deck of the TLP, are supported in tension by mechanical tensioner machines on the platform's deck and are directly subject to wave, wind and current forces. TLPs can be used in any water depth and are generally better suited than fixed platforms for water depths greater than 1,000 feet. The size of a TLP depends on a number of factors, including the intended scope of production of the platform, the length of the production risers connected to the platform, the size of the deck to be installed on the platform and the water depth for which the platform is designed. We fabricate deck sections and hulls for use with TLPs of any size. In November 2009, we completed fabrication and delivered a MinDOC hull, the first deepwater dry tree drilling and production platform built in the United States. We completed the fabrication of the first Spar hull to be built in the United States, and delivered it in the first quarter of 2014.

Subsea templates - We fabricate subsea templates used in connection with TLPs. Subsea templates are structures installed on the seabed before development drilling begins.

Other fabrication and repair work - We also produce and repair pressure vessels used in the oil and gas industry, refurbish existing platforms, fabricate various other types of steel structures, including processing modules used in petro-chemical plants, fabricate living quarters for installation on such platforms ranging in size from 4 to 250 beds, provide onshore and offshore scaffolding and piping insulation services, perform heavy lifts such as ship integration and TLP module integration and load and offload jack-up drilling rigs, semi-submersible drilling rigs, TLPs, Spars or other similar cargo. In addition, we fabricate towboats, barges, lift boats, dry docks, offshore support vessels, other marine vessels, and mid-body sections for offshore supply vessels. Our Houma dry dock has recently been upgraded, extending the lift capacity from 9,000 tons to 12,000 tons and is used to maintain and repair third party marine vessels, as well as to launch vessels fabricated at our facilities.

In addition, we fabricate piles and other rolled goods, bridges for connecting offshore platforms, wellhead protectors, various production, compressor and utility modules and other structures used in offshore oil and gas production and development activities. All of our products are installed by construction contractors.

Onshore and offshore construction services - We provide interconnect piping services on offshore platforms and inshore steel structures. Interconnect piping services involve sending employee crews to offshore platforms in the Gulf of Mexico to perform welding and other activities required to connect production equipment, service modules and other equipment to a platform. We also contract with oil and gas companies that have platforms and other structures located in the inland lakes and bays throughout the southeast for various on-site construction and maintenance activities. In addition, we fabricate pressure vessels and large and small packaged skid units and provide various municipal and drainage projects, such as pump stations, levee reinforcement, bulkheads and other levee and drainage projects, to state and local governments.

Marine vessels - We manufacture and repair various steel marine vessels in the United States including offshore supply vessels; anchor handling vessels; and lift boats to support the construction and ongoing operation of offshore oil and gas production platforms; tug boats and towboats for towing and pushing barges that support transportation of various types of products and materials; mooring and positioning, dredging assistance, tanker escort, port management, shipping, piloting, coastal flood protection barge gates, inland and offshore barges, and fire-fighting and salvage vessels. We also construct dry docks to lift marine vessels out of the water. Our marine repair activities include steel repair, blasting and painting services, electrical systems repair, machinery and piping system repairs, and propeller, shaft, and rudder reconditioning. In addition, we perform conversion projects that consist of lengthening

vessels, modifying vessels to permit their use for a different type of activity, and other modifications to enhance the capacity or functionality of a vessel. In the first quarter 2012, we delivered a 335-Class lift boat to Montco Offshore, Inc., and in the fourth quarter, 2014, we completed and delivered to the customer a second 335-Class lift boat. These two vessels are the largest lift boats to be used in the Gulf of Mexico.

Facilities and Equipment

We perform all projects at our Louisiana and Texas facilities based on availability of space and equipment. The description below is as of December 31, 2015, as they pertain to operations for the year ended December 31, 2015 (the period presented in this annual report). See the LEEVAC acquisition discussion above for a description of the additional leased

facilities and equipment that we acquired on January 1, 2016. As of December 31, 2015, we owned all of the facilities and equipment described below.

Facilities

Louisiana Operations

In Louisiana, our main fabrication yard is located on the east bank of the Houma Navigation Canal in Houma, Louisiana, approximately 30 miles from the Gulf of Mexico. This facility is situated on approximately 140 acres, of which 100 acres are developed for fabrication, and includes several buildings totaling 49,000 square feet of administrative offices, 267,000 square feet of covered fabrication area, over 47,000 square feet of warehouse storage area and 8,000 square feet of training and medical facilities. The main yard also has approximately 2,800 linear feet of water frontage, which includes 1,500 feet of steel bulkheads that permit load out of heavy structures.

Our west yard is located across the Houma Navigation Canal from the main yard on 437 acres, 130 acres of which are developed for fabrication and over 300 acres of which are unimproved land that could be used for expansion. The west yard spans 6,750 linear feet of the Houma Navigation Canal, including 2,350 feet of steel bulkhead, and has approximately 151,600 square feet of covered fabrication area, 21,000 square feet of warehouse storage area, and two buildings providing an additional 8,000 square feet for administrative offices.

Our Houma north yard operates on the east bank of the Houma Navigation Canal adjacent to our Houma main fabrication yard. The facility covers 23 acres and includes a two-story, 5,000 square foot administration building with an attached 5,300 square foot warehouse. The property has approximately 1,850 linear feet of water frontage, including a 380 linear foot steel bulkhead that permits docking of vessels and the load out of structures.

Located approximately a quarter of a mile from our main yard on a channel adjacent to the Houma Navigation Canal, we operate a 63-acre facility that includes buildings totaling 14,500 square feet of administrative offices, 40,800 square feet of covered fabrication area, 29,600 square feet of warehouse storage area, a 10,000 square foot blasting and coating facility and approximately 1,320 linear feet of water frontage, including 660 feet of steel bulkhead.

We own a 12,000 ton dry dock, supplementing our marine construction operations in Houma. The dry dock is 320 feet long by 160 feet wide and 140 feet wide between the wing walls. The bottom is 10 feet deep with 30 foot walls. The dry dock is used for maintenance and repairs of marine vessels, as well as launch vessels fabricated at our Houma facility.

Texas Operations

Our south yard in Ingleside, Texas is located on the northwest corner of the intersection between the Gulf Intracoastal Waterway and the Corpus Christi Ship Channel. The 45-foot deep Corpus Christi Ship Channel provides direct and unrestricted access to the Gulf of Mexico, which allows for fabrication or assembly of any size jacket or other structure currently in use for the development and production of oil and gas in the Gulf of Mexico. This facility is situated on approximately 212 acres developed for fabrication and assembly, and includes a fabrication shop with 5,000 square feet of covered fabrication area, 10,000 square feet of warehouse storage area and 2,700 square feet of training facilities. The yard includes approximately 2,650 linear feet of water frontage, all of which is reinforced by steel bulkhead. In addition, there is a dredge area 86 feet deep within 500 feet of the bulkhead used in conjunction with heavy lift vessels. This area measures 800 feet by 200 feet at the base and can accommodate the largest existing semi-submersible transport vessels.

