

Hernandez Anthony
Form 4
January 23, 2013

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
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Section 16.
Form 4 or
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See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

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(Print or Type Responses)

1. Name and Address of Reporting Person *
Hernandez Anthony

(Last) (First) (Middle)

1901 CAMPUS PLACE

(Street)

LOUISVILLE, KY 40299

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
PharMerica CORP [PMC]

3. Date of Earliest Transaction
(Month/Day/Year)
01/18/2013

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
X Officer (give title ____ Other (specify
below) below)

SVP of Human Resources

6. Individual or Joint/Group Filing(Check
Applicable Line)
X Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount (A) or (D)	Price	
Common Stock, \$0.01 par value	01/18/2013		F		1,504	D \$ 15	31,828 D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr	
							Amount or Number of Shares			
							Title			
							Date Exercisable	Expiration Date		
							Code	V	(A)	(D)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Hernandez Anthony 1901 CAMPUS PLACE LOUISVILLE, KY 40299			SVP of Human Resources	

Signatures

Berard Tomassetti,
Attorney-in-Fact
01/22/2013
**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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(2)

(1) EBITDA is a non-GAAP measure. Our calculation of EBITDA for purposes of establishing our EBITDA target and determining the actual EBITDA amount is detailed below (in thousands).

	2018
Operating loss	\$(19,665)
Add: depreciation and amortization	10,350
Add: asset impairments	4,363
EBITDA	\$(4,952)

(2) No amounts were awarded for 2018 individual performance.

Under the annual cash incentive program, each executive has a target annual incentive (expressed as a percent of base salary), with a threshold equal to 50% of target and a maximum equal to 200% of target. If actual results fall between performance levels, payouts are determined by using straight-line interpolation. Notwithstanding the Company's performance, the Committee retains the right to reduce or eliminate the payout amounts.

The actual annual cash incentive payouts for our NEOs as compared to their target payouts for 2018 were as follows:

Named Executive Officer	Base Salary	(1)	Target Annual Cash Incentive (% of base salary)	Target Annual Cash incentive	Earned Incentive (% of target) - see table above	Earned incentive
Mr. Meche	\$483,359	100	%	\$483,359	21.41 %	\$103,487
Mr. Ladd	338,352	80	%	270,682	21.41 %	57,953
Mr. Stockton	100,061	80	%	80,049	(3) 100.00 %	80,049
Mr. Schorlemer(2)	323,000	80	%	258,400	— %	—

(1) Represents each executive's annual base salary after the reductions applied in May 2018. For Mr. Stockton, amount represents his actual earnings for 2018.

(2) Upon his resignation from the Company effective August 15, 2018, Mr. Schorlemer forfeited his right to payment of the annual cash incentive payout.

Mr. Stockton, who joined the Company in September 2018, was not a participant in the Company's standard annual (3) incentive program for 2018. As part of his sign-on arrangement, his bonus for 2018 is prorated based on his target of 80% of his base salary.

Long-term Incentive Awards

2018 Program Awards

Under our long-term incentive program, our NEOs receive a combination of time-based awards (designed to promote retention and stock ownership) and performance-based awards (designed to reward stock price growth). Consistent with the structure of

the program in recent years, in February 2018, the Committee set a target long-term incentive payout amount for each executive employed at the time, and that amount was divided equally between RSUs and performance awards based on target values.

Named Executive Officer	Total Target LTI Award Value	Number of RSUs Granted (1)	Target Value of RSUs	Target Value of Performance Awards Granted (2)
Mr. Meche	\$2,000,000	86,580	\$1,000,000	\$1,000,000
Mr. Ladd	1,000,000	43,290	500,000	500,000
Mr. Stockton (3)	n/a	n/a	n/a	n/a
Mr. Schorlemer (4)	1,000,000	43,290	500,000	500,000

(1) Based on \$11.55, the closing price of the common stock on February 21, 2018.

The value of these awards reflected in the Summary Compensation Table on page 30 is the grant date fair value determined for accounting purposes using the Monte Carlo simulation model, which applies a valuation factor to the target award to estimate the probable outcome of the conditions and thus results in a lower value than the target value included above.

(3) Mr. Stockton joined the Company in September 2018 and did not participate in the full 2018 long term incentive program, although he received a grant of 50,000 RSUs upon joining the Company.

(4) Upon his resignation from the Company effective August 15, 2018, Mr. Schorlemer forfeited his right to all his long-term incentive awards.

The RSUs vest ratably over a three-year period. The performance awards are payable in cash between 0% and 150% of the target value following the end of a three-year performance period based on our TSR relative to a group of peer companies. Since 2016, given the low trading price of our common stock, and to limit the dilutive effects to the Company and its shareholders of equity-based awards, the Committee has recommended that the performance-based component of the program be a cash award instead of a traditional equity award.

Payout of the performance awards following the end of the performance period is based on the following matrix; provided, however, that beginning with performance awards granted in 2017 if the Company's TSR is negative, the payout value of the award will be reduced by 50%:

Relative TSR Performance	Payout (% of target award earned) ⁽¹⁾
Threshold / <30th Percentile	-%
Threshold / 30th Percentile	50%
Target / 60th Percentile	100%
Maximum / 90th Percentile or higher	150%

(1) Payouts for performance between the performance targets shown above are determined using straight-line interpolation.

Settlement of 2016 Performance Awards

In February 2019, the Committee certified the results of the performance awards granted in 2016 to our executive officers. These performance awards had a three-year performance period ending December 31, 2018, and vesting and payout was based on the Company's TSR compared to the TSR of the Simmons TSR Peer Group (see page 25 for information about the companies in the Simmons TSR Peer Group applicable to the 2016 performance awards). The executives could earn between 0% and 150% of the target performance award based on the Company's TSR percentile compared to the peer companies. As of the end of the performance period, our TSR for the 2016 long-term performance awards was in the 50th percentile of the peer group, which would have resulted in a payout of 83% of the

target award. However, in light of the Company's negative TSR results, the Committee and executive management agreed to reduce the payout of the 2016 long-term performance awards by 50%.

Perquisites. We also provide very limited perquisites and personal benefits to certain of our NEOs, consisting of automobile related expenses and disability benefits.

Post-Employment Compensation. We maintain a retirement plan qualified under Section 401(k) of the Internal Revenue Code that is available to all qualified employees. Our NEOs participate in this retirement plan under the same terms as all eligible employees. In addition, we have change of control agreements with all of our current NEOs. We believe that severance protections, when provided in the context of a change of control transaction, can play a valuable role in attracting and retaining key executives. The occurrence, or potential occurrence, of a change of control transaction can create uncertainty regarding the continued employment of our executive officers. This uncertainty occurs because many change of control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage our executive officers to remain employed with the Company during a critical time when their prospects for continued employment following the transaction are often uncertain, we have elected to provide severance benefits if their employment is terminated by the Company without cause or, in limited circumstances, by the executive for good reason in connection with a change of control. Because we believe that a termination by the executive for good reason may be conceptually the same as a termination by the Company without cause, and because we believe that in the context of a change of control, potential acquirers would otherwise have an incentive to constructively terminate the executive's employment to avoid paying severance, we believe it is appropriate to provide severance benefits in these circumstances. We do not provide excise tax gross-up protections in our change of control arrangements.

We do not believe that our executive officers should be entitled to receive cash severance benefits merely because a change of control transaction occurs. The payment of cash severance benefits is only triggered by an actual or constructive termination of employment within 24 months for our Chief Executive Officer or 18 months for our other executive officers following a change of control (i.e., a "double trigger"). In addition, accelerated vesting of long-term incentive awards in connection with a change of control is only triggered by an actual or constructive termination of employment following a change of control. This treatment of the equity and performance awards in connection with a change of control applies to all award recipients, not just our NEOs. In addition, performance awards granted to our executive officers are converted to time-based awards at their targeted values immediately upon a change of control.

The benefits provided to our NEOs in connection with a termination following a change of control are described below under "Potential Payments upon Termination or Change of Control."

Executive Compensation Policies

Stock Ownership Guidelines and Retention Requirements for Officers

Our Board has adopted stock ownership guidelines for directors, executive officers and other key employees that are included in our Corporate Governance Guidelines, which are posted on our website, www.gulfisland.com, under the "Investors" caption. Executive officers are required to hold Company common stock (including 50% of any unvested restricted stock or RSUs in an amount equal to 2.0 times base salary for our Chief Executive Officer and 1.25 times base salary for our other executive officers. Officers are expected to reach this level of holdings on or prior to the later of April 30, 2021, or the five-year anniversary of the date they first became subject to the stock ownership guidelines.

To the extent any executive officer or other key employee subject to the stock ownership requirements fails to satisfy this requirement at any time as a result of a decline in the price of the Company's common stock, such officer is prohibited from selling any shares until such time as he or she regains compliance with the stock ownership requirements.

Clawback Policy

Beginning with the long-term incentive program awards in 2015, the Company included a clawback provision in all of its award agreements enabling the Company to recover a portion or all of the annual and/or long-term incentive

Explanation of Responses:

compensation granted to an executive or other key employee if the officer or other key employee engaged in grossly negligent or intentional misconduct that (i) required the Company to restate its financial statements and/or (ii) resulted in an increase in the amount of incentive compensation that would otherwise be payable to such individual. Additionally, all of our award agreements provide that they are subject to any clawback policies the Company may adopt in the future in order to comply with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Committee on February 27, 2019.