In addition, the south yard contains a graving dock which measures 700 feet long by 250 feet wide and 40 feet deep. The graving dock has a reinforced concrete slab floor, sheet-pile walls and pile supported relieving platforms around the perimeter to take the surcharge load applied by cranes. The south end of the graving dock, which opens to the Corpus Christi Ship Channel, can use either a removable sheet piled wall supported by steel struts or a portable gate that can be removed and attached to seal the dock from the water in the channel, depending upon the nature of the project. The graving dock gate is a steel barge-like structure consisting of a steel reinforced wall and a buoyancy tank. The floating structure is 240 feet long x 35 feet wide x 40 feet deep and weighs approximately 950 tons. The gate structure has rubber seals that engage the walls and the graving dock floor. Although the de-ballasting of the dock requires pumps, the gate is equipped with piping to allow the gate to be flooded without the use of pumps. When flooded, the graving dock has a minimum of 30 feet of water over the concrete floor.

Our Texas north yard in Aransas Pass, Texas is located along the U.S. Intracoastal Waterway and is approximately three miles north of the Corpus Christi Ship Channel. This facility is situated on approximately 160 acres, of which 85 acres are dedicated to fabrication activities and 55 acres are used for the storage of steel, prefabricated elements, equipment, and spare parts. Several buildings are located on our Texas north yard with 328,000 square feet of covered fabrication area, 22,000 square

feet of administrative office space, 61,750 square feet of warehouse storage area and 16,000 square feet of training and medical facilities. The yard also has approximately 3,000 linear feet of water frontage, including approximately 1,000 feet of steel bulkhead.

Equipment

Our Houma main yard houses our Bertsch Model 34 and Model 20 plate bending rolls, a computerized Vernon brace coping machine used for cutting steel in complex geometric sections, two grit blast systems, a hydraulic plate shear, a hydraulic press brake, and various other equipment needed to build offshore structures and fabricate steel components. Our Houma west yard has a Bertsch Model 38 plate bending roll, a computerized Vernon brace coping machine, and various other equipment used in our fabrication business. The brace coping machines can handle pipe up to 1,500 pounds per foot and 54-inch outer diameter, and 1,000 pounds per foot and 48-inch outer diameter, respectively. The brace coping machine in the Houma west yard provides additional efficiencies as it can cut 360 degrees without repositioning itself. We have a computerized numeric controlled plasma-arc cutting system that cuts and bevels steel up to one inch thick at a rate of two hundred inches per minute. The system can also etch into steel for piece markings and layout markings at a rate of 300 inches per minute. We own 16 crawler cranes, located in our Louisiana facilities, which range in tonnage capacity from 230 to 500 tons each. We may rent additional cranes on a monthly basis in times of very high activity levels. We have 12 rubber-tired, hydraulic modular transporters (KAMAG – Type 2406) located at our Houma, Louisiana facilities that allow fabricated deck sections that weigh as much as 2,400 tons to be transported around our facilities. The transporters allow easier load-out of smaller decks and provide more agility for the movement of deck sections. Each of these transporters have a 200 ton weight capacity, are easily relocated, and can be used in tandem. We own a deck barge which gives us the ability to move material and equipment to and from our facilities more conveniently and efficiently. We perform routine repairs and maintenance on all of this equipment. Our plate bending rolls have the capability to roll and weld steel into approximately 50,000 tons of tubular pipe sections per year. We have a state of the art, fully enclosed, and environmentally friendly blast and coating facility that can operate twenty-four hours a day. The facility is automated and provides blasting and coating activities in support of our Houma fabrication projects. The design output of the facility also allows us to provide blast and paint services to the Gulf south shipbuilding industry. The use of this equipment provides Gulf Island a competitive advantage by reducing labor costs.

Gulf Island’s panel line system, located in the Houma west yard, consists of six individual in-line fully automated systems utilized to cut, weld, and assemble panels to be used in marine vessel construction. The first station consists of an ESAB Avenger 3 Plasma cutting table for high speed cutting and beveling of steel plates and shapes. The second station incorporates an Ogden Model OSWS-5600 single sided welder complete with an electromagnetic plate holding system whereby two steel plates are automatically welded together in a single pass utilizing a multiple sub arc welding process. This process can be repeated up to four times with a result of a single panel having an overall dimension of 40 by 50 feet. An ESAB Avenger 3-13 plate marking and cutting machine is positioned at the third station which lays out the welded panels, marks the applicable locations for stiffeners installation, and cuts the plate to required configurations. The fourth station utilizes an Ogden Model SF-5600 stiffener fitting system to properly align and tack in place the plate stiffeners. The fifth station consists of an Ogden Model SW-5600-3 multiple stiffener welding system whereby three longitudinal plate stiffeners can be automatically welded (both sides) in a single operation performing continuous or intermittent welding of the stiffeners. There is also an automated conveyor system that operates along the panel line which transfers the panels from station to station. The sixth station is a vertical lifting system that elevates the fabricated panels to the required height for transportation to the field.

We own three spud barges for use in connection with our inshore construction activities. Each barge is equipped with a crane with a lifting capacity of 60 to 100 tons. In addition, we own a 26 foot long by 16 foot wide tug boat with two 300 horsepower engines, used in connection with our three spud barges, reducing costs on tug boat rentals. We also own 10 cranes, which range in tonnage capacity from 60 to 230 tons each.

We own 13 crawler cranes, which range in tonnage capacity from 230 to 1055 tons each and are located at our Texas facility. The pipe mill at our Texas facility is equipped with a Haeusler Quad Roll, and Bertsch Model 30, Model 34 and Model 36 plate bending roll machines for diameters ranging from 1 foot 6 inches to 10 feet, and one large diameter plate bending roll machine, the Haeusler Quad Roll, for diameters ranging from 3 feet to 23 feet. The two

Romar CNC-controlled flame planers, each with four torch stations (two torches per station), are used to cut steel plate up to 12 feet wide and 65 feet long. Our Texas facility is equipped with a panel line system, a Pangborn shot blast machine, 20,000 square feet of climate controlled staging area and a 16 feet by 14 feet by 125 feet paint booth that can operate 24 hours a day. We own an additional six rubber-tired, hydraulic modular transporters (KMAG – Type 2406), located at our Texas facility that allow fabricated deck sections that weigh as much as 1,200 tons to be transported throughout the facility. These transporters allow easier load-out of small decks and provide more agility for the movement of deck sections than cranes. All of our transporters can easily be relocated to or from our Louisiana and Texas facilities and, when used in tandem, have a capacity of 3,600 tons.

Materials and Supplies

The principal materials and supplies we use in the fabrication business are standard steel shapes, steel plate, steel pipe, welding gases, fuel, oil, gasoline and paint, all of which are currently available from many sources. We do not depend upon any single supplier or source. Standard delivery from domestic steel mills is running about 5 to 6 weeks on as-rolled steels versus anywhere from 8 to 12 weeks for heat treated steels. Due to the inability of domestic mills to produce our customers' required steel grades, we are often forced to procure material from foreign steel mills. The delivery from these foreign mills, including transit time, is currently running approximately 16 to 20 weeks. To mitigate our risk of increasing cost of materials, we often negotiate escalation clauses in our contract terms to increase the contract price with a corresponding increase in cost of materials purchased during the life of the contract.

Safety and Quality Assurance

Management is committed to the safety and health of our employees. We believe that a strong safety culture is a critical element of our success. We continue to improve and maintain a stringent safety assurance program designed to mitigate the risk, and ultimately to eliminate accidents within our operations. Our Health, Safety, and Environment department develops guidelines to ensure the safety of our employees and to allow us to remain in compliance with all applicable federal and state mandated safety regulations. We are committed to maintaining a well trained workforce and providing timely instruction to our workforce to ensure our workers have the knowledge and skills to perform their work safely while maintaining the highest standards of quality possible. We provide continuous quality safety education and training to both employees and subcontractors to ensure our people are ready for the challenges inherent in all fabrication projects. Our employees and subcontractors begin their training on their first day of employment with a comprehensive orientation class that addresses Company policies and procedures and provides clear expectations for working safely. The Company maintains a zero tolerance approach to drugs and alcohol in the workplace. We support this policy through the use of a comprehensive drug and alcohol screening program that includes initial screenings for all employees and periodic random screenings throughout employment. Our employees are given opportunities to be a part of a dedicated safety committee which is comprised of peer-elected craft employees and members of management to assist in supporting their efforts to continuously improve our safety performance. This committee meets once a month to discuss safety issues and initiatives to prevent accidents within our organization.

We believe it is important to recognize and promote a positive and safe work culture. To this end, we hold a quarterly Safety Recognition Award Program. Our management team emphasizes open lines of communication and conducts quarterly employee meetings throughout our various facilities in order to keep our workforce updated on safety concerns. We also use this time to conduct demonstrations in safety education and quality improvement. Since 2012, a safety component has been included in our annual incentive program guidelines for our executive officers and other key employees to recognize the importance that we and our customers place on safety.

We fabricate to the standards and regulations of the American Petroleum Institute, the American Welding Society, the American Society of Mechanical Engineers, the American Bureau of Shipping, the United States Coast Guard, the United States Navy, and customer specifications. We use welding and fabrication procedures in accordance with the latest technology and industry requirements. We have in place training programs for technical fitting and welding instruction in order to upgrade our skilled labor workforce and maintain high standards of quality. In addition, we maintain on-site facilities for the non-destructive testing of all welds, a process performed by an independent contractor.

Our quality management systems are certified as ISO 9001-2008 programs. ISO 9001-2008 is an internationally recognized verification system for quality management overseen by the International Standard Organization based in Geneva, Switzerland. The certification is based on a review of our programs and procedures designed to maintain and enhance quality production and is subject to semi-annual review and full recertification every three years.

Customers and Contracting

Our principal customers include large independent oil and gas companies and their contractors, and marine service companies, offshore support companies, offshore and inland barge and support vessel operators, offshore construction contractors, diving companies, the U.S. Army, the U.S. Army Corps of Engineers, the U.S. Coast Guard, the U.S. Navy and the state and local governmental agencies and their contractors. Our international sales fluctuate from year

to year depending on whether and to what extent our customers require installation of fabricated structures outside of the United States. Sales of fabricated structures installed outside the United States comprised between 3% and 16% of revenue during each of the last five years, and accounted for 6%, 10%, and 6% of revenue for the years ended December 31, 2015, 2014 and 2013, respectively.

A large portion of our revenue has historically been generated by only a few customers, although not necessarily the same customers from year to year. Our largest customers (those which individually accounted for 10% or more of revenue in a given year) accounted for 30% of revenue in 2015 (18% for Customer A and 12% for Customer B), 51% of revenue in 2014 (32% for

Customer A and 19% for Customer C), and 60% of revenue in 2013 (36% for Customer D, and 24% for Customer E). Substantially all of the revenue represented by our largest customers (those which individually accounted for 10% or more of revenue in a given year) in the last three years relates to work performed on large deepwater projects.
At December 31, 2015, 76.1% of our backlog, consisted of work for five customers as follows:
(i) tendon support buoys for a deepwater Gulf of Mexico project;
(ii) two large multi-purpose service vessels;
(iii) two large petroleum vessels;
(iv) one jacket and piles related to an overseas project; and
(v) offshore support and construction services related to a deepwater Gulf of Mexico project.

While customers may consider other factors, including the availability, capability, reputation and safety record of a contractor, we believe price and the ability to meet a customer's delivery schedule are the principal factors weighed by customers in awarding contracts. Our contracts generally vary in length from one month to 24 months depending on the size and complexity of the project. Generally, our contracts and projects are subject to termination or reduction in scope at any time prior to completion, at the option of the customer. Upon termination or reduction in scope, however, the customer is generally required to pay us for work performed and materials purchased through the date of termination.

Generally our projects are subject to the same bid procedures and are accounted for using the percentage-of-completion accounting method. Projects are generally awarded on a fixed-price, unit rate, alliance/partnering or cost-plus basis. Under fixed-price contracts, we receive the price fixed in the contract, subject to adjustment only for change-orders approved by the customer. As a result, we retain all cost savings but are also responsible for all cost overruns. Under a unit rate contract, material items or labor tasks are assigned unit rates of measure. The unit rates of measure will generally be an amount of dollars per ton, per foot, per square foot or per item installed. A typical unit rate contract may contain hundreds to thousands of unit rates of measure. Profit margins are built in to the unit rates and, similar to a fixed price contract, we retain all cost savings but are also responsible for all cost overruns. Under typical alliance/partnering arrangements, the parties agree in advance to a target price that includes specified levels of labor and material costs and profit margins. If the project is completed at less cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost of completion is greater than that targeted in the contract, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor costs. Accordingly, under alliance/partnering arrangements, we have some protection from cost overruns but also share a portion of any cost savings with the customer. Under cost-plus arrangements, pursuant to which we receive a specified fee in excess of our direct labor and material costs, we are protected against cost overruns but do not benefit directly from cost savings. Because we generally price materials as pass-through items on our contracts, the cost of our labor force is the primary factor affecting our operating costs. Consequently, it is essential that we control the cost and productivity of the direct labor hours worked on our projects.

Seasonality

Our operations have historically been subject to seasonal variations in weather conditions and daylight hours. Since most of our construction activities take place outdoors, the number of direct labor hours worked generally declines during the winter months due to an increase in rain, cold temperatures, and a decrease in daylight hours. In addition, our oil and gas customers often schedule the completion of their projects during the summer months in order to take advantage of the milder weather during such months for the installation of their platforms. In recent years, seasonality has had less of an impact on productivity, mainly due to our ongoing investment in machinery and equipment and covered fabrication areas.

Competition

The offshore platform fabrication industry is highly competitive and influenced by events largely outside of the control of offshore platform fabrication companies. Platform fabrication companies compete intensely for available projects, which are generally awarded on a competitive bid basis with customers usually requesting bids on projects one to three months prior to commencement. Although we believe price and the contractor's ability to meet a

customer's delivery schedule are the principal factors in determining which fabricator is awarded a project, customers also consider, among other things, the availability of technically capable personnel and facility space, a fabricator's efficiency, condition of equipment, reputation, safety record and customer relations.

We currently have one domestic competitor, Kiewit Offshore Services, for the fabrication of deepwater projects such as large topsides and tendons. However, an increasing number of foreign shipyards, many of which have lower fixed costs than their United States competitors, also compete for larger deepwater projects destined for both the Gulf of Mexico and international waters. We compete with numerous domestic fabricators, including State Services Co., Inc. and Kiewit Offshore

Services, for platform jackets for intermediate water depths from 150 feet to 300 feet. Numerous domestic and foreign shipyards compete for marine projects.