William E. Chiles
Robert M. Averick
Murray W. Burns
Michael A. Flick
John P. Laborde

Executive Compensation Tables

The table below summarizes the total compensation paid to or earned by our NEOs. The amounts represented in the “Stock Awards” column reflect the estimated fair value of the equity and performance awards on the grant date and do not necessarily reflect the income that will ultimately be realized by our NEOs for these awards. Messrs. Meche, Ladd, Stockton and Schorlemer were our only executive officers during 2018.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Non-Equity Incentive Plan Compensation (2)	All Other Compensation (3)	Total
Kirk J. Meche - President and Chief Executive Officer	2018	\$483,359	\$ —	\$1,520,200	\$ 103,439	\$ 12,512	\$2,119,510
	2017	500,000	—	1,539,995	125,000	33,975	2,198,970
	2016	500,000	—	1,180,880	766,608	12,607	2,460,095
Todd F. Ladd - Executive Vice President and Chief Operating Officer	2018	338,352	—	760,000	57,926	12,512	1,168,790
	2017	350,000	—	769,998	70,000	33,975	1,223,973
	2016	350,000	—	590,440	451,301	8,378	1,400,119
Westley S. Stockton (4) - Executive Vice President, Chief Financial Officer and Treasurer	2018	100,061	80,049	972,500	—	3,595	656,205
David S. Schorlemer (5) - Former Executive Vice President, Chief Financial Officer and Treasurer	2018	218,732	—	760,000	—	369	979,101
	2017	340,000	—	616,006	63,750	940	1,020,696

- (1) Amounts shown reflect the aggregate grant date fair value of RSUs and long-term performance awards granted during the applicable year, as follows:

Name	Year	RSU Awards	Performance Awards	Total
Mr. Meche	2018	\$1,000,000	\$ 520,000	\$ 1,520,000
	2017	999,995	540,000	1,539,995
	2016	550,880	630,000	1,180,880
Mr. Ladd	2018	500,000	260,000	760,000
	2017	499,998	270,000	769,998
	2016	275,440	315,000	590,440
Mr. Stockton	2018	472,500	n/a	472,500
Mr. Schorlemer	2018	500,000	260,000	760,000
	2017	400,006	216,000	616,006

The RSU amounts reported in the table for 2018 reflect the aggregate grant date fair value of the awards, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718. The grant date fair value of the RSUs was determined based on the closing price of our common stock on the grant date. The long-term performance awards are payable based on the Company's TSR relative to a peer group. The grant date fair value of the performance awards granted in 2018 was determined using a Monte Carlo simulation model to estimate the probable outcome of the conditions. The Monte Carlo model utilizes multiple inputs to produce distributions of TSR for the Company and each of the applicable peer companies to calculate the fair value. The maximum amounts that may be earned under the 2018 performance awards were as follows: Mr. Meche - \$1.5 million, and for each of Mr. Ladd and Mr. Schorlemer - \$750,000. As noted previously, Mr. Schorlemer forfeited this award upon his resignation. Refer to the Grants of Plan-Based Awards table on the next page for further details.

- (2) See the Grants of Plan-Based Awards table below and "Annual Cash Incentives" beginning on page 26 for additional information regarding the structure and payout opportunities under our annual cash incentive program.

For 2018, includes (i) premium payments under a long-term disability insurance plan, which premium payments are attributable to benefits in excess of those benefits provided generally for other employees, and (ii) an automobile allowance. During 2016, we ceased matching and profit-sharing contributions under our 401(k) plan to all of our employees. A summary of all other compensation for 2018 is set forth below:

Name	Automobile Allowance	Disability Insurance Premiums	Total
Mr. Meche	\$ 12,000	\$ 512	\$12,512
Mr. Ladd	12,000	512	12,512
Mr. Stockton	3,500	95	3,595
Mr. Schorlemer	—	369	369

Mr. Stockton joined our Company as Executive Vice President, Chief Financial Officer, Treasurer and Secretary on September 12, 2018. As previously discussed, upon joining the Company, Mr. Stockton received a grant of

- (4) 50,000 RSUs and a prorated bonus based on his target of 80% of his base salary for 2018, as he was not a participant in the Company's long term incentive program or annual cash incentive program for 2018.
- (5) Mr. Schorlemer resigned from the Company as Executive Vice President, Chief Financial Officer and Treasurer, effective August 15, 2018.

Grants of Plan-Based Awards

Name	Date of Grant	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)		
Kirk J. Meche									
Annual Cash Incentive ⁽¹⁾	2/21/2018	\$169,176	\$483,359	\$966,718	--	--	--	--	--
Restricted Stock ⁽²⁾	2/21/2018	--	--	--	--	--	--	86,580	\$1,000,000
Performance Award ⁽³⁾	2/21/2018	--	--	--	\$500,000	\$1,000,000	\$1,500,000	--	--
Todd F. Ladd									
Annual Cash Incentive ⁽¹⁾	2/21/2018	118,423	270,682	541,363	--	--	--	--	--
Restricted Stock ⁽²⁾	2/21/2018	--	--	--	--	--	--	43,290	500,000
Performance Award ⁽³⁾	2/21/2018	--	--	--	250,000	500,000	750,000	--	--
Westley S. Stockton ⁽⁴⁾									
Restricted Stock ⁽²⁾	9/12/2018	--	--	--	--	--	--	50,000	472,500
David S. Schorlemer ⁽⁵⁾									
Annual Cash Incentive ⁽¹⁾	2/21/2018	890,440	258,400	516,800	--	--	--	--	--
Restricted Stock ⁽²⁾	2/21/2018	--	--	--	--	--	--	43,290	500,000
Performance Award ⁽³⁾	2/21/2018	--	--	--	250,000	500,000	750,000	--	--

For 2018, under the annual cash incentive program, each executive had a target award based on a multiple of salary, with the amount to be earned based on the Company's performance relative to EBITDA and safety measures, as well as individual performance. The amounts reported represent the estimated threshold, target and maximum possible annual cash incentive payouts that could have been received by each NEO pursuant to the annual cash incentive program for 2018. The estimated amounts in the "Target" column were approved by the Board upon the recommendation of the Compensation Committee and reflect 100% of base salary for Mr. Meche and 80% of base salary for each of our other NEOs. The threshold amounts above represent the assumed achievement of the minimum threshold performance targets for each of the EBTIDA and Safety measures and 0% payout for the individual performance targets, which would result in a payout of 35% of the target payout. The maximum amounts above represent payout of 200% of the target payout. As noted previously, Mr. Stockton joined the Company in September 2018 and was not a participant in the Company's standard annual cash incentive program. For more information, see "Annual Cash Incentives" beginning on page 26.

(1) Represents a grant of RSUs that will vest in one-third increments on each of the first three anniversaries of the grant date.

(3) Represents a long-term performance award which will be paid in cash based on the Company's relative TSR at the end of a three-year performance period beginning January 1, 2018, and ending December 31, 2020. For more

information, see “Long-Term Incentive Awards” beginning on page 27.

- Mr. Stockton joined the Company in September 2018 and was not a participant in the Company’s standard annual
- (4) cash incentive program for 2018. As part of his sign-on arrangement, he was eligible to receive a prorated bonus based on his target of 80% of his base salary for 2018, provided he remained employed through the end of the year.
- (5) Upon his resignation from the Company effective August 15, 2018, Mr. Schorlemer forfeited all of his outstanding incentive awards.

Outstanding Equity Awards at Fiscal Year-End

As of December 31, 2018, our NEOs had the following outstanding equity awards:

Name	Date of Grant	Stock Awards ⁽¹⁾			Vesting Schedule
		Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ⁽²⁾		
Kirk J. Meche	2/25/2016	20,313	\$ 144,660		100% on February 25, 2019
	2/22/2017	49,937	360,545		50% on February 22, 2019 and on the next anniversary thereof
	2/21/2018	86,580	625,108		33% on February 21, 2019 and on the next two anniversaries thereof
Todd F. Ladd	2/25/2016	10,157	73,334		100% on February 25, 2019
	2/22/2017	24,969	180,276		50% on February 22, 2019 and on the next anniversary thereof
	2/21/2018	43,290	312,554		33% on February 21, 2019 and on the next two anniversaries thereof
Westley S. Stockton	9/12/2018	50,000	361,000		33% on September 12, 2019 and on each of the next two anniversaries thereof
David S. Schorlemer	n/a	n/a	n/a		n/a

In addition to the stock awards reflected in the table as of December 31, 2018, the executives had the following outstanding performance awards, which are denominated in and payable in cash but are considered share-based awards under ASC Topic 718 due to their payout being based on the Company's achievement of a relative TSR performance measure after a three-year performance period:

Name	Grant Date	Performance Awards			Last Day of Performance Period
		Threshold*	Target	Maximum	
Mr. Meche	2/25/2016	\$500,000	\$1,000,000	\$1,500,000	December 31, 2018*
	3/10/2017	\$500,000	\$1,000,000	\$1,500,000	December 31, 2019
	2/21/2018	\$500,000	\$1,000,000	\$1,500,000	December 31, 2020
Mr. Ladd	2/25/2016	\$250,000	\$500,000	\$750,000	December 31, 2018*
	3/10/2017	\$250,000	\$500,000	\$750,000	December 31, 2019
	2/21/2018	\$250,000	\$500,000	\$750,000	December 31, 2020

*In February 2019, the Committee determined that the 2016 performance awards were earned at 83% of target value.

(2) Amounts are valued based upon the closing price of our common stock on December 31, 2018 of \$7.22.

Vested Stock

The following table sets forth certain information regarding the vesting of RSUs during 2018, for each of our NEOs.

Name	Stock Awards	
	Number	Value
	Shares	Realized
	Acquired ⁽¹⁾	on Vesting
	Vesting ⁽²⁾	
Kirk J. Meche	61,845	\$704,175
Todd F. Ladd	34,386	388,547
Westley S. Stockton	—	—
David S. Schorlemer	9,988	115,857

(1) Includes shares issuable upon vesting of restricted stock and RSUs.

(2) Value realized on vesting is based upon the closing price of our common stock on the vesting date.

Potential Payments upon Termination or Change of Control

Change of Control Agreement-Mr. Meche. In February 2018, we entered into a change of control agreement with Mr. Meche. This agreement entitles Mr. Meche to receive additional benefits in the event of the termination of his employment under certain circumstances following a change of control. The agreement provides that if, during the 24-month period following a change of control, the Company or its successor terminates Mr. Meche other than by reason of death, disability or cause, or Mr. Meche voluntarily terminates his employment for good reason, the executive will receive:

- any accrued but unpaid salary and a pro-rata bonus (as defined below) for the year in which he was terminated; a lump-sum cash payment equal to 2.0 times the sum of (a) Mr. Meche's base salary in effect at the time of termination and (b) the highest annual bonus awarded to Mr. Meche during the three fiscal years immediately preceding the termination date; and
- continuation of insurance and welfare benefits until the earlier of (a) December 31 of the first calendar year following the calendar year of the termination or (b) the date Mr. Meche accepts new employment.

Change of Control Agreement-Mr. Ladd. In February 2018, we entered into a change of control agreement with Mr. Ladd. This agreement entitles Mr. Ladd to receive additional benefits in the event of the termination of his employment under certain circumstances following a change of control. The agreement provides that if, during the 18-month period following a change of control, the Company or its successor terminates Mr. Ladd other than by reason of death, disability or cause, or Mr. Ladd voluntarily terminates his employment for good reason, the executive will receive:

- any accrued but unpaid salary and a pro-rata bonus (as defined below) for the year in which he was terminated; a lump-sum cash payment equal to 1.5 times the sum of (a) Mr. Ladd's base salary in effect at the time of termination and (b) the highest annual bonus awarded to Mr. Ladd during the three fiscal years immediately preceding the termination date; and
- continuation of insurance and welfare benefits until the earlier of (a) December 31 of the first calendar year following the calendar year of the termination or (b) the date Mr. Ladd accepts new employment.

Explanation of Responses:

Change of Control Agreement-Mr. Stockton. In December 2018, we entered into a change of control agreement with Mr. Stockton. This agreement entitles Mr. Stockton to receive additional benefits in the event of the termination of his employment under certain circumstances following a change of control. The agreement provides that if, during the 18-month period following a change of control, the Company or its successor terminates Mr. Stockton other than by reason of death, disability or cause, or Mr. Stockton voluntarily terminates his employment for good reason, the executive will receive:

any accrued but unpaid salary and a pro-rata bonus (as defined below) for the year in which he was terminated; a lump-sum cash payment equal to 1.5 times the sum of (a) Mr. Stockton's base salary in effect at the time of termination and (b) the greater of the highest annual bonus awarded to Mr. Stockton during the three fiscal years immediately preceding the termination date or his target annual bonus for the year of termination; and

- continuation of insurance and welfare benefits until the earlier of (a) December 31 of the first calendar year following the calendar year of the termination or (b) the date Mr. Stockton accepts new employment.

In addition, the above described agreements provide that if the executive terminates his employment during the respective protected period following a change of control by reason of death, disability or retirement, the Company or its successor shall pay to the executive or his legal representative any accrued but unpaid salary and a pro-rata bonus for the year in which he was terminated. The pro-rata bonus shall be calculated based on the average of the annual bonuses received by the executive in the three most recently completed fiscal years prior to the termination date (or, for Mr. Stockton, his target bonus if higher), and multiplying such amount by the fraction obtained by dividing the number of days in the year through the date of termination by 365. Also, each of the above described agreements provides that any payments under such agreement are conditioned upon the executive fulfilling the nondisclosure and proprietary rights obligations set forth in the agreement, which will remain in effect for a period of two years after termination of the executive's employment and may be offset by any damages owed to the Company for the executive's breach of his nondisclosure and proprietary rights covenant contained in such agreement.

For purposes of the agreements, a "change of control" will generally have occurred upon:

- the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Company's common stock;
- our incumbent board of directors and individuals whose election or nomination to serve on our board was approved by at least two-thirds of our board and not related to a proxy contest ceasing for any reason to constitute at least a majority of our board;
- the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company; or
- approval by the Company's shareholders of a complete liquidation or dissolution of the Company.

No Excise Tax Gross-Ups. We do not provide excise tax gross-up protections in any of our change of control arrangements with our executive officers. If any part of the payments or benefits received by the executive in connection with a termination following a change of control constitutes an excess parachute payment under Section 4999 of the Internal Revenue Code, the executive will receive the greater of (1) the amount of such payments and benefits reduced so that none of the amount constitutes an excess parachute payment, net of income taxes, or (2) the amount of such payments and benefits, net of income taxes and net of excise taxes under Section 4999 of the Internal Revenue Code.

Award Agreements under the Long Term Incentive Program. The terms of our outstanding awards under our long-term incentive program (which include RSUs and performance awards) generally provide that the subject award will be forfeited if the award recipient terminates employment prior to the vesting of the award, except under certain limited circumstances described below. In addition, a change of control alone will not automatically result in an acceleration of the vesting of outstanding awards (as discussed above).

The following summarizes the effect of a termination of employment under certain scenarios on the outstanding long-term incentives held by our NEOs:

Restricted Stock Units- Except in the context of a change of control, upon a recipient's termination for any reason, all outstanding unvested RSUs will be forfeited. In connection with a change of control, the RSUs will vest in full if the recipient is terminated by the company without cause or terminates with good reason within one year following the change of control.

Performance Awards - Unless otherwise noted below, termination of employment results in forfeiture of the performance awards. Upon a recipient's termination of employment due to death, disability, retirement or by the

Company without cause, a pro rata portion of the award (reflecting the portion of the performance period before termination) will not be forfeited nor accelerate, but will remain outstanding and vest following the end of the performance period, provided the applicable performance condition is met. In the event of a change of control, outstanding performance awards will convert into a time-based cash award at the target level, which will vest on the earlier of the last day of the applicable performance period or the date the recipient is terminated without cause or terminates for good reason.

The following table quantifies the potential payments to our NEOs under the contracts, arrangements or plans discussed above, in connection with a termination of employment by the Company without cause or by the NEO with good reason following a change of control, assuming a December 31, 2018, termination date, and where applicable, using the closing price of our common stock of \$7.22 (as of December 31, 2018).

Name	Pro-Rata Bonus	Severance Payment	Performance Awards ⁽¹⁾	RSUs (Unvested and Accelerated) ⁽¹⁾	Health Benefits	Total
Kirk J. Meche	\$380,536	\$2,483,216	\$2,000,000	\$ 1,132,313	\$ 10,526	\$6,006,591
Todd F. Ladd	220,434	1,175,702	1,000,000	566,164	10,526	2,972,826
Westley S. Stockton	264,000	891,000	—	361,000	10,526	1,526,526

(1) The performance awards convert to time-based awards at the target values.

As discussed in the narrative preceding the table, pursuant to the terms of the executive's change of control

(2) agreement, the total payments may be subject to reduction if such payments result in the imposition of an excise tax under Section 280G of the Internal Revenue Code.

The table above does not include amounts that may be payable under our 401(k) plan, or amounts that are not accelerated as a result of the termination or change of control, such as accrued salary or pro-rata bonus payments for the year of termination. In addition, the table does not include Mr. Schorlemer, who resigned from the Company effective August 15, 2018 and who did not receive any compensation as a result of the termination of his employment.

Pay Ratio

The following is a reasonable estimate, prepared under applicable SEC rules, of the ratio of the annual total compensation of Mr. Meche, our chief executive officer, to the median of the annual total compensation of our other employees. We determined our median employee based on gross taxable wages for 2017 (annualized in the case of full- and part-time employees who joined the Company during 2017) of each of our 1,028 employees (excluding the Chief Executive Officer) as of December 31, 2017. There has been no change in our employee population or employee compensation arrangements since the end of 2017 that we reasonably believe would significantly impact our pay ratio disclosure, although during 2018, the median employee identified for 2017 terminated employment with us. As a result, in accordance with applicable SEC rules, we are calculating our CEO pay ratio for 2018 using another employee, who had substantially similar compensation to that of the employee used for our 2017 pay ratio calculation. The annual total compensation of our median employee for 2018 was \$62,024. As disclosed in the Summary Compensation Table appearing on page 30, Mr. Meche's annual total compensation for 2018 was \$2,119,510. Based on the foregoing, our estimate of the ratio of the annual total compensation of our CEO to the median of the annual total compensation of all other employees was approximately 34 to 1. Given the different methodologies that various public companies will use to determine an estimate of their pay ratio, the estimated ratio reported above should not be used as a basis for comparison between companies.

PROPOSAL 2: ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our NEOs as disclosed in this proxy statement in accordance with Section 14A of the Securities Exchange Act of 1934 and the rules of the SEC (commonly referred to as a “say-on-pay” vote). This vote is not intended to address any specific item of compensation but rather the overall compensation of our NEOs and our compensation philosophy and practices as disclosed under the “Executive Compensation” section of this proxy statement. This disclosure includes the “Compensation Discussion and Analysis” and the executive compensation tables and accompanying narrative disclosures.

At last year’s annual meeting, we provided our shareholders with the opportunity to cast a non-binding advisory vote regarding the compensation of our NEOs as disclosed in our proxy statement for the 2018 annual meeting of shareholders. Our shareholders approved the say-on-pay proposal, with more than 88% of the total votes cast voted for the proposal. This year we are again asking our shareholders to vote on the following resolution:

RESOLVED, that the shareholders of Gulf Island Fabrication, Inc. (the “Company”) approve, on an advisory basis, the compensation of the Company’s named executive officers as disclosed in the proxy statement for the Company’s 2019 annual meeting of shareholders pursuant to Item 402 of Regulation S-K of the rules of the Securities and Exchange Commission.

We understand that executive compensation is an important matter for our shareholders. Our core executive compensation philosophy and practice continue to be based on pay for performance, and we believe that our compensation program is strongly aligned with the long-term interests of our shareholders. In considering how to vote on this proposal, we encourage you to review all the relevant information in this proxy statement—our “Compensation Discussion and Analysis” (including its “Executive Summary”), the executive compensation tables, and the rest of the narrative disclosures regarding our executive compensation program.

While this advisory vote is not binding, our Board and the Compensation Committee value the opinions of our shareholders and will consider the outcome of the vote when making future compensation decisions for our NEOs. Following the recommendation of our shareholders at our 2017 annual meeting, we will hold a say-on-pay vote at each annual meeting until the next required vote of our shareholders regarding the frequency of say-on-pay. As such, it is expected that the next say-on-pay vote will occur at our 2020 annual meeting. We invite shareholders who wish to communicate with our Board on executive compensation or any other matters to contact us as provided under “Corporate Governance; Our Board of Directors and Its Committees—Communications with our Board and Shareholder Engagement.”

Approval of this proposal requires the affirmative vote of at least a majority of the votes cast at the annual meeting (meaning the number of shares voted “for” the proposal must exceed the number of shares voted “against” the proposal). For additional information regarding the vote required and the treatment of abstentions and broker non-votes, see “Questions and Answers about the Annual Meeting and Voting.”

Our Board unanimously recommends that you vote “FOR” the approval of the compensation of our named executive officers as disclosed in this proxy statement.

Audit Committee Report

The Audit Committee of the Company is composed of five directors and operates under a written charter adopted by the Board of Directors, which is posted on the Company's corporate governance page at www.gulfisland.com under "Investors." The current members of the Audit Committee, Gregory J. Cotter (Chairman), Michael A. Flick, Christopher M. Harding, John P. Laborde and Michael J. Keefe, are independent as such term is defined under the NASDAQ listing standards.