We believe that our competitive pricing, expertise in fabricating offshore structures and the certification of our facilities as ISO 9001-2008 fabricators will enable us to continue to compete effectively for projects destined for Gulf of Mexico and international waters. We recognize, however, that foreign governments often use subsidies and incentives to create local jobs where oil and gas production is being developed. In addition, as a result of recent technological innovations, decreased transportation costs incurred by our customers when exporting structures from foreign locations to the Gulf of Mexico may hinder our ability to successfully bid for projects in the Gulf of Mexico against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators, lower wage rates in foreign countries, fluctuations in the value of the U.S. dollar, the possible imposition of tariffs on raw materials imported into the United States, and other factors, we may not be able to remain competitive with foreign contractors for large deepwater projects.

Government and Environmental Regulation

Many aspects of our operations and properties are materially affected by federal, state and local regulations, as well as certain international conventions and private industry organizations. The exploration and development of oil and gas properties located on the outer continental shelf of the United States is regulated primarily by the Bureau of Ocean Energy, Management and Enforcement ("BOEM") of the Department of Interior ("DOI"). The Secretary of the Interior, through the BOEM, is responsible for the administration of federal regulations under the Outer Continental Shelf Lands Act requiring the construction of offshore platforms located on the outer continental shelf to meet stringent engineering and construction specifications. Violations of these regulations and related laws can result in substantial civil and criminal penalties as well as injunctions curtailing operations. We believe that our operations are in compliance with these and all other regulations affecting the fabrication of platforms for delivery to the outer continental shelf of the United States. In addition, we depend on the demand for our services from the oil and gas industry and, therefore, can be affected by changes in taxes, price controls and other laws and regulations relating to the oil and gas industry. Offshore construction and drilling in certain areas has also been opposed by environmental groups and, in certain areas, has been restricted. To the extent laws are enacted or other governmental actions are taken that prohibit or restrict offshore construction and drilling or impose environmental protection requirements that result in increased costs to the oil and gas industry in general and the offshore construction industry in particular, our business and prospects could be adversely affected. We cannot determine to what extent future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

The Houma Navigation Canal provides the only means of access from our Houma facilities to open waters. With respect to our Texas facilities, the U.S. Intracoastal Waterway provides access between our North and South Texas yards. From our South yard, the Corpus Christi Ship Channel provides access to the Gulf of Mexico. These waterways are considered to be navigable waterways of the United States and, as such, are protected by federal law from unauthorized obstructions that would hinder water-borne traffic. Federal law also authorizes maintenance of these waterways by the U.S. Army Corps of Engineers. These waterways are dredged from time to time to maintain water depth and, while federal funding for dredging has historically been provided, there is no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of these waterways will be continued indefinitely. If sufficient funding were not appropriated for that purpose, some or all of these waterways could become impassable by barges or other vessels required to transport many of our projects and could have a material adverse effect on our operations and financial position.

Our operations and properties are subject to a wide variety of increasingly complex and stringent foreign, federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. These laws may provide for "strict liability" for damages to natural resources and threats to public health and safety, rendering a party liable for the environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances,

as well as damage to natural resources. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for acts that were in compliance with all applicable laws at the time we performed them.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar foreign, state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various

hazardous substances. Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. We believe that our facilities are in substantial compliance with current regulatory standards.

Our operations are also governed by laws and regulations relating to workplace safety and worker health, primarily the Occupational Safety and Health Act and regulations promulgated thereunder. In addition, various other governmental and quasi-governmental agencies require us to obtain certain permits, licenses and certificates with respect to our operations. The kinds of permits, licenses and certificates required by our operations depend upon a number of factors. We believe that we have all material permits, licenses and certificates necessary for the conduct of our existing business.

Our compliance with these laws and regulations has entailed certain additional expenses and changes in operating procedures; however, we believe that compliance efforts will not have a material adverse effect on our business or financial condition. Future events, such as changes in existing laws and regulations or their interpretation, more vigorous enforcement policies of regulatory agencies, or stricter or different interpretations of existing laws and regulations, may require additional expenditures by us, which expenditures may be material.

Our employees may engage in certain activities, including interconnect piping and other service activities conducted on offshore platforms, activities performed on the spud barges owned or chartered by us, marine vessel fabrication and repair activities performed at our facilities, and operating vessels owned by us, that are covered in either the provisions of the Jones Act or U.S. Longshoreman and Harbor Workers Act ("USL&H"). These laws operate to make the liability limits established under state workers' compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against us for damages or job related injuries, with generally no limitations on our potential liability. Our ownership and operation of vessels and our fabrication and repair of customer vessels can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against us for, among other things, personal injury, death, property damage, pollution and loss of business.

In addition, our operations are subject to extensive government regulation by the United States Coast Guard, as well as various private industry organizations such as the American Petroleum Institute, American Society of Mechanical Engineers, American Welding Society and the American Bureau of Shipping.

Insurance

We maintain insurance against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our facilities. All policies are subject to deductibles and other coverage limitations. We also maintain a builder's risk policy for construction projects, general liability insurance and maritime employer's liability insurance, which are also subject to deductibles and coverage limitations. The Company is self-insured for workers' compensation and USL&H claims except for losses in excess of a per occurrence threshold amount. Although management believes that our insurance is adequate, there can be no assurance that we will be able to maintain adequate insurance at rates which management considers commercially reasonable, nor can there be any assurance that such coverage will be adequate to cover all claims that may arise.

Employees

Our workforce varies based on the level of ongoing fabrication activity at any particular time. As of December 31, 2015 and 2014, we had approximately 1,255 and 1,700 employees, respectively. Additionally, we will use contract labor when required to meet customer demand. The number of contract laborers we used decreased to 71 in 2015 as compared to 247 in 2014. In connection with our acquisition of LEEVAC, on January 1, 2016, we increased our employee count by 380 employees. None of our employees are employed pursuant to a collective bargaining agreement, and we believe our relationship with our employees is good.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, our ability to expand our operations depends not only upon customer demand but also on our ability to increase our labor force. The demand for such workers is high and the supply can be limited, especially during periods of high activity in the oil and gas industry. While we believe our relationship with our skilled labor force is good, a significant increase in the wages paid by a wide range of other employers seeking similar skill sets could result in a reduction in our skilled labor force,

increases in the wage rates we pay, increase in our use of contract labor, or all of these. Additionally, reductions made, from time to time, in our labor force may make it more difficult for us to increase our labor force to desirable levels during periods of increased customer demand for our services. If any of these occurred in the near-term, the profits expected from work in progress could be reduced or eliminated and to the extent such wage increases could not be passed on to our customers, our production capacity and growth potential could be

diminished. In an effort to maintain our current workforce and attract new employees in periods of high activity, we have enhanced several incentive programs and expanded our training facility.

Item 1A. Risk Factors
Cautionary Statement

Our business is subject to significant risks. We caution readers that the following important factors could affect our actual consolidated results and could cause our actual consolidated results in the future to differ materially from the goals and expectations expressed in the forward-looking statements contained in this report and in any other forward-looking statements made by us or on our behalf.

We are subject to the cyclical nature of the oil and gas industry.

Our business depends significantly on the level of capital expenditures by oil and gas and marine companies in the Gulf of Mexico and along the Gulf Coast. This level of activity has traditionally been volatile, primarily as a result of fluctuations in oil and gas prices. Projects for which we are engaged may be deferred or delayed by our customers based, in part, on the price of oil and gas. The levels of our customers' capital expenditures are influenced by, among other things:

- oil and gas prices and industry perceptions of future prices;
- the cost of exploring for, producing and delivering oil and gas;
- the ability of oil and gas companies to generate capital;
- the sale and expiration dates of offshore leases in the United States and overseas;
- the discovery rate of new oil and gas reserves in offshore areas;
- local, federal and international political and economic conditions;
- technological advances; and
- uncertainty regarding the United States energy policy, particularly any revision, reinterpretation or creation of environmental and tax laws and regulations that would negatively impact the industry.

The decline in global oil and gas prices during 2014 and 2015 has adversely impacted the demand for our products and services, our financial condition and our results of operations. In particular, we have experienced an adverse impact on the level of activity for deepwater projects. While we are unable to predict future oil and gas prices or the level of oil and gas industry activity in the Gulf of Mexico region and internationally, we do not expect an increase in the level of activity in the oil and gas industry absent an increase in global oil and gas prices. Continued or further declines in global oil and gas prices and/or a low level of activity in the oil and gas industry by our customers generally will continue to adversely affect the demand for our products and services, our financial condition and results of operations.

Our backlog is subject to change as a result of changes to management's estimates, suspension or termination of projects currently in our backlog or our failure to secure additional projects. Our revenue, net income and cash flow could be adversely affected as a result of changes to our backlog.

Our backlog is based on management's estimate of the direct labor hours required to complete, and the remaining revenue to be recognized with respect to, those projects as to which a customer has authorized us to begin work or purchase materials or services pursuant to written contracts, letters of intent or other forms of authorization. However, management's estimates are often based on preliminary engineering and design specifications by the customer. As engineering and design plans are finalized or changes to existing plans are made, management's estimate of the direct labor hours required to complete and price at completion is likely to change.

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

Depending on the size of the project, the termination, postponement, or change in scope of any project could significantly reduce backlog, and could have a material adverse effect on revenue, net income and cash flow. Accordingly, our backlog as of any particular date is an uncertain indicator of future earnings.

Deepwater projects have historically represented a significant part of our backlog. As of December 31, 2015, we had a revenue backlog of $232.4 million and a labor backlog of approximately 1.9 million man-hours. With respect to backlog at December 31, 2015, $47.1 million, or approximately 20.3%, represents projects destined for deepwater locations. Since the scope of work and contract prices on most deepwater projects typically represent a substantial portion of overall backlog, a suspension, termination, or change in scope of any of these projects is likely to have a more significant adverse impact on revenue, net income and cash flow as compared to other projects. For example, in 2013, we recognized estimated contract

losses of $29.6 million on a large deepwater project as a result of our inability to recover certain costs and the de-scoping of the project, whereby remaining completion and integration work was performed by a different integration contractor.

Our acquisition of LEEVAC may not fully integrate with our operations as quickly as we anticipated, and therefore, not yield the anticipated benefits of this acquisition.

On January 1, 2016, LEEVAC Shipyards, L.L.C. and its related affiliates sold substantially all of their assets, including leasehold interests in marine fabrication facilities in Jennings, Louisiana and Lake Charles, Louisiana, and substantially all of their machinery and equipment, to one of our subsidiaries. See further discussion of our acquisition of the LEEVAC assets in Item 1. - “Business and Properties - LEEVAC Acquisition.”

Our acquisition of the LEEVAC assets may expose us to the following risks, any of which, could adversely affect our financial condition, results of operation, cash flows and the trading price of our common stock:

- We may not be able to secure additional projects or work for the new assets acquired due to downturns in our markets.
- We may be unsuccessful in managing current projects acquired, which could result in future potential losses.
- Cash flows and profits derived from the acquired assets may not be accretive to our consolidated operations.
- We may be unable to efficiently integrate personnel and systems within our operations resulting in increased costs.
- Acquired assets and leases could subject us to liabilities with limited or no recourse that could potentially include, but are not limited to, environmental contamination and claims by customers and/or vendors.

Competitive pricing common in the fabrication industry may not provide sufficient protection from cost overruns.

As is common in the offshore platform fabrication industry, a substantial number of our projects are performed on a fixed-price or unit-rate basis, although some projects are performed on an alliance/partnering or cost-plus basis. Under fixed-price or unit-rate contracts, we receive the price fixed in the contract, subject to adjustment only for change-orders placed by the customer. Under a unit rate contract, material items or labor tasks are assigned unit rates of measure. The unit rates of measure will generally be an amount of dollars per ton, per foot, per square foot or per item installed. A typical unit rate contract can contain hundreds to thousands of unit rates of measure. Profit margins are built into the unit rates and, similar to a fixed price contract, we retain all cost savings but are also responsible for all cost overruns. Under typical alliance/partnering arrangements, the parties agree in advance to a target price that includes specified levels of labor, material costs and profit margins. If the project is completed at less cost than that targeted in the contract, the contract price is reduced by a portion of the savings. If the cost of completion is greater than target costs, the contract price is increased, but generally to the target price plus the actual incremental cost of materials and direct labor. Accordingly, under alliance/partnering arrangements, we have some protection against cost overruns but must share a portion of any cost savings with the customer. Under cost-plus arrangements, we receive a specified fee in excess of our direct labor and material cost and thus are protected against cost overruns, but do not benefit directly from cost savings.

The revenue, costs and gross profit realized on a contract will often vary from the estimated amounts on which such contracts were originally based due to, among other things:

- changes in the availability and cost of labor and material;
- variations in productivity from the original estimates;
- our inability to recover compensation for additional work we perform or expenses we incur from our customers;
- changes in estimates or bidding;
- our payment of liquidated damages upon a failure to meet scheduled delivery requirements; and
- termination or de-scoping of projects by our customers.

These variations and the risks inherent in our industry may result in revenue and gross profits different from those originally estimated and reduce profitability or create losses on projects. Depending on the size of a project, variations from estimated contract performance can have a significant impact on our operating results for any particular fiscal quarter or year. In addition, substantially all of our customer contracts require us to continue work in accordance with the contractually agreed schedule (and thus, continue to incur expenses for labor and materials) notwithstanding the occurrence of a disagreement with customers over increased pricing and/or unresolved change orders.

For example, during the third and fourth quarters of 2015, we recorded contract losses of $24.5 million related to a decrease in the contract price due to final weight re-measurements and our inability to recover certain costs on disputed change orders related to a large deepwater project which was recently delivered. We are currently in negotiations with this customer

concerning disputed change orders and no amounts with respect to these disputed change orders are included in contract revenues at December 31, 2015. Our intention is to resolve the disputed cost amounts and finalize the change orders with the customer as quickly as possible; however, we can give no assurance that these negotiations will conclude in the near term or that we will recover any of the contract losses from our customer. Additionally, in 2015, we accrued contract losses of approximately $9.4 million resulting from increases in our projected unit labor rates of our fabrication facilities. Our increases in unit labor rates were driven by our inability to absorb fixed costs due to decreases in expected oil and gas fabrication activity. In 2014, we recognized contract losses of $6.6 million that were primarily related to two tank barge projects for a marine transportation company, platform supply vessels for an offshore marine company and a production platform jacket for a deepwater customer. We recognized contract losses of $29.6 million as of December 31, 2013 on one of our large deepwater projects, mainly due to our inability to recover certain costs and the de-scoping of one of our major deepwater contracts.