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. The Audit Committee is responsible for monitoring the financial reporting process but is not responsible for preparing the Company's financial statements or auditing those financial statements. Those are the responsibilities of management of the Company and the Company's independent registered public accounting firm, respectively.

During 2018, management assessed the effectiveness of the Company's system of internal control over financial reporting in connection with the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee reviewed and discussed with management, RSM US LLP (the Company's outsourced internal auditors) and Ernst & Young LLP ("E&Y") (the Company's independent registered public accounting firm) management's report on internal control over financial reporting and E&Y's report on its audit of the Company's internal control over financial reporting, both of which are included in the Company's annual report on Form 10-K for the year ended December 31, 2018.

Appointment of the Company's Independent Registered Public Accounting Firm; Financial Statement Review
In accordance with the Audit Committee's charter, the Audit Committee appointed E&Y as the Company's independent registered public accounting firm for 2018. The Audit Committee has reviewed and discussed the Company's audited financial statements for 2018 with management and E&Y. Management represented to us that the audited financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company as of and for the periods presented in the financial statements in accordance with accounting principles generally accepted in the United States, and E&Y provided an audit opinion to the same effect.

The Audit Committee has received from E&Y the written disclosures and letter required by Rule 3526 of the Public Company Accounting Oversight Board (the "PCAOB"), "Communication with Audit Committees Concerning Independence", and has discussed with E&Y its independence from the Company and management. The Audit Committee has also discussed with E&Y the matters required to be discussed by PCAOB Auditing Standard No. 1301, "Communication with Audit Committees and other applicable auditing standards".

In addition, the Audit Committee discussed with E&Y the overall scope and plans for its audit, and the Audit Committee has met with E&Y and management to discuss the results of E&Y's examination, E&Y's understanding and evaluation of the Company's internal controls as E&Y considered necessary to support its opinion on the financial statements for 2018, and various factors affecting the overall quality of accounting principles applied in the Company's 2018 financial statements.

In reliance on these reviews and discussions, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the audited financial statements referred to above in the Company's annual report on Form 10-K for the year ended December 31, 2018.

Internal Audit

The Audit Committee also reviews the Company's outsourced internal audit function, and discusses with the internal auditors the scope of their audit plan, and has met with the internal auditors to discuss the results of their reviews, their review of management's documentation, testing and evaluation of the Company's system of internal control over financial reporting, any difficulties or disputes with management encountered during the course of their reviews and other matters relating to the internal audit process. The internal auditors were also given the opportunity to meet with the Audit Committee without management being present to discuss these matters.

Dated: February 26, 2019

The Audit Committee:

Gregory J. Cotter,	Michael A. Flick	Christopher M. Harding	Michael J. Keefe	John P. Laborde
Chairman				

Independent Registered Public Accounting Firm

Fees and Related Disclosures for Accounting Services

The following table summarizes fees for services provided by our independent registered public accounting firm, Ernst & Young LLP, for the years ended December 31, 2018 and 2017:

	2018	2017
Audit Fees	\$725,300	\$805,828
Audit-Related Fees	—	15,000
Tax Fees	—	—
All Other Fees	—	—
Total	\$725,300	\$820,828

The Audit Committee has considered and determined that the provision of the above services is compatible with maintaining the independence of our independent registered public accounting firm.

Pre-Approval Policies and Procedures. The Audit Committee has adopted policies and procedures for the pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm. The Audit Committee will generally pre-approve a list of specific services and categories of services, including audit, audit-related and tax services, for the upcoming or current fiscal year, subject to a specified cost estimate. Any service that is not included in the approved list of services must be separately pre-approved by the Audit Committee in increments of \$10,000. In addition, if fees for any pre-approved service exceed the previously approved cost estimate, then payment of additional fees for such service must be specifically pre-approved by the Audit Committee.

At each regularly-scheduled Audit Committee meeting, management updates the Audit Committee on the scope and anticipated cost of any service pre-approved by the Audit Committee since the last meeting of the Audit Committee, as well as the projected fees for each service or group of services being provided by our independent registered public accounting firm.

Each service provided by our independent registered public accounting firm was approved in advance by the Audit Committee, and none of those services required use of the de minimis exception to the pre-approval requirement contained in the SEC rules.

PROPOSAL 3: RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP has served as our independent registered public accounting firm providing auditing and financial services since their engagement in 1997. In February 2019, the Audit Committee appointed Ernst & Young LLP to serve as our independent registered public accounting firm to audit our financial statements for the year ending December 31, 2019. Although we are not required to seek shareholder approval of this appointment, we have elected to do so. No determination has been made as to what action the Audit Committee and our Board would take if our shareholders fail to ratify the appointment. Even if the appointment is ratified, the Audit Committee retains discretion to appoint a new independent registered public accounting firm at any time if the Audit Committee concludes such a change would be in the best interests of the Company. We expect that representatives of Ernst & Young LLP will be present at the annual meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

Approval of this proposal requires the affirmative vote of at least a majority of the votes cast at the annual meeting (meaning the number of shares voted “for” the proposal must exceed the number of shares voted “against” the proposal). For more information regarding the vote required and the treatment of abstentions and broker non-votes, see “Questions and Answers about the Annual Meeting and Voting.”

Our Board unanimously recommends that you vote “FOR” the ratification of the appointment of our independent registered public accounting firm.

PROPOSAL 4: APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED COMMON SHARES

General

Our Board has determined that it is advisable and in our shareholders' best interests to increase the number of authorized shares of common stock from 20,000,000 to 30,000,000 shares, no par value per share. Accordingly, shareholders are asked to approve an amendment to our articles of incorporation to effectuate such increase.

The terms of the additional shares of common stock will be identical to those of the currently outstanding shares of common stock and will not affect the relative voting power or equity interest of any shareholder, except for such effects as may be attendant to any future issuance of shares. This amendment to increase the shares of authorized common stock will not change the current number of issued shares.

Reasons for the Proposed Increase

The Board strongly believes that the increase in the number of authorized shares of common stock is necessary to provide the Company with a sufficient number of authorized shares of common stock available for general corporate purposes including, but not limited to: (i) issuing common stock to attract and retain employees and consultants; (ii) raising additional capital; and (iii) pursuing potential strategic transactions, including, among other things, acquisitions, strategic partnerships, joint ventures, business combinations and investments. We do not presently have any current plans, agreements, commitments or arrangements regarding the issuance of the additional 10,000,000 shares of our common stock that would be newly authorized upon the increase to our authorized common stock.

The Board believes that having such authorized shares of common stock available for issuance in the future will give the Company greater flexibility and may allow such shares to be issued without the expense and delay of an additional special shareholders' meeting unless such approval is expressly required by applicable law. Although the future issuance of additional shares would dilute the relative ownership interests of existing shareholders, the Board believes that having the flexibility to issue additional shares in appropriate circumstances could increase the overall value of the Company to its shareholders.

Effects of the Proposed Increase

If shareholders approve this amendment, the additional authorized shares of common stock will have rights identical to the currently outstanding shares of our common stock. The proposed amendment will not affect the par value of the common stock, which will remain at no par per share.

The additional authorized shares of common stock by the approval of the proposed amendment could be issued by our Board without further vote of our shareholders except as may be required in particular cases by our articles of incorporation, the Louisiana Business Corporations Act (the "LBCA") or other applicable law, regulatory agencies or NASDAQ rules. There are no cumulative voting, preemptive, subscription or conversion rights associated with our Common Shares, which means that current shareholders do not have a right to purchase any new issue of common stock, or securities that are convertible into common stock, in order to maintain their proportionate ownership interests in the Company; therefore, any future issuance of additional shares of common stock will reduce the current shareholders' percentage ownership interest in the total outstanding shares of common stock.

The proposed amendment to our articles of incorporation to increase the number of authorized shares of our common stock could, under certain circumstances, have an anti-takeover effect. Although this proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the Board currently aware of any such attempts directed at us), the additional shares of common stock that would become available for issuance if this proposed amendment is approved could also be used by us, subject to our fiduciary duties, to oppose a hostile takeover attempt or to delay or prevent changes in control.

Explanation of Responses:

If shareholders approve the proposal to amend our articles of incorporation to, among other things, increase the number of authorized shares of common stock, the Company intends to promptly file amended and restated articles of incorporation with the Secretary of State of the State of Louisiana shortly following the 2019 annual meeting of shareholders. The amended and

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restated articles of incorporation will become effective upon acceptance of the filing by the Secretary of State of the State of Louisiana.

The description of this amendments to the articles of incorporation is qualified in its entirety by the complete text of the proposed amended and restated articles of incorporation set forth in Appendix A.

Approval of this proposal requires the affirmative vote of at least a majority of the votes entitled to be cast on the proposal (meaning at least a majority of our outstanding shares of common stock must vote “for” the proposal). For more information regarding the vote required and the treatment of abstentions and broker non-votes, see “Questions and Answers about the Annual Meeting and Voting.”

Our Board unanimously recommends that you vote “FOR” the amendment to increase the number of common shares authorized in our articles of incorporation.

PROPOSAL 5: APPROVAL OF AN AMENDMENT TO OUR ARTICLES OF INCORPORATION TO REVISE THE SPECIAL MEETING THRESHOLD

General

As discussed in “2018 Corporate Governance Highlights”, in response to feedback from our shareholders and our commitment to strong governance, we recently took steps to improve our corporate governance practices, including a review of our articles of incorporation and by-laws. The Company’s articles of incorporation have not been amended since its initial public offering in 1997, other than relating to terms of preferred stock. In connection with such review, the Board determined that the articles of incorporation should be amended in light of (i) the provisions of the Louisiana Business Corporation Act (the “LBCA”) that became effective January 1, 2015, (ii) current corporate governance best practices and (iii) the Company’s current circumstances, including its shareholder base and feedback from shareholders received during 2018 relating to corporate governance. Following this review, the Board concluded that it is advisable and in the best interests of the Company and its shareholders to amend our articles of incorporation to revise the threshold percentage of outstanding shares that would be required to request a special meeting of shareholders.