We might be unable to employ a sufficient number of skilled workers.

Our ability to remain productive and profitable depends substantially on our ability to attract and retain skilled construction workers, primarily welders, fitters and equipment operators. In addition, our ability to expand our operations depends not only upon customer demand but also on our ability to integrate the former employees of LEEVAC into our operations and, when necessary, increase our labor force. The demand for workers is high and the supply is extremely limited, especially during periods of high activity in the oil and gas industry. While we believe our relationship with our skilled labor force is good, a significant increase in the wages paid by a wide range of other employers seeking similar skill sets could result in a reduction in our skilled labor force, increases in the wage rates we pay, increase in our use of contract labor, or all of these. Additionally, reductions made, from time to time, in our labor force may make it more difficult for us to increase our labor force to desirable levels during periods of increased customer demand for our services. If any of these occurred in the near-term, the profits expected from work in progress could be reduced or eliminated and to the extent such wage increases could not be passed on to our customers, our production capacity could be diminished and growth potential could be impaired.

The dangers inherent in our operations and the limits on our insurance coverage could expose us to potentially significant liability costs and materially interfere with the performance of our operations.

The fabrication of large steel structures involves operating hazards that can cause personal injury or loss of life, severe damage to and destruction of property and equipment and suspension of operations. The failure of such structures during and after installation can result in similar injuries and damages. In addition, our employees may engage in certain activities, including interconnect piping and other service activities conducted on offshore platforms, activities performed on the spud barges owned or chartered by us, marine vessel fabrication and repair activities performed at our facilities and operating vessels owned by us, that are covered in either the provisions of the Jones Act or USL&H. These laws operate to make the liability limits established under state workers' compensation laws inapplicable to these employees and, instead, permit them or their representatives to pursue actions against us for damages or job related injuries, with generally no limitations on our potential liability.

Our ownership and operation of vessels can give rise to large and varied liability risks, such as risks of collisions with other vessels or structures, sinkings, fires and other marine casualties, which can result in significant claims for damages against both us and third parties. Litigation arising from any such occurrences may result in our being named as a defendant in lawsuits asserting large claims. In addition, due to the proximity to the Gulf of Mexico, our facilities are subject to the possibility of physical damage caused by hurricanes or flooding.

Although we believe that our insurance coverage is adequate, there can be no assurance that we will be able to maintain adequate insurance in the future at rates we consider reasonable or that our insurance coverage will be adequate to cover future claims that may arise. Claims for which we are not fully insured may adversely affect our

working capital and profitability. In addition, changes in the insurance industry have generally led to higher insurance costs and decreased availability of coverage. The availability of insurance that covers risks we and our competitors typically insure against may decrease, and the insurance that we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

Our industry is highly competitive.

The offshore and marine fabrication industries are highly competitive and influenced by events largely outside of our control. Contracts for our services are generally awarded on a competitive bid basis, and our customers consider many factors when awarding a job. These factors include price, the contractor's ability to meet the customer's delivery schedule, the availability and capability of equipment, and the reputation, experience, and safety record of the contractor. Although we believe that our reputation for safety and quality service is good, we cannot guarantee that we will be able to maintain our

competitive position. We compete with both large and small companies for available jobs, and certain of our competitors, particularly our domestic competitor for major deepwater projects, have greater financial and other resources than we do.

Foreign governments often use subsidies and incentives to create local jobs where oil and gas production is being developed. In addition, decreased transportation costs incurred by our customers when exporting structures from foreign locations to the Gulf of Mexico may hinder our ability to successfully bid for projects in the Gulf of Mexico against foreign competitors. Because of subsidies, import duties and fees, taxes on foreign operators, lower wage rates in foreign countries, fluctuations in the value of the U.S. dollar, the possible imposition of tariffs on raw materials imported into the United States, and other factors, we may not be able to remain competitive with foreign contractors for large deepwater projects. For additional information, see Item 1. “Business and Properties - Competition” for more information regarding the competitive nature of our industry.

Our failure to successfully defend against claims made against us by customers or subcontractors, or our failure to successfully recover on claims made by us against customers or subcontractors, could adversely affect our business, financial condition, results of operations and cash flows.

Our projects are generally highly complex and we may encounter difficulties in design or engineering, schedule changes and other factors, some of which may be beyond our control, that affect our ability to complete projects in accordance with original delivery schedules or to otherwise meet contractual performance obligations. We may bring claims against customers for additional costs exceeding contract prices or for amounts not included in original contract prices as a result of customer-caused delays or changes from initial project scope. In addition, claims may be brought against us by customers relating to, among other things, alleged defective or incomplete work, breaches of warranty and/or late completion of work. Claims among us and our subcontractors may include claims similar to those described above. These claims may be subject to lengthy and/or expensive litigation or arbitration proceedings, and we may invest significant working capital in projects to cover cost overruns pending resolution of these claims. These claims could materially adversely affect our business, financial condition, results of operations and cash flows.

Our method of accounting for revenue could result in an earnings charge.

Most of our revenue is recognized on a percentage-of-completion basis based on the ratio of direct labor hours worked to the total estimated direct labor hours required for completion. Accordingly, contract price and cost estimates are reviewed monthly as the work progresses, and adjustments proportionate to the percentage of completion are reflected in revenue for the period when such estimates are revised. To the extent that these adjustments result in a reduction or elimination of previously reported profits, we are required to recognize a charge against current earnings, which may be significant depending on the size of the project or the adjustment.

For example, during the third and fourth quarters of 2015, we recorded contract losses of $24.5 million related to a decrease in the contract price due to final weight re-measurements and our inability to recover certain costs on disputed change orders related to a large deepwater project which was recently delivered. In addition, we recognized increased contract losses of $9.4 million due to increases in our projected unit labor rates for our fabrication facilities. Our increases in unit labor rates were driven by our inability to absorb fixed costs due to decreases in expected oil and gas fabrication activity. We recognized contract losses of $6.6 million for the year ended December 31, 2014 that were primarily related to two tank barges projects for a marine transportation company, platform supply vessels for an offshore marine company and a production platform jacket for a deepwater customer. For the year ended December 31, 2013, we recognized contract losses of $29.6 million on one of our large deepwater projects, mainly due to our inability to recover certain costs and the de-scoping of one of our major deepwater contracts.

We are susceptible to adverse weather conditions in our market areas.

Our operations are directly affected by the seasonal differences in weather patterns in the Gulf of Mexico, as well as daylight hours. Since most of our construction activities take place outdoors, the number of direct labor hours worked generally declines in the winter months due to an increase in rain, colder temperatures, and a decrease in daylight hours. The seasonality of oil and gas industry activity as a whole in the Gulf Coast region also affects our operations. Our oil and gas customers often schedule the completion of their projects during the summer months in order to take advantage of milder weather for the installation of their platforms. The rainy weather, tropical storms, hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast throughout the year may also affect our operations. Accordingly, our operating results may vary from quarter to quarter, depending on factors outside of our control. As a result, full year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

We depend on key personnel.