Reasons for the Proposal

Our articles of incorporation currently provide that our shareholders may call a special meeting of shareholders upon the written request of any shareholder or group of shareholders holding in the aggregate at least a majority of the total voting power. This majority threshold is not enforceable under the new LBCA. Generally, the default threshold under the LBCA is 10% of the votes entitled to be cast, although the LBCA permits a company to include in its articles of incorporation a provision fixing the threshold percentage as high as 25% of the votes entitled to be cast on the matter to be presented for consideration by the shareholders at the special meeting. In light of the unenforceability of the current majority threshold in our articles of incorporation, the Board elected to memorialize the 10% default threshold in its 2016 amendments to the Company’s by-laws. Despite the majority threshold in our articles of incorporation, the Board has been advised by counsel that it is likely that the current threshold for a shareholder to call a special meeting is 10% of the votes entitled to be cast; the default threshold under the LBCA and the threshold reflected in the by-laws.

The Board is submitting to our shareholders for approval an amendment to the special meeting provision in our existing articles of incorporation that would require a shareholder (or group of shareholders) seeking to call a special meeting to own at least 20% of all the votes entitled to be cast on the issue proposed to be considered at the special meeting (see Article IX.A. of the proposed amended and restated articles of incorporation set forth in Appendix A).

In evaluating the appropriate ownership threshold required to request a special meeting of shareholders, the Board considered a number of factors, including: (i) the changes to the law governing corporations in Louisiana, as described above; (ii) the practices of companies that are members of the S&P 500 (which information was readily available); (iii) the Company resources required to convene a special meeting of shareholders; (iv) our corporate governance policies already in place; and (v) the interests of our shareholders as a whole.

As noted above, the LBCA permits a threshold percentage as high as 25% of the votes entitled to be cast on the matter to be presented for consideration by the shareholders at the special meeting. By revising the threshold required by our articles of incorporation from the current majority vote requirement to a 20% threshold, the special meeting provision in our articles of incorporation would be enforceable under the LBCA as it will be below the maximum threshold percentage permitted.

Currently, over a majority of S&P 500 companies offer shareholders a right to call special meetings and of those S&P 500 companies that provide special meeting rights to shareholders, the most prevalent ownership threshold to call a special meeting of shareholders is 25% of the outstanding shares. The Board believes that by revising the threshold required by our articles of incorporation from the current majority vote requirement to a 20% threshold, the Company's special meeting provision would include a threshold percentage that is lower than the most common practice of much larger companies in the S&P 500 and thus provide a more meaningful shareholder right than provided at larger companies.

Organizing and preparing for a special meeting of shareholders requires a considerable investment of Company resources and a substantial commitment of time from our senior management, which could impose significant costs, including the costs of preparing and distributing proxy materials, and divert Board and management attention from the oversight and management of our operations. Accordingly, the Board believes that incurring the expense and disruption of a special meeting should be limited to the consideration of those matters deemed by a broad consensus of our shareholders to be of sufficient magnitude to warrant

attention in advance of an annual meeting. Our Board is committed to maintaining strong and effective corporate governance policies that promote accountability to our shareholders, provide an appropriate venue for our shareholders to bring matters of importance to the table, and foster the long-term interests of our shareholders. It is the Board's view that the proposed 20% threshold achieves these corporate governance objectives, while striking the appropriate balance between these values and avoiding unnecessary disruptions of management's and the Board's time, which are better served in supervising the company's operations.

In addition, the Board believes that requiring a threshold of at least 20% of the votes entitled to be cast on an issue proposed to be considered at a special meeting provides an appropriate balance between enhancing our shareholders' ability to act on important matters and protecting the Company and other shareholders by allowing only a meaningful group of shareholders to exercise this right. An ownership threshold that is too low could potentially allow a small minority of shareholders to use Company resources to convene a special meeting to further their own interests in a potentially disruptive and costly manner detrimental to the interests of a majority of our shareholders and other stakeholders. Our shareholder base currently includes two shareholder that holds more than 9% of our shares of common stock, as well as one shareholder that holds more than 8% of our shares of common stock and another three shareholders that own over 5% of our common stock. For additional information on the beneficial ownership of our significant shareholders, see "Stock Ownership". A lower threshold than the 20% threshold that the Board is submitting to our shareholders for approval could permit one or a handful of shareholders to call a special meeting which could have the negative and disruptive impact described above.

Effects of the Proposal

Based on its consideration of the factors discussed above, the Board believes that a 20% ownership threshold (i) provides a meaningful right to our shareholders with less risk of abuse, (ii) is lower than the common practice among much larger public companies and (iii) provides a favorable balance between ensuring the Board's accountability to shareholders and enabling the Board and management to operate the Company in an effective manner without unnecessary expense and disruption.

If shareholders approve the proposal to amend our articles of incorporation to, among other things, revise the percentage of votes required to request a special meeting of shareholders, the Company intends to promptly file amended and restated articles of incorporation with the Secretary of State of the State of Louisiana shortly following the annual meeting of shareholders. The amended and restated articles of incorporation will become effective upon acceptance of the filing by the Secretary of State of the State of Louisiana. In addition, if approved, the Board intends to promptly amend and restate its by-laws to remove the provision in the by-laws relating to the default LBCA threshold to call a special meeting of shareholders.

The description of this amendment to the articles of incorporation is qualified in its entirety by the complete text of the proposed amended and restated articles of incorporation attached as Appendix A.

Approval of this proposal requires the affirmative vote of at least a majority of the votes entitled to be cast on the proposal (meaning at least a majority of our outstanding shares of common stock must vote "for" the proposal). For more information regarding the vote required and the treatment of abstentions and broker non-votes, see "Questions and Answers about the Annual Meeting and Voting."

Our Board unanimously recommends that you vote "FOR" the amendment to revise the special meeting threshold in our articles of incorporation.

**PROPOSAL 6: APPROVAL OF CERTAIN OTHER AMENDMENTS TO
OUR ARTICLES OF INCORPORATION TO CONFORM TO NEW
LOUISIANA CORPORATE LAW AND CURRENT CORPORATE
GOVERNANCE PRACTICES**

General

As discussed in “2018 Corporate Governance Highlights”, in response to feedback from our shareholders and our commitment to strong governance, we recently took steps to improve our corporate governance practices, including a review of our articles of incorporation and by-laws. The Company’s articles of incorporation have not been amended since its initial public offering in 1997, other than relating to terms of preferred stock. In connection with such review, the Board determined whether any provisions of the articles of incorporation should be amended in light of (i) the provisions of the Louisiana Business Corporation Act (the “LBCA”) that became effective January 1, 2015, (ii) current corporate governance best practices and (iii) the Company’s current circumstances, including its shareholder base and feedback from shareholders received during 2018 relating to corporate governance. Following this review, in addition to the proposed amendments in Proposals 4 and 5, the Board concluded that it is advisable and in the best interests of the Company and its shareholders to further amend the articles of incorporation to conform to the new LBCA and current concepts of good corporate governance.

Reason for the Proposal

These amendments are designed to bring our articles of incorporation in line with the requirements of the new LBCA and current concepts of good corporate governance and to make certain minor changes, further described below. As a result of the adoption of the LBCA and the passage of time, a number of provisions in the Company’s existing articles of incorporation are no longer applicable, current or relevant. Deleting or amending those provisions conforms our articles of incorporation to current Louisiana law, our by-laws and current corporate governance practices. The Company also proposes to make certain other minor changes. All of the proposed amendments to our articles of incorporation are reflected in Appendix A.

Summary of the Amendments and Effects of the Proposal

In addition to the amendments described in Proposals 4 and 5 and the below described substantive amendments to our articles of incorporation, Appendix A includes certain other amendments to, among other things, define terms, update references from the old Louisiana corporation law to the new LBCA, remove references to old Louisiana corporation law provisions that were repealed and not replaced, correct typographical errors and conform to other proposed amendments.

Revision of Director Removal Procedures to Conform to the LBCA (Existing Article IV(D))

We propose to revise the director removal procedures in Article IV(D) to clarify that only shareholders may remove directors from office, in accordance with the LBCA. Under our existing articles of incorporation, a director may be removed by either the affirmative vote of two-thirds of the directors constituting the Board (with or without cause) or two-thirds of the total voting power (only for cause). If this proposed amendment is approved, directors are no longer permitted to remove other directors, consistent with the LBCA.

Removal of Advance Notice of Board Nomination (Existing Article IV(E))

We propose to remove the provision governing the advance notice of board nominations by shareholders in Article IV(E). As previously disclosed, a modernized provision governing advance notice of board nominations by

Explanation of Responses:

shareholders was added to our by-laws, as amended and restated on November 1, 2018. Pursuant to Article II, Section 2.9 of our by-laws, advance notice is required for shareholders to nominate directors at annual meetings and special meetings of shareholders or to submit proposals for consideration at annual meetings of shareholders. To be timely, such notice is required no sooner than 120 days and no later than 90 days before the anniversary of the prior year's annual meeting. Our by-laws provide detailed procedures for the nomination of directors and the submission of proposals. For additional information regarding the advance notice requirements of our by-laws, see "Shareholder Proposals and Nominations for the 2020 Annual Meeting." If approved, this amendment would remove the outdated and duplicative advance notice of board nominations provision currently included in our articles of incorporation.

Removal of Supermajority Vote (Existing Articles V and VII)

We propose to replace the supermajority vote standard for shareholder amendments to our articles of incorporation and by-laws and approval of certain corporate actions with a majority vote standard.

Our existing articles of incorporation require the affirmative vote of 80% of the total voting power to approve shareholder amendments to our by-laws and certain provisions of our articles of incorporation, as well as certain corporate actions, such as a merger or sale of all or substantially all of the assets, if not supported by at least two-thirds of the Board. These provisions serve as anti-takeover measures.

If this proposed amendment is approved, (i) our by-laws and our articles of incorporation may be amended by the affirmative vote of at least a majority of the total voting power and (ii) the supermajority requirement for certain corporate actions will be eliminated. These amendments will conform our articles of incorporation to current concepts of good governance.

Removal of Reference to Repealed Business Combination Voting Statutes (Existing Article VI)

We propose to delete Article VI relating to the Company's election to not be governed by certain business combination voting statutes under the old Louisiana corporation law provisions that were repealed and not replaced. This amendment will conform our articles to the new LBCA.

Modification of Limitation of Director and Officer Liability and Indemnification (Existing Article VIII(A))

We propose to update the provision in Article VIII(A) relating to limitation of director and officer liability, as required by the LBCA. Our existing articles of incorporation reference the old Louisiana corporation law, which is no longer in effect. This amendment, if approved, will remove references to the old LBCL and conform our articles of incorporation to the LBCA's requirements regarding director and officer limitations of liability and indemnification, while preserving the governance of the old LBCL over any causes of action that occurred prior to the enactment of the new LBCA.

If shareholders approve the proposal to amend our articles of incorporation to, among other things, conform to the LBCA and current concepts of good corporate governance, the Company intends to promptly file amended and restated articles of incorporation with the Secretary of State of the State of Louisiana shortly following the annual meeting of shareholders. The amended and restated articles of incorporation will become effective upon acceptance of the filing by the Secretary of State of the State of Louisiana.

In addition, the Board will amend the articles of incorporation, as reflected in Appendix A, to remove the Series A Preferred Stock provision in Article III, as such shares were originally established and reserved for issuance in connection with the Rights Agreement dated as of March 25, 2009, which is now expired. No shares of Series A Preferred Stock were ever issued. Therefore, the Board will amend our articles of incorporation to eliminate this provision, as it is no longer necessary. Pursuant to Article III(B), the Board is permitted to amend the articles of incorporation without shareholder approval with respect to terms of preferred stock.

The description of the amendments to the articles of incorporation is qualified in its entirety by the complete text of the proposed amended and restated articles of incorporation attached as Appendix A.

Approval of this proposal requires the affirmative vote of at least a majority of the votes entitled to be cast on the proposal (meaning at least a majority of our outstanding shares of common stock must vote "for" the proposal). For more information regarding the vote required and the treatment of abstentions and broker non-votes, see "Questions

and Answers about the Annual Meeting and Voting.”

Our Board unanimously recommends that you vote “FOR” these amendments to our articles of incorporation to conform to new Louisiana corporate law and current corporate governance practices.

Certain Transactions
Piton Cooperation Agreement

On November 2, 2018, we entered into a Cooperation Agreement (the “Cooperation Agreement”) with Piton Capital Partners, LLC and Kokino LLC (together, “Piton”), wherein Piton agreed to certain standstill provisions and the Company agreed to appoint Robert M. Averick to our Board as a Class II director with a term expiring at the Company’s 2020 annual meeting of shareholders, as well as to the Board’s Compensation Committee. In addition, under the terms of the Cooperation Agreement, the Company has agreed to reduce the size of the Board to eight directors immediately after the 2020 annual meeting of shareholders. Piton has disclosed that it beneficially owns approximately 1.5 million shares of the Company’s common stock, which represents approximately 9.85% of the Company’s issued and outstanding shares of common stock. For additional information about the Cooperation Agreement, see the Company’s Current Report on Form 8-K filed on November 6, 2018.

Reportable Transactions

In accordance with the provisions of our Audit Committee Charter and Corporate Governance Guidelines, any transaction which would require disclosure under Item 404(a) of Regulation S-K of the rules and regulations of the SEC, with respect to a director or executive officer, must be reviewed and approved, or ratified, on an ongoing basis by the Audit Committee of our Board. No related party transactions reportable under Item 404(a) of Regulation S-K have taken place since January 1, 2018, and none are currently proposed.

Stock Ownership

The following table sets forth, as of March 15, 2019, certain information regarding beneficial ownership of shares of our common stock by (i) each of our current directors and director nominees, (ii) each of our named executive officers, (iii) all of our director nominees and current directors and executive officers as a group, and (iv) each other shareholder known by us to be the beneficial owner of more than 5% of our outstanding common stock. Unless otherwise indicated, we believe that the shareholders listed below have sole investment and voting power with respect to their shares of our common stock based on filings with the SEC and/or information furnished to us by such shareholders.

Name of Beneficial Owner	Number of Shares Beneficially Owned ⁽¹⁾	Percentage of Outstanding Common Stock ⁽²⁾
Directors, Director Nominees and Named Executive Officers:		
Robert M. Averick	1,500,000 ⁽³⁾	9.85 %
Murray W. Burns	22,780	*
William E. Chiles	21,154	*
Gregory J. Cotter	28,855	*
Michael A. Flick	14,953	*
Christopher M. Harding	22,995	*
Michael J. Keeffe	14,589	*
John P. Laborde ⁽⁴⁾	34,138	*
Cheryl D. Richard	1,875	*
Kirk J. Meche	222,173	1.46 %
Todd F. Ladd	105,979	*
Westley S. Stockton	—	*
David S. Schorlemer ⁽⁵⁾	25,000	*
All director nominees and current directors and executive officers of the Company as a group (13 persons) ⁽⁶⁾	1,989,491	13.06 %
Greater Than 5% Shareholders:		
BlackRock, Inc. ⁽⁷⁾	1,394,159 ⁽⁸⁾	9.15 %
Dimensional Fund Advisors LP ⁽⁹⁾	1,228,295 ⁽¹⁰⁾	8.06 %
The Vanguard Group, Inc. ⁽¹¹⁾	859,714 ⁽¹²⁾	5.64 %
Piton Capital Partners, LLC ⁽¹³⁾	1,500,000 ⁽³⁾	9.85 %
PVAM Perlus Microcap Fund, L.P. ⁽¹⁴⁾	790,846 ⁽¹⁵⁾	5.19 %
Wax Asset Management, LLC ⁽¹⁶⁾	824,770 ⁽¹⁷⁾	5.41 %

¹ Less than 1%.

¹ Includes unvested shares of restricted stock.

² Based on 15,234,420 shares of our common stock outstanding as of March 15, 2019.

Based on information contained in the Schedule 13D filed on March 22, 2018, as amended on April 6, 2018, April 25, 2018 and November 6, 2018, by Piton Capital Partners, LLC (“Piton Capital”), an investment vehicle formed for the benefit of a single family and certain “key employees” (as defined in Investment Advisers Act Rule 202(a)(11)(G)-1), voting and dispositive power with respect to the shares of our common stock held by Piton Capital is exercised by its investment manager, Kokino LLC, a Delaware limited liability company. The actual trading, voting, investment strategy and decision-making processes with respect to the shares of common stock held by Piton Capital are directed by Robert Averick, who is an employee of Kokino, LLC and the portfolio manager of Piton Capital's investment in the shares. As a result, Kokino, LLC and Mr. Averick may be deemed to share voting and dispositive power with respect to all of the shares reported.

- Mr. Laborde has sole voting and dispositive power with respect to these 34,138 shares of our common stock. This amount does not include Mr. Laborde's indirect interest in the shares of our common stock held by Starboard Enterprises, L.L.C. ("Starboard") and All Aboard Development Corporation ("All Aboard") as a result of his ownership interests in those entities. Starboard is a private, family holding company that currently beneficially owns 500,000 shares of the Company's common stock. Additionally, All Aboard, a privately-held independent oil and gas exploration and production company also affiliated with the Laborde family, beneficially owns 7,500 shares of the Company's common stock. Mr. Laborde and each of his four siblings serves as a manager of Starboard (each, a "Manager") and a director of All Aboard, with all decisions made by a majority vote of the Managers and directors, respectively. Each of the Managers directly owns a 0.2% interest in Starboard and the remaining 99% interest is owned by 23 family trusts of which the five Managers serve as co-trustees and actions require a majority vote of the co-trustees (except that each Manager does not serve as a co-trustee of a trust in which his or her children are beneficiaries). These trusts own an aggregate 212,781 shares of our common stock, which shares are not reflected in the table. With respect to Overboard Holdings, L.L.C. ("Overboard"), the parent company of All Aboard, Mr. Laborde owns a 0.1% interest and the remaining 99.9% interest is collectively held by five trusts of which the Managers are both principal and income beneficiaries.
5. Mr. Schorlemer resigned as Executive Vice President, Chief Financial Officer, Treasurer and Secretary of the Company, effective August 15, 2018.
 6. Includes our director nominees, current directors and executive officers as of March 21, 2019.
 7. The address of BlackRock, Inc. is 55 East 52nd Street, New York, New York, 10055.
Based on information contained in the amended Schedule 13G filed with the SEC on February 4, 2019, by
 8. BlackRock, Inc. BlackRock has sole voting power and sole dispositive power with respect to all of the shares reported.
 9. The address of Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.
Based on information contained in the amended Schedule 13G filed with the SEC on February 8, 2019, by
 10. Dimensional Fund Advisors LP ("Dimensional Fund"). As investment advisor, Dimensional Fund has (i) sole voting power with respect to 1,168,821 shares of our common stock and (ii) sole dispositive power with respect to 1,228,295 shares of our common stock.
 11. The address of The Vanguard Group, Inc., is 100 Vanguard Blvd. Malvern, Pennsylvania, 19355.
Based on information contained in the amended Schedule 13G filed with the SEC on February 11, 2019, by the
 12. Vanguard Group, Inc. ("Vanguard Group"). The Vanguard Group has (i) sole voting power with respect to 2,591 shares of our common stock and (ii) sole dispositive power with respect to 857,123 of the shares reported.
 13. The address of Piton Capital Partners, LLC is 201 Tresser Boulevard, 3rd Floor, Stamford, Connecticut, 06901.
 14. The address of PVAM Perlus Microcap Fund, L.P. is c/o Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands.
Based on information contained in the Schedule 13D filed with the SEC on April 20, 2018, by PVAM Perlus Microcap Fund L.P. ("PVAM Perlus"). PVAM has shared voting power and shared dispositive power with Pacific View Asset Management (UK) LLP ("PVAM"), PVAM Holdings Ltd. ("PVAM Holdings"), David LaSalle and James Boucherat with respect to all of the shares reported. PVAM Perlus is a private investment fund; PVAM is the
 15. investment adviser of PVAM Perlus; and PVAM Holdings, Mr. LaSalle and Mr. Boucherat are members of PVAM and the Portfolio Managers of PVAM Perlus. The address for each of PVAM Holdings and PVAM is 5th Floor, 6 St. Andrew Street, London, EC4A 3AE; the address for Mr. LaSalle is 2660 Townsgate Road, Suite 800C, Westlake Village, CA 9136; and the address for Mr. Boucherat is 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.
 16. The address of Wax Asset Management, LLC is 44 Cherry Lane, Madison, Connecticut, 06443.
Based on information contained in the Schedule 13G filed with the SEC on January 11, 2019, by Wax Asset
 17. Management, LLC ("Wax Asset Management"), an investment adviser (in accordance with Rule 13d-1(b)(1)(ii)(E)).
Wax Asset Management has sole voting power and sole dispositive power with respect to all of the shares reported.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% shareholders are required by the regulations of the SEC to furnish the Company with copies of all Section 16(a) reports they file. Based solely on our review of copies of such reports and written representations from our officers and directors that no other reports were required for those persons, we believe that all of our officers, directors and greater than 10% shareholders timely complied with the filing requirements applicable to such persons for the fiscal year ended December 31, 2018.