Our success depends to a great degree on the abilities of our key management personnel, particularly our executives and other key employees. The loss of the services of one or more of these individuals could adversely affect us.

We depend on significant customers.

We derive a significant amount of our revenue from a small number of major and independent oil and gas and marine companies. Because the level of fabrication that we may provide to any particular customer depends, among other things, on the size of that customer's capital expenditure budget and our ability to meet the customer's delivery schedule, customers that account for a significant portion of our revenue in one fiscal year may represent an immaterial portion of revenue in subsequent years. For example, our largest customers (those which individually accounted for 10% or more of revenue in a given year) accounted for 30% of revenue in 2015 (18% for Customer A and 12% for Customer B), 51% of revenue in 2014 (32% for Customer A and 19% for Customer C), and 60% of revenue in 2013 (36% for Customer D and 24% for Customer E). The loss of a significant customer in any given year for any reason, including a sustained decline in that customer's capital expenditure budget or competitive factors, can result in a substantial loss of revenue and could have a material adverse effect on our operating performance.

The nature of our industry subjects us to compliance with regulatory and environmental laws.

Our operations and properties are materially affected by state and federal laws and other regulations relating to the oil and gas industry in general, as well as a wide variety of federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. Compliance with many of these laws is becoming increasingly complex, stringent and expensive. Many of these laws impose "strict liability" for damages to natural resources or threats to public health and safety, rendering a party liable for the environmental damage without regard to its negligence or fault. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, we could be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of or conditions caused by others, or for acts that were in compliance with all applicable laws at the time such acts were performed. We believe that our present operations substantially comply with applicable federal and state pollution control and environmental protection laws and regulations. We also believe that compliance with such laws has had no material adverse effect on our operations. However, such environmental laws are changed frequently. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. We are unable to predict whether environmental laws will materially adversely affect our future operations and financial results. See "Business and Properties - Government and Environmental Regulation."

The demand for our services is also affected by changing taxes, price controls and other laws and regulations relating to the oil and gas and, marine industries generally. Offshore construction and drilling in certain areas has also been opposed by environmental groups and, in certain areas, has been restricted. To the extent laws are enacted or other governmental actions are taken that prohibit or restrict offshore construction and drilling or impose environmental protection requirements that result in increased costs to the oil and gas industry in general and the offshore construction industry in particular, our business and prospects could be adversely affected. We cannot determine to what extent future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Our business is highly dependent on our ability to utilize the navigation canals adjacent to our facilities

The Houma Navigation Canal provides the only means of access from our Louisiana facilities to open waters. With respect to our Texas facilities, the U.S. Intracoastal Waterway provides access between our North and South Texas yards. From our South Texas yard, the Corpus Christi Ship Channel provides access to the Gulf of Mexico. Our leased Jennings, Louisiana facility is located on the west bank of the Mermentau River approximately 25 miles north of the Intracoastal Waterway where the Lake Charles, Louisiana facility is 17 miles from the Gulf of Mexico on the Calcasieu River near Lake Charles, LA. These waterways are considered to be navigable waterways of the United States and, as such, are protected by federal law from unauthorized obstructions that would hinder water-borne traffic. Federal law also authorizes maintenance of these waterways by the U.S. Army Corps of Engineers. These waterways are dredged from time to time to maintain water depth and, while federal funding for dredging has historically been provided, there is no assurance that Congressional appropriations sufficient for adequate dredging and other maintenance of these waterways will be continued indefinitely. If sufficient funding were not appropriated for that purpose, some or all of these waterways could become impassable by barges or other vessels required to transport many of our products and could have a material adverse effect on our operations and financial position.

We depend on subcontractor services to perform our contractual obligations.

Our ability to perform under our contracts depends to some degree on the performance of third parties we subcontract. We depend upon subcontractors for a variety of reasons, including:

- to perform work as a result of scheduling demands we would otherwise perform with our employees;
- to supervise and/or perform certain aspects of the contract more efficiently considering the conditions of the contract; and
- to perform certain types of skilled work.

We work closely with these subcontractors to monitor progress and address our customer requirements. We generally have the ability to pursue back charges for costs we incur or liabilities we assume as a result of a subcontractor's lack of performance. However, the inability of our subcontractors to perform under the terms of their contracts could cause us to incur additional costs that reduce profitability or create losses on projects.

Our business is subject to a potential security breach or other system failures.

We rely on information technology networks and systems to process, transmit and store electronic information, to manage or support a variety of our business operations, transactions and processes and to maintain various records. While we make significant efforts to maintain security and integrity of these types of information and systems, we cannot assure you that our security efforts and measures will prevent unauthorized access to our systems, loss or destruction of data or other forms of cyber-attacks or similar events, whether caused by mechanical failure, human error, fraud, malice, sabotage or otherwise. Any such failure of our information technology networks and systems could interrupt our operations, damage our reputation, or subject us to claims, any of which could materially and adversely affect us.

We are exposed to risks arising out of recent legislation affecting U.S. public companies.

Changing laws, regulations and standards relating to corporate governance and public disclosures, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented thereunder, are increasing legal and financial compliance costs and making some activities more time consuming. Any failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes-Oxley Act could subject us to sanctions or investigations by regulatory authorities. Any such action could adversely affect our financial results or our reputation with investors, lenders and others.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

None.

Item 4A. Executive Officers of the Registrant

Listed below are the names, ages and offices held by each of our executive officers as of March 9, 2016. All officers serve at the pleasure of our Board of Directors.

17

Name	Age	Position
Kirk J. Meche	53	President, Chief Executive Officer and Director
Jeffrey M. Favret	54	Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Todd F. Ladd	49	Executive Vice President and Chief Operating Officer

Kirk J. Meche became Chief Executive Officer in January 2013. Mr. Meche has served as President since January 2009. He served as Chief Operating Officer from January 2009 to December 2012. Mr. Meche served as the Executive Vice President – Operations from 2001 to 2009. Mr. Meche was President and Chief Executive Officer of Gulf Marine from February 2006 to October 2006. Mr. Meche served as President and Chief Executive Officer of Gulf Island, L.L.C. from February 2001 until January 2006. Prior to that, Mr. Meche served as President and Chief Executive Officer of Southport, Inc., a wholly-owned fabrication subsidiary of the Company, from 1999 to 2001. Mr. Meche was a project manager of the Company from 1996 to 1999. Mr. Meche held various engineering positions for J. Ray McDermott, Inc. from 1985 to 1996.

Jeffrey M. Favret became Vice President of Finance, Chief Financial Officer and Treasurer in May 2013. Mr. Favret became Secretary in May 2014 and was appointed Executive Vice President in February 2015. Mr. Favret has worked with companies in oil and gas exploration and production, vessel construction, offshore drilling construction and offshore vessel/marine transportation industries, among others. Mr. Favret previously served as Director of Finance, Energy Infrastructure Segment, of FMC Technologies, Inc., a leading global provider of technology solutions for the energy industry, from May 2012 to May 2013. Mr. Favret also served as the Chief Accounting Officer for Trico Marine Services, Inc., a provider of marine support vessel and subsea services to the offshore oil and gas industry, from April 2010 to May 2012. Prior to that, Mr. Favret served as Director (Partner) of the accounting firm Postlethwaite & Netterville, and in various roles at Ernst & Young in its Assurance and Advisory practice.