Questions and Answers about the Annual Meeting and Voting
Why am I receiving this proxy statement?

Our Board is soliciting your proxy to vote at the 2019 annual meeting of shareholders and at any adjournment thereof because you owned shares of our common stock at the close of business on March 21, 2019, the record date for determining shareholders entitled to vote at the annual meeting. The proxy statement, along with a proxy card, and our 2018 Annual Report are being mailed to shareholders on or about March 29, 2019. We have also made these materials available to you on the Internet at <https://ir.gulfisland.com/proxy>. This proxy statement summarizes the information you need to know to vote at the annual meeting. You do not need to attend the 2019 annual meeting to vote your shares of our common stock.

When and where will the annual meeting be held?

The annual meeting will be held at 10:00 a.m., Central time, on Thursday, May 9, 2019, at the corporate office of Gulf Island Fabrication, Inc. located at 16225 Park Ten Place, Suite 260, Houston, Texas, 77084. To obtain directions to attend the 2019 annual meeting of shareholders, please contact Westley S. Stockton at (713) 714-6100.

What should I bring if I plan to attend the annual meeting in person?

If you plan to attend the annual meeting in person, please bring proper identification and, if you are a “beneficial owner,” meaning a bank, broker, trustee or other nominee is the shareholder of record of your shares (further defined below), please bring acceptable proof of ownership, which is either an account statement or a letter from your bank, broker, trustee or other nominee confirming that you beneficially owned shares of the Company’s common stock on the record date.

Who is soliciting my proxy?

Our Board, on behalf of the Company, is soliciting your proxy to vote your shares of our common stock on all matters scheduled to come before the 2019 annual meeting of shareholders, whether or not you attend in person. By signing, dating and returning the proxy card, or by submitting your proxy and voting instructions via the Internet, you are authorizing the proxy holder to vote your shares of our common stock at our annual meeting.

On what matters will I be voting? How does the Board of Directors recommend that I cast my vote?

At the annual meeting, our shareholders will be asked to (1) elect the three Class I director nominees named in this proxy statement, (2) approve, on an advisory basis, the compensation of our named executive officers (the say-on-pay proposal), (3) ratify the appointment of our independent registered public accounting firm, (4) approve an amendment to our amended and restated articles of incorporation to increase the number of authorized shares of our common stock to 30,000,000 shares, (5) approve an amendment to our amended and restated articles of incorporation to revise the special meeting threshold, (6) approve certain other amendments to our amended and restated articles of incorporation to conform to the requirements of new Louisiana corporate law and current corporate governance practices, and (7) consider any other matter that properly comes before the annual meeting.

Our Board unanimously recommends that you vote:

FOR the election of each of the three Class I director nominees named in this proxy statement;
FOR the approval, on an advisory basis, of the compensation of our named executive officers;
FOR the ratification of the appointment of our independent registered public accounting firm;

Explanation of Responses:

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• FOR the approval of an amendment to our articles of incorporation to increase the number of authorized shares of our common stock to 30,000,000;

• FOR the approval of an amendment to our articles of incorporation to revise the special meeting threshold; and

• FOR the approval of certain other amendments to our articles of incorporation to conform to new Louisiana corporate law and current corporate governance practices.

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We do not expect any matters to be presented for action at the annual meeting other than the matters described in this proxy statement. However, by signing, dating and returning a proxy card or submitting your proxy and voting instructions via the Internet, you will give to the persons named as proxies discretionary voting authority with respect to any matter that may properly come before the annual meeting about which we did not have notice as required by our advance notice provision of our by-laws. The proxies will vote on any such matter in accordance with their best judgment.

How many votes may I cast?

You may cast one vote for every share of our common stock that you owned on March 21, 2019, the record date for determining the shareholders entitled to vote at the annual meeting.

How many shares are eligible to be voted?

As of the record date, we had shares of our common stock outstanding, each of which is entitled to one vote.

How many shares must be present to hold the annual meeting?

The presence, in person or by proxy, of a majority of the shares issued and outstanding and entitled to vote at the meeting is necessary to constitute a quorum at the annual meeting. As of the record date, shares constitute a majority of our outstanding stock entitled to vote at the annual meeting. The inspector of elections will determine whether a quorum is present at the annual meeting.

If you are a beneficial owner (as defined below) of shares of our common stock (whether or not instruct your bank, broker, trustee or other nominee how to vote your shares on any of the proposals since a discretionary proposal is being presented at the meeting), and your bank, broker, trustee or other nominee submits a proxy with respect to your shares, your shares of our common stock will be counted as present at the annual meeting for purposes of determining whether a quorum exists. In addition, if you are a shareholder of record present at the annual meeting in person or by proxy, your shares of our common stock will be counted as present at the annual meeting for purposes of determining whether a quorum exists, whether or not you abstain from voting on any or all of the proposals.

How do I vote? What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Shareholders of Record

If your shares of our common stock are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered, with respect to those shares, the “shareholder of record.” The proxy materials have been mailed to such shareholders of record by us. You may submit your proxy and voting instructions by using any of the methods below.

Submit Your Proxy and Voting Instructions by Mail:

Complete, sign and date your proxy card and return it in the prepaid envelope provided.

Submit Your Proxy and Voting Instructions via the Internet at www.voteproxy.com:

Use the Internet to submit your proxy and voting instructions 24 hours a day, seven days a week until 11:59 p.m., Eastern Time, on May 8, 2019.

Please have your proxy card available and follow the instructions on the proxy card.

Vote In Person at the Annual Meeting:

All shareholders may vote in person at the annual meeting. You may also be represented by another person at the annual meeting by executing a proper proxy designating that person as your representative.

Explanation of Responses:

If you return a proxy card, your proxy authorizes each of Westley S. Stockton, our Chief Financial Officer, and Kirk J. Meche, our Chief Executive Officer to act as your proxies at the annual meeting and at any adjournment of the meeting, each with the power to appoint his substitute, and to represent and vote your shares of our common stock as you directed, if applicable. The proxies will vote your shares of our common stock at the annual meeting as instructed by the latest dated proxy received from you, whether submitted via the Internet or by mail. You will give to the proxies discretionary voting authority with respect to any matter that may properly come before the annual meeting about which we did not have notice as required by our advance notice provision of our by-laws. You may also vote in person at the annual meeting.

Beneficial Owners of the Shares Held in Street Name

If your shares of our common stock are held by a bank, broker, trustee or other nominee, you are considered the “beneficial owner” of shares held in “street name.” The proxy materials have been forwarded to such beneficial owners by the bank, broker, trustee or other nominee that holds your shares of our common stock. The bank, broker, trustee or other nominee is considered, with respect to those shares, the shareholder of record.

Voting Instruction Card: You should receive a voting instruction card from your bank, broker, trustee or other nominee. The availability of submission of voting instructions by telephone or Internet for beneficial owners will depend on the voting processes of your bank, broker, trustee or other nominee. As the beneficial owner, you have the right to instruct your bank, broker, trustee or other nominee how to vote your shares by completing and returning the voting instruction card included in their mailing or by following the voting instructions you received from your bank, broker, trustee or other nominee.

In Person at the Annual Meeting: All shareholders, including beneficial owners, may vote in person at the annual meeting. If you are a beneficial owner of shares of our common stock, you must obtain and bring acceptable proof of ownership, which is either an account statement or a letter from your bank, broker, trustee or other nominee confirming that you beneficially owned shares of our common stock on the record date and present it to the inspectors of election with your ballot when you vote at the annual meeting.

What happens if I don’t provide voting instructions for a proposal? What is a broker non-vote?

Shareholder of Records

If you are a shareholder of record and you sign, date and return a proxy card but make no specifications on your proxy card, your shares of our common stock will be voted in accordance with the recommendations of our Board, as provided above.

Beneficial Owners

If you are a beneficial owner and you do not provide voting instructions to your bank, broker, trustee or other nominee holding shares of our common stock for you, your shares of our common stock will not be voted with respect to any proposal for which the shareholder of record does not have discretionary authority to vote. Applicable rules determine whether proposals presented at shareholder meetings are “discretionary” or “non-discretionary.” If a proposal is determined to be discretionary, your bank, broker, trustee or other nominee is permitted under the applicable rules to vote on the proposal without receiving voting instructions from you. If a proposal is determined to be non-discretionary, the applicable rules prohibit your bank, broker, trustee or other nominee to vote on the proposal without receiving voting instructions from you.

A “broker non-vote” occurs when a bank, broker, trustee or other nominee holding shares for a beneficial owner returns a valid proxy, but does not vote on a particular proposal because the proposal is non-discretionary (thus, the applicable rules does not provide discretionary authority to vote on the matter) and the person holding shares for the beneficial owner has not received voting instructions from the shareholder for whom it is holding shares. Accordingly, if you are a beneficial owner and you do not provide voting instructions to your bank, broker, trustee or other nominee holding shares for you, your shares will not be voted and a broker non-vote will occur with respect to your shares on each non-discretionary proposal for which you have not provided voting instructions.

Which proposals are considered “discretionary” and which are considered “non-discretionary”?

The classification of each proposal as discretionary or non-discretionary under the applicable rules is below. If you are a beneficial owner and you do not provide voting instructions to your bank, broker, trustee or other nominee holding shares for you, your shares may be voted by the record holder with respect to the discretionary proposal (i.e., ratification of the external auditors). However, if you are a beneficial owner and you do not provide voting instructions to your bank, broker, trustee or other nominee holding shares for you, your shares will not be voted with respect to the non-discretionary proposals. Without your voting instructions, a broker non-vote will occur with respect to your shares on each non-discretionary proposal for which you have not provided voting instructions.

Proposal	Classification under Applicable Rules
1. Election of three director nominees	Non-discretionary
2. Advisory vote to approve the compensation of our named executive officers	Non-discretionary
3. Ratification of the appointment of Ernst & Yong LLP as our independent registered public accounting firm for 2019	Discretionary
4. Approval of an amendment to our articles of incorporation to increase the number of authorized shares of our common stock to 30,000,000	Non-discretionary
5. Approval of an amendment to our articles of incorporation to revise the special meeting threshold	Non-discretionary
6. Approval of certain other amendments to our articles of incorporation to conform to new Louisiana law and current corporate governance practices	Non-discretionary

What vote is required to approve each item?

The votes required for the approval of each proposal are listed below. All matters properly brought before the annual meeting for a vote of shareholders will be decided by a majority of the votes cast (which means that the number of shares voted for the proposal exceeds the number of shares voted against), except for Proposals No. 4, 5 and 6, which will be decided by a majority of the votes entitled to be cast on the proposal (which means at least a majority of our outstanding shares must vote “for” each of the proposals).

Proposal	Voting Options	Vote Required to Adopt the Proposal	Effect of Abstentions	Effect of Broker Non-Votes
1. Election of three director nominees	For, against or abstain with respect to each director	Majority of votes cast, with respect to each director ⁽¹⁾	No effect	No effect
2. Advisory vote to approve the compensation of our named executive officers	For, against or abstain	Majority of votes cast	No effect	No effect
3. Ratification of the appointment of Ernst & Yong LLP as our independent registered public accounting firm for 2019	For, against or abstain	Majority of votes cast	No effect	N/A
4. Approval of an amendment to our articles of incorporation to increase the number of authorized shares of our common stock to 30,000,000	For, against or abstain	Majority of votes cast	Vote against	Vote against
5. Approval of an amendment to our articles of incorporation to revise the special meeting threshold	For, against or abstain	Majority of votes entitled to be cast on the proposal	Vote against	Vote against
6. Approval of certain other amendments to our articles of incorporation to conform the terms to new Louisiana law and current corporate governance	For, against or abstain	Majority of votes entitled to be cast on the proposal	Vote against	Vote against

(1) Our director resignation policy requires that in the event an incumbent director nominee has received less than a majority of affirmative votes in an uncontested election, the incumbent director must provide a written offer of resignation, which the Corporate Governance and Nominating Committee will consider and recommend to the

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Board whether to accept or reject. In the event that the number of director nominees exceeds the number of directors to be elected, the directors shall be elected by the plurality of the votes cast at the annual meeting. "Plurality of votes cast" means that the three director nominees receiving the most votes at the meeting will be elected to the Board.

Can I revoke or change my voting instructions after I deliver my proxy?

Yes. Your proxy may be revoked or changed at any time before it is exercised by delivering to our Secretary an instrument revoking it or a duly executed proxy bearing a later date, or by attending the annual meeting and voting in person, unless (a) the

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appointment form or electronic transmission appointing the proxy states that the proxy is irrevocable and (b) the appointment is coupled with an interest. Your attendance alone at the annual meeting will not be enough to revoke your proxy.

Who pays for soliciting proxies?

We pay all expenses incurred in connection with the solicitation of proxies for the annual meeting. We have engaged Okapi Partners LLC to assist with the solicitation of proxies for an estimated fee of \$10,000 plus out-of-pocket expenses. We will also request banks, brokers, trustees or other nominees that hold shares of our common stock beneficially owned by others to send these proxy materials and our 2018 Annual Report to, and obtain voting instructions from, the beneficial owners and will reimburse such shareholders of record for related reasonable expenses. Solicitation of proxies by mail may be supplemented by telephone, email and other electronic means, advertisements and personal solicitation by our directors, officers and employees. No additional compensation will be paid to directors, officers or employees for such solicitation efforts.

Could other matters be decided at the annual meeting?

Our Board does not expect to bring any other matter before the annual meeting, and it is not aware of any other matter that may be considered at the annual meeting. In addition, the time has passed for any shareholder to properly bring a matter before the annual meeting. The enclosed proxy will, however, confer discretionary authority with respect to any anticipated matter not included in this proxy statement that may properly come before the annual meeting or any adjournment thereof, subject to applicable SEC rules. It is the intention of the person(s) named in the enclosed proxy to vote any shares of our common stock for which he has a proxy to vote at the annual meeting in accordance with his best judgment on any such matter.

What happens if the annual meeting is postponed or adjourned?

Unless a new record date is fixed, your proxy will be valid and may be voted at the annual meeting, whether postponed or adjourned. You will still be able to change or revoke your proxy until the annual meeting is held.

I share an address with another shareholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

SEC rules permit companies and intermediaries, such as banks, brokers, trustees or other nominees, to deliver a single set of proxy materials to two or more shareholders sharing the same address, a process known as "householding." Currently, the Company does not engage in householding for shareholders of record. However, a number of brokerage firms with account holders who are Company shareholders have adopted householding procedures. Once a shareholder has received notice from his or her bank, broker, trustee or other nominee that the bank, broker, trustee or other nominee will be householding communications to the shareholder's address, householding will continue until the shareholder is notified otherwise or until one or more of the shareholders revokes his or her consent.

If you would like to receive separate copies of our annual report and proxy statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you may either contact your bank, broker, trustee or other nominee or the Company at the address and telephone number below.

You may also request prompt delivery of additional copies of our proxy materials and the 2018 Annual Report by contacting the Company at (713) 714-6100 or Gulf Island Fabrication, Inc., 16225 Park Ten Place, Suite 300, Houston, Texas, 77084.

Shareholder Proposals and Nominations for the 2020 Annual Meeting
Shareholders Proposals

Any shareholder who wishes to bring a matter, other than shareholder nominations of directors, before the 2020 annual meeting but does not wish to have it included in our proxy materials, should notify our Secretary, in writing at the address shown on the first page of this proxy statement, no later than February 9, 2020. However, if the date of the 2020 annual meeting is more than 30 days before or more than 90 days after the date of the anniversary of the 2019 annual meeting, the notice must be received by our Secretary at our principal executive office not earlier than the close of business on the 120th day prior to the 2020 annual meeting and not later than the close of business on the later of the 90th day prior to the 2020 annual meeting or the 10th day following the day on which public announcement of the date of the 2020 annual meeting is first made, as set forth in our by-laws. If a shareholder does not provide such notice timely, proxies solicited on behalf of our Board for the 2020 annual meeting will confer discretionary authority to vote with respect to any such matter, as permitted by the proxy rules of the SEC.

Any shareholder who desires to submit a proposal for inclusion in our proxy materials for the 2020 annual meeting must forward the proposal in writing to our Secretary at the address shown on the first page of this proxy statement in time to arrive no later than December 2, 2019 and the proposal must comply with applicable federal proxy rules. If the date of the 2020 annual meeting is changed by more than 30 calendar days from the date of the anniversary of the 2020 annual meeting, the proposal must be received by the Company's Secretary in reasonable time before the Company begins to print and distribute its proxy materials with respect to the 2020 annual meeting.

Nominations

On November 1, 2018, the board of directors of the Company amended and restated our by-laws. Among other changes, the amendment and restatement of the by-laws added an advance notice provision (Article II, Section 2.9). Currently, the new advance notice provision in our by-laws relating to nominations is superseded by the advance notice provision relating to nominations in our current articles of incorporation. The board of directors is recommending the shareholders amend and restate our articles of incorporation to, among other things, remove the advance notice provision relating to nomination in Proposal No. 6 of this proxy statement.

If Proposal No. 6 is approved and our articles of incorporation are amended and restated, shareholders intending to nominate a director for consideration at the 2020 annual meeting should notify our Secretary, in writing at the address shown on the first page of this proxy statement, no later than February 9, 2020, containing specified information concerning, among other things, information about the nominee and the shareholder making the nomination. However, if the date of the 2020 annual meeting is more than 30 days before or more than 90 days after the date of the anniversary of the 2019 annual meeting, the notice must be received by our Secretary at our principal executive office not earlier than the close of business on the 120th day prior to the 2020 annual meeting and not later than the close of business on the later of the 90th day prior to the 2020 annual meeting or the 10th day following the day on which public announcement of the date of the 2020 annual meeting is first made, as set forth in our by-laws.

If Proposal No. 6 fails, shareholders intending to nominate a director for consideration at the 2020 annual meeting of shareholders may do so if they comply with our current articles of incorporation by furnishing timely written notice containing specified information concerning, among other things, information about the nominee and the shareholder making the nomination. To be timely, any shareholder who wishes to nominate a director for consideration at the 2020 annual meeting must notify our Secretary, in writing at the address shown on the first page of this proxy statement, no later than 45 calendar days prior to the meeting, unless we provide less than 55 days' notice of the 2019 annual meeting, in which case the shareholder must provide notice to the Company's Secretary no later than ten days following the date on which such notice of the 2019 annual meeting was given.

ANNUAL MEETING OF SHAREHOLDERS OF

GULF ISLAND FABRICATION, INC.

Proxy Solicited on Behalf of the Board of Directors for
Annual Meeting of Shareholders to be Held on May 9, 2019

The undersigned hereby appoints each of Kirk J. Meche and Westley S. Stockton as proxy for the undersigned, with full power of substitution, to represent the undersigned and to vote all of the shares of common stock of Gulf Island Fabrication, Inc. held of record by the undersigned on March 21, 2019, that the undersigned is entitled to vote at the 2019 annual meeting of shareholders to be held at the corporate office located at 16225 Park Ten Place, Suite 260, Houston, Texas, 77084, on May 9, 2019 at 10:00 a.m., Central time, and at all adjournments thereof, on all matters coming before the annual meeting. To obtain directions to attend the 2019 annual meeting of shareholders, please contact Westley S. Stockton at (713) 714-6100. The proxy will vote your shares: (1) as you specify on the back of this proxy card or online at www.voteproxy.com, (2) as the board of directors recommends where you do not specify your vote on a matter listed on the back of this proxy card, and (3) as the proxies decide on any other matter properly coming before the annual meeting.

If you wish your shares to be voted on all matters as the board of directors recommends, simply sign, date and return this proxy card. If you wish your shares to be voted as you specify on a matter or all matters, please also mark the appropriate boxes on the back of this proxy card.

PLEASE SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY IF YOU ARE NOT SUBMITTING VOTING INSTRUCTIONS AND PROXY VIA THE INTERNET.

(Please See Reverse Side)