Todd F. Ladd became Chief Operating Officer in February 2014 and was appointed Executive Vice President in February 2015. Mr. Ladd previously served as Vice President and General Manager of the Company since July 2013. Mr. Ladd has over 25 years industry experience in the offshore fabrication sector. From 2001 to 2013, Mr. Ladd served as a partner and Senior Project Manager with Paloma Energy Consultants, an offshore construction project management firm. From April 1996 to August 2001, Mr. Ladd served as a Project Manager for Gulf Island, L.L.C. Mr. Ladd also served as Production Engineer and Facility Engineer at McDermott Marine Construction from January 1988 through March 1996.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the Nasdaq Global Select Market, under the symbol “GIFI.” As of March 9, 2016, we had approximately 2,685 holders of record of our common stock.

The following table sets forth the high and low sale prices per share of the common stock, as reported by The Nasdaq Stock Market LLC, and the amount of cash dividends declared per share of our common stock, for each fiscal quarter of the two most recent fiscal years.

	High	Low	Dividend
Fiscal Year 2015			
First Quarter	$20.05	$12.85	$0.10
Second Quarter	16.11	10.03	0.10
Third Quarter	13.26	9.05	0.10
Fourth Quarter	13.00	8.95	0.10
Fiscal Year 2014			
First Quarter	$23.89	$18.06	$0.10
Second Quarter	24.01	18.10	0.10
Third Quarter	21.99	17.11	0.10
Fourth Quarter	23.57	16.43	0.10

In each quarter of 2015, our Board of Directors declared a dividend of $0.10 per share on the shares of our common stock outstanding, totaling $5.9 million. On February 25, 2016, our Board of Directors declared a dividend of $0.01 per share on the shares of our common stock outstanding, payable March 24, 2016 to shareholders of record on March 10, 2016. Future declaration and payment of dividends, if any, is at the discretion of our Board of Directors and will depend on our retained earnings, working capital requirements and the future operation and growth of our business and other factors deemed relevant by the Board of Directors.

Issuer Purchases of Equity Securities

The following table sets forth shares of our common stock we repurchased during the three-month period ended December 31, 2015.

Period	Total Number of Shares Purchased		Average Price Paid per Share	Current Program Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to 31, 2015	—		—	—	—
November 1 to 30, 2015	1,542		$9.90	—	—
December 1 to 31, 2015	5,383		$9.47	—	—
Total	6,925	(a)	$9.57	—	—

(a) Represents shares repurchased under our applicable stock incentive plan to satisfy tax obligations for stock options and restricted stock awards.

On July 30, 2015, our Board of Directors authorized the Company to repurchase up to $10.0 million in shares of our common stock under a share repurchase program that remains in effect through July 30, 2017. Repurchases may be effected through open market purchases or in privately negotiated transactions at such times and in such amounts as management deems appropriate, depending on market conditions and other factors. The repurchase program does not obligate the Company to acquire any particular amount of common stock and may be modified, suspended or discontinued at any time. To date, we have made no repurchases of our common stock. Due to the severity of the industry downturn, management has recommended and our board of directors has approved a temporary suspension of our stock repurchase program in an effort to conserve cash.

19

Information as to the securities authorized for issuance under our equity compensation plans is incorporated herein by reference to Item 12 of this report on Form 10-K.

Stock Performance Graph

The following graph compares the cumulative total shareholder return on our common stock from December 31, 2010 to December 31, 2015, with the cumulative total return of the Standard & Poor's 500 Index and the Standard & Poor's 500 Oil & Gas Equipment & Services Index for the same period. The returns are based on an assumed investment of $100 on January 1, 2011 at closing prices on December 31, 2010 in our common stock and in each of the indexes and on the assumption that dividends were reinvested.

Total Return To Shareholders

(Includes reinvestment of dividends)

	ANNUAL RETURN PERCENTAGE				
	Years Ending				
Company / Index	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Gulf Island Fabrication, Inc.	4.51	(16.45)	(1.66)	(14.85)	(44.22)
S&P 500 Index	2.11	16.00	32.39	13.69	1.38
S&P 500 Oil & Gas Equipment & Services	(11.68)	—	30.65	(7.80)	(18.75)

	Base Period	INDEXED RETURNS				
		Years Ending				
Company / Index	Dec 10	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15
Gulf Island Fabrication, Inc.	100	104.51	87.32	85.87	73.12	40.79
S&P 500 Index	100	102.11	118.45	156.82	178.29	180.75
S&P 500 Oil & Gas Equipment & Services	100	88.32	88.32	115.39	106.39	86.44

Item 6. Selected Financial Data

The following table sets forth selected historical financial data as of the dates and for the periods indicated. The historical financial data for each year in the five-year period ended December 31, 2015 is derived from our audited financial statements. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included elsewhere in this report on Form 10-K.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Income Statement Data:					
Revenue	$306,120	$506,639	$608,326	$521,340	$307,832
Cost of revenue:					
Contract costs	321,276	462,083	584,665	502,999	295,614
Provision for losses on contract receivables	—	—	—	14,501	—
Asset impairments	—	—	—	—	7,690
Total cost of revenue	321,276	462,083	584,665	517,500	303,304
Gross profit	(15,156)	44,556	23,661	3,840	4,528
General and administrative expenses	16,256	17,409	11,555	9,806	8,187
Asset impairment	7,202	3,200	—	—	—
Operating income (loss)	(38,614)	23,947	12,106	(5,966)	(3,659)
Net interest income (expense)	(139)	(24)	(234)	433	902
Other, income (expense)	20	(99)	(337)	128	309
Income (loss) before income taxes	(38,733)	23,824	11,535	(5,405)	(2,448)
Income taxes	(13,369)	8,504	4,303	(1,314)	(644)
Net income (loss)	$(25,364)	$15,320	$7,232	$(4,091)	$(1,804)
Income Summary Data:					
Basic earnings (loss) per share—common shareholders	$(1.75)	$1.05	$0.50	$(0.29)	$(0.13)
Diluted earnings (loss) per share—common shareholders	$(1.75)	$1.05	$0.50	$(0.29)	$(0.13)
Basic weighted-average common shares	14,546	14,505	14,463	14,400	14,351
Diluted weighted-average common shares	14,546	14,505	14,469	14,400	14,351
Cash dividend declared per common share	$0.40	$0.40	$0.40	$0.40	$0.24

	As of December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Balance Sheet Data:					
Working capital	$77,968	$97,084	$89,721	$81,330	$101,926
Property, plant and equipment, net	200,384	224,777	223,555	229,216	216,722
Total assets	316,923	395,297	426,234	403,495	395,935
Debt	—	—	—	—	—
Cash Flow Data:					
Net cash provided by operating activities	10,615	32,110	38,003	11,037	11,932
Net cash used in investing activities	(6,007)	(26,729)	(20,802)	(35,890)	(41,545)
Net cash used in financing activities	(5,865)	(5,865)	(5,520)	(5,546)	(3,172)
Operating Data:					
Direct labor hours worked for the year ended December 31 [1]	2,655	3,646	4,060	4,768	